MINING

GOLD - GENERAL

1978

214

GOLD MINING COMPANIES IN THE

GOLD FIELDS GROUP

DIRECTORS' REPORTS
FOR THE QUARTER ENDED 31 DECEMBER 1977

(All companies are incorporated in the Republic of South Africa)

WEST DRIEFONTEIN

West Driefontein Gold Mining Company Limited

ISSUED CAPITAL 14 082 160 shares of R1 each, fully paid

	Quarter ended 31 December 1977	*Quarter ended 30 September 1977*	*Six months ended 31 December 1977*
OPERATING RESULTS			
Gold			
Ore milled (t)	600 000	*615 000*	*1 215 000*
Gold produced (kg)	14 130,5	*14 012,0*	*28 142,5*
Yield (g/t)	23,6	*22,8*	*23,2*
Revenue (R/t milled)	113,07	*88,47*	*100,62*
Cost (R/t milled)	29,75	*27,96*	*28,84*
Profit (R/t milled)	83,32	*60,51*	*71,78*
Revenue (R000's)	67 845	*54 408*	*122 253*
Cost (R000's)	17 851	*17 195*	*35 046*
Profit (R000's)	49 994	*37 213*	*87 207*
Uranium Oxide			
Pulp treated (t)	293 700	*311 900*	*605 600*
Oxide produced (kg)	73 348	*76 780*	*150 128*
Yield (kg/t)	0,250	*0,246*	*0,248*
FINANCIAL RESULTS (R000's)			
Working profit: Gold	49 994	*37 213*	*87 207*
Profit on sale of Uranium Oxide and Sulphuric Acid	3 092	*3 349*	*6 441*
Net sundry revenue	2 216	*2 142*	*4 358*
Profit before taxation and State's share of profit	55 302	*42 704*	*98 006*
Taxation and State's share of profit	31 599	*24 679*	*56 278*
Profit after taxation and State's share of profit	23 703	*18 025*	*41 728*
Capital expenditure	6 429	*4 411*	*10 840*
Loan levy	3 173	*2 489*	*5 662*
Dividend	19 011	—	*19 011*

PRODUCTION. As mentioned in the previous quarterly report, a fire broke out in the No 3 Sub-Vertical Shaft area on 26 September 1977 and, after this had been extinguished, operations in this area were resumed on 3 October 1977 Some loss of production was suffered as a result of the fire and an amount of R325 000, which amount is included in sundry revenue above, has been recovered under the company's loss of profits insurance policy

DIVIDEND. A dividend (No 50) of 135 cents per share was declared on 13 December 1977, payable to members on or about 7 February 1978

CAPITAL EXPENDITURE. The estimated capital expenditure for the current financial year is R16,5 million The unexpended balance of authorised capital expenditure at 31 December 1977 was R14,6 million

DEVELOPMENT			
Carbon Leader			
Advanced (m)	3 804	*3 261*	*7 065*
Sampling results			
Sampled (m)	52	*82*	*134*
Stope width (cm)	105	*105*	*105*
Av value gold (g/t)	22,4	*19,6*	*20,7*
cm g/t	2 352	*2 058*	*2 174*
Ventersdorp Contact Reef			
Advanced (m)	1 743	*1 803*	*3 546*
Sampling results			
Sampled (m)	468	*374*	*842*
Stope width (cm)	193	*155*	*176*
Av value gold (g/t)	16,1	*16,2*	*16,1*
cm g/t	3 107	*2 511*	*2 834*
Main Reef			
Advanced (m)	1 035	*1 002*	*2 037*
Sampling results			
Sampled (m)	188	*290*	*478*
Stope width (cm)	277	*225*	*245*
Av value gold (g/t)	3,7	*9,9*	*7,1*
cm g/t	1 025	*2 228*	*1 740*

SHAFT SINKING

No. 6 Shaft Installation of the main loading arrangements is in progress

No 6 Sub-Vertical Shaft Work continues on the rock loading arrangements and the equipping of the ore pass system Temporary facilities have been provided for the hoisting of waste rock

VENTERSPOST/OBERHOLZER WATER DISPOSAL PIPELINE

The construction of a large-diameter pipeline to transport excess water flowing along the Wonderfontein Spruit across the Bank Compartment has been completed and is in operation.

On behalf of the board
A Louw
R A Plumbridge } Directors

10 January 1978

DOORNFONTEIN

Doornfontein Gold Mining Company Limited

ISSUED CAPITAL 9 828 000 shares of R1 each, fully paid

	Quarter ended 31 December 1977	*Quarter ended 30 September 1977*	*Six months ended 31 December 1977*
OPERATING RESULTS			
Gold			
Ore milled (t)	355 000	*355 000*	*710 000*
Gold produced (kg)	3 438,0	*3 386,0*	*6 824,0*
Yield (g/t)	9,7	*9,5*	*9,6*
Revenue (R/t milled)	46,66	*36,74*	*41,70*
Cost (R/t milled)	30,79	*30,17*	*30,48*
Profit (R/t milled)	15,87	*6,57*	*11,22*
Revenue (R000's)	16 565	*13 043*	*29 608*
Cost (R000's)	10 930	*10 712*	*21 642*
Profit (R000's)	5 635	*2 331*	*7 966*
FINANCIAL RESULTS (R000's)			
Working profit Gold	5 635	*2 331*	*7 966*
Net sundry revenue	304	*255*	*559*
Profit before taxation and State's share of profit	5 939	*2 586*	*8 525*
Taxation and State's share of profit	3 159	*726*	*3 885*
Profit after taxation and State's share of profit	2 780	*1 860*	*4 640*
Capital expenditure	776	*895*	*1 671*
Loan levy	290	*72*	*362*
Dividend	1 966	—	*1 966*

DIVIDEND A dividend (No 42) of 20 cents per share was declared on 13 December 1977, payable to members on or about 7 February 1978

CAPITAL EXPENDITURE The estimated capital expenditure for the current financial year is R5,7 million The unexpended balance of authorised capital expenditure at 31 December 1977 was R6,6 million

DEVELOPMENT			
Carbon Leader			
Advanced (m)	3 880	*3 817*	*7 697*
Sampling results			
Sampled (m)	698	*1 016*	*1 714*
Stope width (cm)	105	*105*	*105*
Av value gold (g/t)	13,5	*12,4*	*12,8*
cm g/t	1 418	*1 302*	*1 344*
Main Reef			
Advanced (m)	836	*613*	*1 449*
Sampling results			
Sampled (m)	322	*248*	*570*
Stope width (cm)	124	*115*	*120*
Av value gold (g/t)	19,7	*9,5*	*15,5*
cm g/t	2 443	*1 093*	*1 860*

On behalf of the board
R A Plumbridge
A M D Gnodde } Directors

10 January 1978

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LIBANON

Libanon Gold Mining Company Limited

ISSUED CAPITAL 7 937 300 shares of R1 each, fully paid

	Quarter ended 31 December 1977	*Quarter ended 30 September 1977*	*Six m[illegible]*
OPERATING RESULTS			
Gold			
Ore milled (t)	405 000	*405 000*	[illegible]
Gold produced (kg)	3 575,5	*3 784,8*	[illegible]
Yield (g/t)	8,8	*9,3*	[illegible]
Revenue (R/t milled)	43,32	*36,19*	[illegible]
Cost (R/t milled)	23,93	*23,28*	[illegible]
Profit (R/t milled)	19,39	*12,91*	[illegible]
Revenue (R000's)	17 546	*14 657*	[illegible]
Cost (R000's)	9 692	*9 430*	[illegible]
Profit (R000's)	7 854	*5 227*	[illegible]
FINANCIAL RESULTS (R000's)			
Working Profit Gold	7 854	*5 227*	[illegible]
Net sundry revenue	347	*328*	[illegible]
Profit before taxation and State's share of profit	8 201	*5 555*	[illegible]
Taxation and State's share of profit	4 046	*2 733*	[illegible]
Profit after taxation and State's share of profit	4 155	*2 822*	[illegible]
Capital expenditure	1 120	*883*	[illegible]
Loan levy	468	*322*	[illegible]
Dividend	3 175	—	[illegible]

DIVIDEND A dividend (No 54) of 40 cents per share was declared on 13 D[illegible] 1977, payable to members on or about 7 February 1978

CAPITAL EXPENDITURE. The estimated capital expenditure for the current [illegible] year is R3,6 million The unexpended balance of authorised capital expenditure 31 December 1977 was R11,3 million

DEVELOPMENT			
Main Reef			
Advanced (m)	1 787	*1 854*	[illegible]
Sampling results			
Sampled (m)	412	*576*	*988*
Stope width (cm)	126	*143*	[illegible]
Av value gold (g/t)	4,4	*4,8*	[illegible]
cm g/t	554	*686*	[illegible]
Ventersdorp Contact Reef			
Advanced (m)	1 926	*1 570*	[illegible]
Sampling results			
Sampled (m)	356	*294*	*650*
Stope width (cm)	144	*138*	*141*
Av value gold (g/t)	7,6	*21,1*	*13,6*
cm g/t	1 094	*2 912*	*1 918*
Elsburg Reef			
Advanced (m)	79	*43*	*122*
Sampling results			
Sampled (m)	62	*30*	*92*
Stope width (cm)	158	*184*	[illegible]
Av value gold (g/t)	2,1	*5,0*	[illegible]
cm g/t	332	*920*	*515*
Kimberley Reef			
Advanced (m)	86	*18*	*104*
Sampling results.			
Sampled (m)	74	*16*	*90*
Stope width (cm)	178	*202*	*182*
Av value gold (g/t)	7,4	*8,3*	*7,6*
cm g/t	1 317	*1 677*	*1 383*

SHAFT SINKING

No 2 Sub-Vertical Shaft The shaft was sunk 149 metres. Excavation of the whole portion of the shaft between 17 and 27 Levels is now complete and equipping is being carried out before sinking below 27 Level

PROSPECTING Drilling in boreholes ELF1 and LB1 in the prospect area east of the existing mining lease area was continued The final two deflections in borehole ELF1 were completed In borehole LB1 the first and second deflections were completed and the third deflection is in progress Results were as follows

Borehole	*Reef*	*Depth* (metres)	*Corrected Width* (cm)	*Value* (g/t)	(cm g/t)
ELF 1					
Defl 3	V C R	3 065	290,3	1,2	348
Defl 4	V C R	3 060	344,9	0,5	172
LB 1					
Defl 1	V C R	2 872	57,9	14,5	840
Defl 2	V C R	2 873	66,3	24,2	1 604
Defl 1	Elsburg	2 903	126,1	7,0	88[illegible]
Defl 2	Elsburg	2 905	108,5	6,8	738

On behalf of the board
R A. Plumbridge
A J. Weideman } D[illegible]

10 January 1978

VLAKFONTEIN

Vlakfontein Gold Mining Company Limited

ISSUED CAPITAL 6 000 000 shares of R1 each, fully paid

	Quarter ended 31 December 1977	*Quarter ended 30 September 1977*	*Year ended 31 December 1977*
OPERATING RESULTS			
Gold			
Ore milled			
From underground (t)	14 059	*27 150*	*168 777*
From surface dumps (t)	165 941	*151 350*	*543 723*
Total (t)	180 000	*178 500*	*712 500*
Gold produced (kg)	253,5	*332,5*	*2 128,0*
Yield (g/t)	1,4	*1,9*	*3,0*
Revenue (R/t milled)	6,51	*7,64*	*11,78*
Cost (R/t milled)	6,29	*7,49*	*9,47*
Profit (R/t milled)	0,22	*0,15*	*2,31*
Revenue (R000's)	1 171	*1 363*	*8 392*
Cost (R000's)	1 132	*1 337*	*6 745*
Profit (R000's)	39	*26*	*1 647*
FINANCIAL RESULTS (R000's)			
Working profit Gold	39	*26*	*1 647*
Contribution to Dust Control Fund	(250)	—	*(250)*
Net sundry revenue	105	*135*	*481*
Profit (loss) before taxation	(106)	161	*1 878*
Taxation			
Formula tax	(86)	*(74)*	*737*
Non-mining tax	42	*56*	*197*
Excess recoupments tax	74	*102*	*303*
Profit (loss) after taxation	(136)	*77*	*641*
Capital expenditure recoupments (net)	181	*229*	*718*
Loan levy	(6)	*(2)*	*128*
Loan levy refund (1970)	—	—	*64*
Dividend	900	—	*1 500*

DIVIDEND A dividend (No 69) of 15 cents per share was declared on 13 December 1977 payable to members on or about 7 February 1978

CAPITAL EXPENDITURE. There was a capital expenditure commitment of R5 000 at 31 December 1977 in respect of a conveyor system to facilitate the handling of dump material to the crusher plant

OPERATIONS Underground mining operations finally ceased on 4 November and the hoisting of ore was completed on 14 November 1977 Salvage of the remaining underground equipment will be completed in the near future, after which the shafts will be sealed off Treatment of low-grade dump material is continuing at a rate of approximately 60 000 tons per month

On behalf of the board
R A Plumbridge
B R van Rooyen } Directors

10 January 1978

Copies of the reports may be obtained f[illegible]

VENTERSPOST

Venterspost Gold Mining Company Limited

ISSUED CAPITAL 5 050 000 shares of R1 each, fully paid

	Quarter ended 31 December 1977	Quarter ended 30 September 1977	Six months ended 31 December 1977
OPERATING RESULTS			
Gold			
Ore milled (t)	314 000	324 000	638 000
Gold produced (kg)	1 642,0	2 041,0	3 683,0
Yield (g/t)	5,2	6,3	5,8
Revenue (R/t milled)	25,15	24,60	24,88
Cost (R/t milled)	25,65	24,29	24,96
Profit (Loss) (R/t milled)	(0,50)	0,31	(0,08)
Revenue (R000's)	7 899	7 972	15 871
Cost (R000's)	8 055	7 870	15 925
Profit (Loss) (R000's)	(156)	102	(54)
FINANCIAL RESULTS (R000's)			
Working profit (loss) Gold	(156)	102	(54)
Profit on sale of Pyrite	106	37	143
State assistance	1 028	522	1 550
Net sundry revenue	161	226	387
Profit before taxation	1 139	887	2 026
Taxation (non-mining)	81	101	182
Profit after taxation	1 058	786	1 844
Capital expenditure	680	376	1 056
Loan levy	11	14	25
Dividend	253	—	253

DIVIDEND A dividend (No 75) of 5 cents per share was declared on 13 December 1977, payable to members on or about 7 February 1978

CAPITAL EXPENDITURE. The estimated capital expenditure for the current financial year is R1 553 000 The unexpended balance of authorised capital expenditure at 31 December 1977 was R137 000

PRODUCTION A fire, which was detected on the upper levels at No 2 Shaft on 23 December, was extinguished on 24 December 1977 Production was not materially affected

DEVELOPMENT			
Main Reef			
Advanced (m)	1 262	1 126	2 388
Sampling results			
Sampled (m)	418	514	932
Stope width (cm)	157	167	163
Av value gold (g/t)	5,7	6,3	6,0
cm g/t	895	1 052	978
Ventersdorp Contact Reef			
Advanced (m)	233	275	508
Sampling results			
Sampled (m)	14	30	44
Stope width (cm)	272	207	228
Av value gold (g/t)	14,5	3,7	7,8
cm g/t	3 944	766	1 778

VENTERSPOST/OBERHOLZER WATER DISPOSAL PIPELINE The large-diameter pipeline to carry water flowing down the Wonderfontein Spruit across the Venterspost dolomitic water compartment has been completed and is in operation

On behalf of the board
R A Plumbridge } *Directors*
A Louw

10 January 1978

KLOOF

Kloof Gold Mining Company Limited

ISSUED CAPITAL 30 240 000 ordinary shares of R1 each, fully paid

	Quarter ended 31 December 1977	Quarter ended 30 September 1977	Six months ended 31 December 1977
OPERATING RESULTS			
Gold			
Ore milled (t)	382 000	426 000	808 000
Gold produced (kg)	4 775,7	5 311,0	10 086,7
Yield (g/t)	12,5	12,5	12,5
Revenue (R/t milled)	61,78	49,16	55,13
Cost (R/t milled)	35,77	31,46	33,50
Profit (R/t milled)	26,01	17,70	21,63
Revenue (R000's)	23 602	20 942	44 544
Cost (R000's)	13 665	13 400	27 065
Profit (R000's)	9 937	7 542	17 479
FINANCIAL RESULTS (R000's)			
Working profit Gold	9 937	7 542	17 479
Recovery under loss of profits insurance	1 900	—	1 900
Net sundry revenue	410	482	892
Profit before taxation and State's share of profit	12 247	8 024	20 271
Taxation and State's share of profit	5 722	2 322	8 044
Profit after taxation and State's share of profit	6 525	5 702	12 227
Capital expenditure	2 024	3 807	5 831
Loan levy	646	257	903
Dividend	4 536	—	4 536

DIVIDEND. A dividend (No 16) of 15 cents per share was declared on 13 December 1977, payable to members on or about 7 February 1978

CAPITAL EXPENDITURE The estimated capital expenditure for the current financial year is R13,9 million The unexpended balance of authorised capital expenditure at 31 December 1977 was R43,9 million

PRODUCTION Production continued to be hampered by the effects of the fire which was detected on 23 August 1977 in the first south longwall between 26 and 28 Levels It was established on 5 December 1977 that the fire had finally been extinguished Stoping operations were recommenced on the lower levels of the mine in the south and central areas Entry has been effected into the fire area in order to assess the extent of the damage caused

The company is insured for up to 30 days only against loss of profits resulting from a fire, and a claim in this respect, amounting to approximately R1,9 million, as shown above, has been lodged with the company's insurers

Development of the second south longwall and second north longwall has reached an advanced stage and limited stoping in these longwalls has commenced Development of the central longwall has also reached the stage where stope preparation has commenced With these longwalls becoming available, the mine will in future have a greater degree of flexibility in its operations

DEVELOPMENT			
Ventersdorp Contact Reef			
Advanced (m)	5 149	5 403	10 552
Sampling results			
Sampled (m)	378	588	966
Stope width (cm)	143	144	144
Av value gold (g/t)	22,0	20,4	21,0
cm.g/t	3 146	2 938	3 024

SHAFT SINKING

No 2 Sub-Vertical Shaft The boring of reef passes has been completed Work is in progress on the support of the reef and waste passes and on tipping arrangements

No. 3 Shaft. The 23 Level station at 1 973 metres below collar has been excavated and a holing has been effected with the 23 Footwall Drive from the No 1 Shaft Development is in progress on 23 Level towards the Auxiliary Shaft hoist chamber

On behalf of the board
R A Plumbridge } *Directors*
A Louw

10 January 1978

EAST DRIEFONTEIN

East Driefontein Gold Mining Company Limited

ISSUED CAPITAL 54 510 000 ordinary shares of R1 each, fully paid

	Quarter ended 31 December 1977	Quarter ended 30 September 1977	Year ended 31 December 1977
OPERATING RESULTS			
Gold			
Ore milled (t)	530 000	597 000	2 096 000
Gold produced (kg)	13 091,0	14 199,9	48 847,4
Yield (g/t)	24,7	23,8	23,3
Revenue (R/t milled)	115,23	92,35	94,69
Cost (R/t milled)	27,74	23,98	25,08
Profit (R/t milled)	87,49	68,37	69,61
Revenue (R000's)	61 075	55 134	198 479
Cost (R000's)	14 703	14 315	52 565
Profit (R000's)	46 372	40 819	145 914
FINANCIAL RESULTS (R000's)			
Working profit Gold	46 372	40 819	145 914
Recovery under loss of profits insurance	3 700	—	3 700
Net sundry revenue	1 854	1 604	6 086
Profit before taxation and State's share of profit	51 926	42 423	155 700
Taxation and State's share of profit	26 779	22 869	83 243
Profit after taxation and State's share of profit	25 147	19 554	72 457
Capital expenditure	6 818	5 213	19 444
Loan levy	2 948	2 475	9 067
Loan levy refund (1970)	—	—	16
Dividend	23 439	—	42 518

DIVIDEND A dividend (No 9) of 43 cents per share was declared on 13 December 1977, payable to members on or about 7 February 1978

CAPITAL EXPENDITURE The unexpended balance of authorised capital expenditure at 31 December 1977 was R53,8 million

PRODUCTION There was a loss of production as a result of the fire which broke out on 1 October 1977 in the Ventersdorp Contact Reef workings on the eastern boundary above 14 Level, to which reference was made in the previous quarterly report The fire was contained between 8 and 14 Levels and was subsequently extinguished Limited stoping was resumed in the affected area during November and by the end of the quarter production had returned to normal although it will take some time before the adverse effects of the fire have been overcome

The company is insured for up to 30 days only against loss of profits resulting from a fire, and a claim in this respect, amounting to approximately R3,7 million, as shown above, has been lodged with the company's insurers

DEVELOPMENT			
Main Reef			
Advance (m)	66	153	995
Sampling results			
Sampled (m)	54	56	486
Stope width (cm)	145	134	162
Av value gold (g/t)	8,4	10,8	9,0
cm g/t	1 218	1 447	1 458
Ventersdorp Contact Reef			
Advanced (m)	5 439	6 639	23 751
Sampling results			
Sampled (m)	1 240	1 418	4 958
Stope width (cm)	181	189	184
Av value gold (g/t)	41,7	22,1	28,3
cm g/t	7 548	4 177	5 207
Carbon Leader			
Advanced (m)	345	341	1 326
Sampling results			
Sampled (m)	96	72	194
Stope width (cm)	108	108	108
Av value gold (g/t)	8,2	6,9	8,5
cm g/t	886	745	918

A further 399 metres were advanced in the area held under prospecting permit. 236 metres were sampled on the Ventersdorp Contact Reef horizon averaging 43,1 grams per ton over an estimated stope width of 233 centimetres, equivalent to 10 042 cm g/t.

ORE RESERVES AT 31 DECEMBER 1977 The ore reserves based on a pay limit determined at a gold price of R4 000 per kilogram are as follows

Classification	Tons	STOPE Width (cm)	STOPE Value (grams/ton)	STOPE Centimetre-grams per ton
Ventersdorp Contact Reef	4 599 000	159	28,6	4 547
Main Reef	100 000	132	9,5	1 254
Combined Reefs	4 699 000	158	28,2	4 456

On behalf of the board
R A Plumbridge } *Directors*
A Louw

10 January 1978

DEELKRAAL

Deelkraal Gold Mining Company Limited

ISSUED CAPITAL 63 000 000 ordinary shares of 20 cents each, fully paid

	Quarter ended 31 December 1977	Quarter ended 30 September 1977	Total since inception of company to 31 December 1977
FINANCIAL (R000's)			
Capital expenditure			
Mining lease	—	—	1 800
Shafts	3 134	3 635	41 578
Other capital expenditure	4 748	4 222	48 801
	7 882	7 857	92 179
Sundry revenue	418	627	6 986
Taxation	181	259	2 817
Loan levy	25	36	309

CAPITAL EXPENDITURE The unexpended balance of authorised capital expenditure at 31 December 1977 was R21,2 million

Consideration is being given to the amount of, and the method of raising, additional funds to bring the mine to the stage when it becomes self-financing

CAPITAL WORKS

No. 1 Shaft. The shaft was sunk 48 metres to a total depth of 1 971 metres below collar The excavation and support of 11 Level station have been completed and a holing was effected with No 1 Sub-Vertical Shaft on this elevation Further development work is in progress on this level

No 1 Sub-Vertical Shaft. The shaft was sunk 111 metres to a total depth of 149 metres below the collar on 9 Level The excavation and support of 11 Level station have been completed and the cutting of 13 Level station is in progress

General Civil work continues with the erection of tanks, conveyors and filter building at the reduction works, and tanks and buildings at the refrigeration plant The fans at No 2 Shaft have been tested and the construction of the rock winder at No 1 Shaft continues

Construction work also continues on the extensions to the hostel complex and on the offices and accommodation for the mine security organisation The building of 276 houses in the township has been completed

On behalf of the board
R A. Plumbridge } *Directors*
A Louw

10 January 1978

Secretaries, 75 Fox Street, Johannesburg, 2001

WERGO

Potential in the dumps

The success of Ergo has heightened speculation on who will announce a similar project The houses are playing their cards close to the chest But an announcement from one or more sources can only be a matter of time

Excluding anything Anglo might have planned, top favourites at the moment are GFSA, which controls upwards of 75 Mt of slimes on the East Rand, and West Rand Cons in conjunction with GF Props' Luipaardsvlei mine None of GFSA's dumps on the East Rand was taken into Ergo, but at Sub Nigel mine, which is wholly owned by GF Props, there are about 30 Mt of slimes (reputed to be the richest of the lot) with uranium grades better than the average of 0,04 kg/t of the Ergo dumps

G F Props chairman Dru Gnodde tells me that various slimes dams are currently being sampled by auger drilling but that the programme is not yet completed

The tonnage of available slimes will be about one fifth of that available to Ergo, and a go-ahead for a viable project will be heavily geared to potential uranium recoveries Ergo was initially looking for recovery of 20% of the *in situ* uranium But it should be possible to increase this figure significantly by a technology incorporating ion exchange processes

Looking west

If it is true, the tonnage of available slimes will be about one fifth of that available to Ergo, and a go ahead for a viable project will be heavily geared to potential uranium recoveries Ergo was initially looking for recovery of 20% of the *in situ* uranium But it should be possible to increase this figure significantly by a technology incorporating ion exchange processes

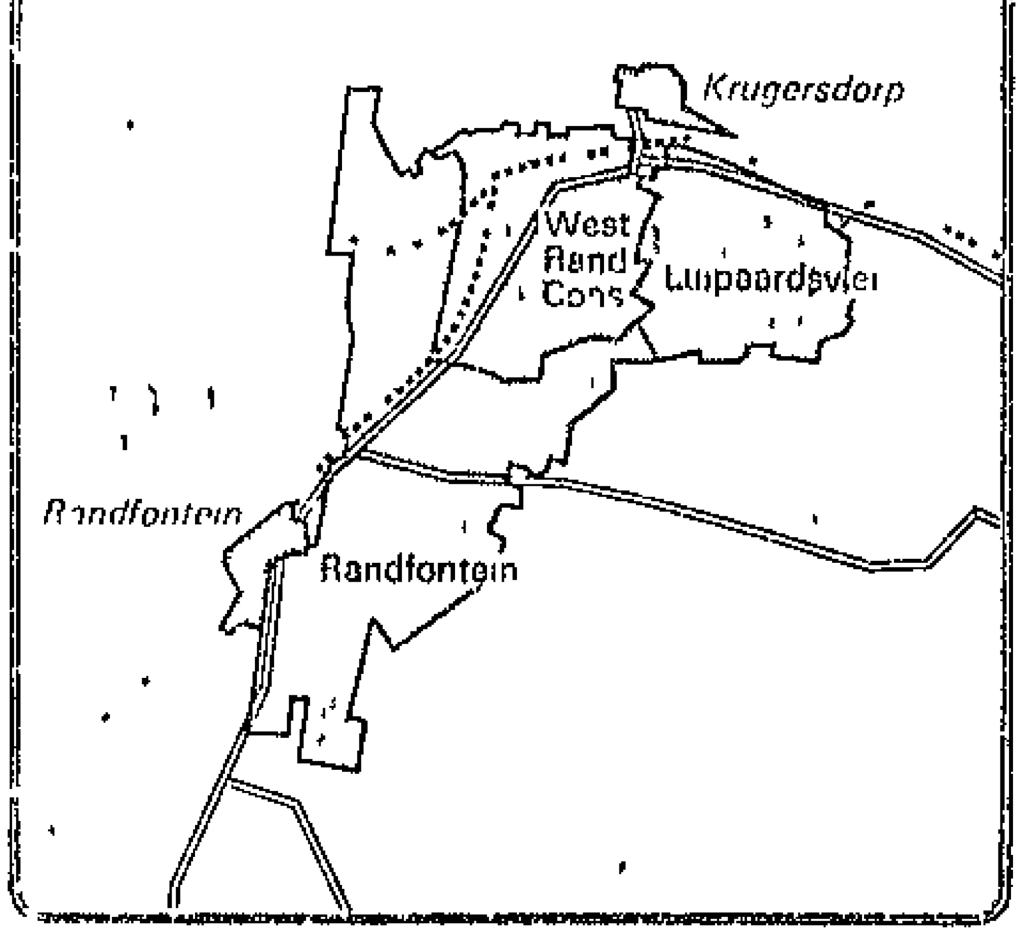
While there are few details available on the East Rand, it is easier to establish possible parameters for slimes treatment centred on West Rand Cons and Luipaardsvlei

West Rand Cons has about 18 Mt of Bird reef slimes, originally treated for uranium, with another 4,5 Mt at Luipaardsvlei Based on old recoveries, slimes grades probably run just below 0,1 kg/t uranium More important are combined tonnages of about 20 Mt of Kimberley reef slimes Taking a line through known drilling results at Randfontein and Elandsrand and milling results at Daggafontein and Vogelstruisbult, a conservative estimate of these Kimberley reef slimes is about 0,15 kg/t uranium

In addition, West Rand Cons and Luipaardsvlei have over 100 Mt of South and Main reef slimes between them If they are anything like the Main reef on the Far West Rand, uranium grades probably run at about 0,05 kg/t or better

In total this is some 140 Mt of uranium-bearing slimes averaging over 0,07 kg/t, which compares very favourably

INTRODUCING WERGO



with Ergo's dumps Gold values will be lower (probably less than half) than Ergo's But on a 50% recovery basis at \$37/lb, uranium is worth about R2,50/t slimes with gold and pyrite probably worth another R1/t at \$170 gold

It's not exactly a bonanza — unit costs will probably be higher than the R1,40/t estimate for Ergo and the ion exchange process (though running costs are low) will involve higher initial capex per ton of capacity than the Ergo process However there are sufficient slimes to support operations for over 10 years And if the individual mines concentrate their own slimes for delivery to a central retreatment plant, the project looks feasible In addition a central treatment plant could process Randfontein Estate's slimes later

Going underground

GF Props rose 25c to 205c on Tuesday though the shares have since come back to the current 190c The rise came on unconfirmed reports of an internal GFSA report which put underground mineable tonnages on Luipaardsvlei's Monarch reef at 3 Mt with recoveries of 0,6 kg/t uranium and 1,5 g/t gold A similar tonnage is available on the Upper Monarch reef at 0,38 kg/t uranium and 2 g/t gold For the faithful there is considerable speculative appeal West Rand Cons are currently 330c, up from 280c mid-December

West Rand Cons is reported to be next in line for a new uranium contract negotiated by Nufcor Presumably this will be to replace some of the old low price contracts under which deliveries are still being made

High on the list for a new contract is Stilfontein which is reported to have started preliminary construction work on a uranium plant.

Depending on the outcome of development beyond the Kromdraai fault, Stilfontein has a life of between 6-10 years at the current production rate of 1,9 Mt/year Gold recovery can probably be maintained at about 8,5 g/t, with unit costs in today's terms of something like R35/t

On this basis and with \$170 gold, annual working profit will run at just less than R8m of which capex should absorb R1,5m leaving R6,5m distributable profit. At this level no tax is payable though State Aid receipts will also be nil. Discounting these earnings at 10% and assuming that cost increases are matched by a rising gold price, gold production alone is worth 238c a share on a six-year life and 336c on a 10-year life. But uranium provides the shares with speculative appeal There are currently about 32 Mt of uranium-bearing slimes available, and another 11 Mt will be added over the next six years.

Stilfontein

At the 1975 agm, the chairman reported an estimated *in situ* uranium grade of 0,15 kg/t in the slimes — an estimate that correlates closely to the average uranium recovery of 0,135 kg/t during 1953-1961. So if slimes are retreated at a rate of 3 Mt/year by conventional means at a recovery of 80%, annual uranium revenue will be of the order of R25,5m for 14-odd years with uranium at \$37/lb. In today's terms unit costs should be in the region of R2,50, leaving distributable pre-tax profits of R17m after annual capex of R1m.

Taking a line through the R40m capex planned for the 2,5 Mt/year uranium plant at Vaal Reefs South and the capital costs of the relevant parts of the Ergo complex, I reckon that Stilfontein's uranium treatment facility will cost about R60m over two years. If this is financed by interest-free consumer loans repayable in full before any distributions to shareholders, a separate tax formula of Y=60 — 480÷X is negotiated for the uranium process alone, uranium price

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increases merely offsetting working cost rises, and discounting at 10%, uranium potential is worth about 275c per Stilfontein share.

The mine remains highly geared to the bullion price and slimes retreatment to capex and uranium price levels. But on my parameters the shares are worth anything between 520-600c. Since mid-December they have risen from 420c to the current 500c. Strengthening bullion will push them higher in the near-term, but there is still something to go for in the medium-term.

Jim Jones

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Mine profits up

JOHANNESBURG — The feature of the Rand Mines quarterly reports to end-December was a sharp rise in profit at the group's biggest gold/uranium producer, Harmony, following substantially higher revenue received.

Total revenue from all operations was R45 653 000 compared with R35 702 000 to previous quarter, and profit after tax and state's share rose to R8 623 000 from R2 220 000.

However, in spite of a higher yield of 4,78 G/T (4,74 G/T previous quarter), gold produced by the mine declined to 7 578kg (7 950kg) following a lower tonnage milled of 1 585 000 tons (1 676 000 tons).

In addition to the lower number of working days in the quarter, a high turnover and progressive reduction in Black labour at the mine adversely affected production.

At the group's other major gold and uranium producer, Blyvoors, the severe pressure burst which occurred in September adversely affected both production and grade with the result that gold produced fell to 4 351kg from 5 501kg the previous quarter. Mill throughout totalled 405 000 tons (460 000 tons) at a grade of 10,74 G/T (11,96 G/T).

Taxed profit, and after the state's share, totalled R4 489 000 agai[illegible] R 209 000 the previous quarter

The group's two marginal producers had a better December compared with the September quarter

Durban Deep produced 1 849kg of gold (1 949kg) from 512 000 tons (531 000 tons) milled at a grade of 3,61 G/T (3,67 G/T). The previous quarter's loss of R674 000 after tax and state's share of profit was converted into a profit of R771 000 in the December quarter.

At ERPM, gold produced totalled 2 835kg (2 911kg) from 448 000 tons (471 000 tons) milled at a grade of 6,33 G/T (6,18 G/T).

Costs at R33,60 a ton milled were up on the R29,73 of the previous quarter, but profit after tax and state's share of profit increased to R1 965 000 from R228 000 the previous quarter.

Total gold produced by member mines of the Rand Mines Group in the December quarter fell to 16 614kg, from 18 311kg the previous quarter. (Sapa)

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WESTERN AREAS:

Uranium reports look good

NM 18/1/78

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Mercury Correspondent

JOHANNESBURG — High uranium values on the Middle Elsburg reefs are reported by Western Areas mine in its December quarterly report, giving rise to hopes that this mine will become a uranium producer, so lengthening its life and improving its cash flow.

Other features in the quarterly reports from Johnnies, are, the ongoing progress at Randfontein and more than doubled net profit at Western Areas.

Western Areas reported in the September quarter that it was drilling the Middle Elsburg reefs below the reefs now being worked, but no results were available until the December quarter.

Should the good results now reported persist in exploration, the obvious course would be to sign up contracts and build a uranium plant or possibly arrange with Randfontein Mine to use the facilities at Cooke Section.

The values in exploration are not sensational but they are high, although mining men are always aware that one swallow does not make a summer or two boreholes a mine.

However, good values have been reported in four boreholes. In borehole No. 2 the E9 e/c reef yielded 1,06 kg/t over 125cm equal to 132,50 cm.kg/t.

Gold assayed 9,2 g/t or 1 150 cm. g/t.

In the same borehole and reef, on a different level another high value of 0,59 kg/t over 160cm equal to 94,4 cm.kg/t was obtained.

The next best borehole on the same reef was 0,57 kg/t over 123cm equal to 70,11 cm. kg/t.

On the E8 reef in borehole No. 3 the high value of 0,50 kg/t or more than a pound a ton, over 175cm equal to 7,50 cm. kg/t was reported.

In addition there were lower values in the various boreholes of 1,19, 0,30 kg/t and 0,17 kg/t.

Results in the region of 0,50 kg/t would be payable without gold.

One core gave a good gold value of 9,2 g/t on the eg e/c reef.

Sir Albert Robinson, chairman of Johnnies, in his annual review, said investigations of the Middle Elsburg reefs were continuing to determine their economic potential.

He said that these reefs were the profit earners at Randfontein and it was possible that they could be the same at Western Areas.

"This would add significantly to the mine's ore reserves and its future profitability," he said.

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Problems and profit for General Mining

19/1/78

Mercury Correspondent 210

JOHANNESBURG — Buffelsfontein had problems in its reduction works but came out of them satisfactorily. South Roodepoort, still struggling, improved its profit after state aid and West Rand Consolidated, also state aided, dropped its profit.

These are features of the December quarterly reports from General Mining.

Stilfontein continued development in the Kromdraai and West Sub Incline sections which are the sectors on which its future depends. Results were satisfactory with 63 percent payability and a high value of 85,7 G/T over 22,49cm equal to 1 928cm. G/T (2 005 cm.G/T).

Production was hit by two underground fires so that tonnage milled was down. Working costs in total were contained although costs a ton milled were higher because of the lower tonnage.

The higher gold price enabled the mine to improve its working profit and net profit rose to R2 741 000 (R1 106 700) in spite of a repayment of state aid of R215 000.

There were no problems with shortage of labour as has occurred on some mines.

At Buffelsfontein, the difficulties in the plant which have since been overcome were responsible for a decrease in tonnage milled of 48 000.

Tonnage mined was higher than in the previous quarter so that ore was stock piled on surface.

Because the initial tonnage mined was not all milled the cost a ton milled rose. The recovery rate was maintained and with the higher gold price gold revenue increased.

In spite of uranium revenue being only about one tenth of the previous figure of R4 940 000, net total profit was raised.

South Roodepoort's shareholders are an optimistic body of men and women but the December results have their blemishes.

Grade was down and the mine had to continue to try and build up ore reserves. Payability on the Kimberley reef where the future of the mine might lie was erratic and totalled only nine percent.

The mine increased its milling but gold production was down because of the lower grade.

Although working costs a ton milled were not much higher because of the greater tonnage, total costs rose R172 000 to R429 000 which is a large sum for a small mine like South Roodepoort.

Profit was raised by a paltry R15 000 to R21 000 after state aid Before aid the mine showed a loss of R162 000.

The mine will be in a precarious position after July when state aid is withdrawn unless there is a big rise in the gold price or development grades improve strongly.

West Rand Consolidated fared as well financially as in the previous quarter although its figures enabled it to claim more state aid

Gold income was slightly higher but uranium revenue was down because of a slackening in uranium sales.

A drop in sales in the December quarter is not always a bad thing for any mine since sales up to December 31 are liable to tax early in the following year. If held over until January, the mine has a six-months breathing space.

A great deal of development was carried out by West Rand Cons in the uranium section but payability was only 12 percent (39 percent).

In spite of this result, which applies to only one quarter, I am told that General Mining has faith in the mine as the uranium producer.

As shown by the ore reserves figures, gold will play little part in its future.

The company has uranium contracts at varying prices. Some of these are still at low figures but there is always the probability that they will be re-negotiated before they expire.

Second half capex will be relatively heavy, meaning restraint on the final

Libanon: Grade will decline further over the second half as mining operations are brought into balance With bullion over $170, a final greater than 60c looks possible

Venterspost: Grade and tonnage problems still persist Unless grade recovers, operations this quarter could be at a loss before State aid Increased profits from higher gold prices will be retained to finance previously delayed capex The best that can be expected is a 5c final to match the interim

Deelkraal: Shaft sinking is on schedule Further funds are to be raised to finance capex and operations until the mine becomes self-financing

Randfontein: There was no income from uranium despite the Millsite plant start-up and a start of sales Loss of gold in tails occurred because of intermittent uranium plant operations Development values at Cooke No 1 shaft fell as development moved towards a known payshoot on the eastern flank of the mine

The full R90m consumer loan has been drawn For the current year dividends will depend on how soon a start on Cooke No 3 shaft is made But an improving gold price, shortening the tax shield period, could lead to an early start to Cooke No 3

Western Areas: Things are fast coming right for the mine Mill throughput increased with the help of drawings from surface stockpile during a quarter of seasonal labour shortages For the current year an average gold price of only $170 should be enough to enable a 20c (13c) total payout even with the relatively heavy on-going capex programme

But most speculative interest is in the uranium-bearing Middle Elsburg reefs. Initial underground drilling results point to the reefs being payable on uranium alone, though gold values are negligible Further results should be announced this quarter from three more boreholes. Much depends on the area over which the Middle Elsburgs are payable But satisfactory results will mean dividend restraint as capex is earmarked for uranium treatment facicilities

Hartes: Lack of uranium sales was more than offset by higher gold revenue For the second half mill throughput should be sufficient to push the year's total above the planned 2,9Mt But with R9m capex still to be spent this year and the on-going shaft sinking programme at Zandpan, the final might only be marginally better than the 75c interim

ET Cons: Grade is being well maintained and an increasing gold price should not lead to any drastic grade cuts Work to increase output of the Agnes mine is well in hand and will contribute to holding unit cost increases within reasonable bounds A 20c final could be on the cards

Loraine: The mine is marginally profitable at $190 gold Timing of gold deliveries and the Krugerrand premium led to an extraordinarily high gold price receipt for the December quarter But taken on the quarter, unit costs are rising at a 36% annual rate which can only be cut by lifting mill throughput to the full 1,62Mt annual capacity Any major profit improvement could be earmarked for capex put off some years back

Retentions this year could inhibit a return to the dividend paying lists.

Harmony: The mine is just about breaking even on gold alone so the gearing effect on earnings of a rising gold price is obvious. During the December quarter, the mine was one of the worst affected by labour turnover and year-end shortages which seem to have affected uranium output from the expanded Virginia uranium plant which was fully available for the quarter. Excluding anything that may be planned for the Merriespruit uranium plant, capex is slowing down slightly. A final of 25c should be possible (25c interim)

Blyvoor: Again there were no uranium sales and the stockpile is now worth well over R10m at current prices With gold over $170 and reasonable expectation of uranium sales during the second half, a repeat of the 30c interim is possible.

ERPM: Grade and mill throughput are stabilising but a major gold price rise is still needed if operations are to be profitable without State aid. Even if this happens there is still the State loan (currently R3,1m) to repay. That will absorb two-thirds of all profits in excess of 8,838% of gold revenue So all ways, any recovery of dividends is limited.

Durban Deep: Problems are similar to those of ERPM and dividend restraint is assured by the eventual need to repay the currently outstanding State loan of R2,4m The shares are only for super-optimists But if gold performs well and moves strongly through the $200 level, the mine's life and profit prospects could be transformed. Near-term dividend prospects are negligible.

Jim Jones

GOLD QUARTERLIES

	Costs □ R/kg	Costs □ $/oz		Revenue R/kg	Revenue $/oz	Gold □ Milled '000t		Gold □ Recovery g/t		Uranium □ Milled '000t	Uranium □ Recovery kg/t	Profit gold R'000	Profit Uranium & other R'000	EPS after capex & loan levy c
ANGLOVAAL														
ET Cons	2 744	98	(95)	4 659	167	84	(87)	6,5	(6,4)			1 032	16	7,0
Hartebeestfontein	2 789	100	(92)	4 922	176	741	(776)	11,1	(11,0)	741 (776)	0,13 (0,12)	17 543	148	44,1
Loraine	5 114	183	(164)	5 168	185	319	(323)	6,1	(6,3)			108	834	◎8,6
GENERAL MINING														
Buffelsfontein	3 346	120	(109)	4 746	170	749	(797)	9,2	(9,2)	734 (795)	0,21 (0,22)	9 761	1 272	40,9
South Rood	5 398	193	(161)	4 786	171	57	(51)	4,7	(5,5)		-	(162)	◊183	1,5
Stilfontein	4 244	152	(143)	4 897	175	482	(503)	8,6	(8,6)			2 690	(99)	4,5
WR Cons				4 937	177	392	(387)	2,3	(2,8)	241 (229)	0,32 (0,31)	514		1,8
GFSA														
Doornfontein	3 179	114	(113)	4 818	172	355	(355)	9,7	(9,5)	—	—	5 635	304	17,4
East Drie	1 123	40	(36)	4 665	167	530	(597)	24,7	(23,8)			46 372	*5 554	28,2
Kloof	2 861	102	(90)	4 942	177	382	(426)	12,5	(12,5)			9 937	†2 310	12,7
Libanon	2 711	97	(89)	4 907	176	405	(405)	8,8	(9,3)			7 854	347	32,3
Venterspost	4 905	175	(138)	4 811	172	314	(324)	5,2	(6,3)			(156)	‡1 295	7,3
Vlakfontein	4 465	160	(144)	4 619	165	180	(179)	1,4	(1,9)			39	(145)	0,9
West Drie	1 263	45	(44)	4 801	172	600	(615)	23,6	(22,8)	294 (312)	0,25 (0,25)	49 994	5 308	100,1
JCI														
Randfontein	1 550	55	(50)	4 793	171	310	(297)	14,6	(15,0)			14 669	6	▲(324,3)
Western Areas	3 625	130	(120)	4 859	174	1 013	(1 000)	5,8	(6,0)			7 246	389	11,2
RAND MINES														
Blyvoor	3 103	111	(87)	4 792	171	405	(460)	10,7	(12,0)	412 (417)	0,16 (0,17)	7 347	(145)	9,7
Durban Deep	5 648	202	(190)	4 788	171	512	(531)	3,6	(3,7)	—	—	(1 589)	§2 360	25,6
ERPM	5 310	190	(172)	4 784	171	448	(471)	6,3	(6,2	—	—	1 491	#3 456	25,6
Harmony						1 585	(1 676)	4,8	(4,7)	1145 (1211)	0,11 (0,11)	9129		15,7

** Includes R3,7m insurance recovery † Includes R1,9m insurance recovery ‡ Includes R1,028m State Aid § Includes R2,235m State Aid # Includes R3,391m State Aid ▲ Ignores interest free loans ◎ Includes R689 000 State Aid ◊ Includes R203 000 State Aid □ Figures in parentheses are for the previous quarter*

GOLD QUARTERLIES (214)

Hopes for $200

FM 20/1/78

The $22 000m swaps to bolster the dollar only kept gold below the $170 level for a few days As well as moving up against a weakening dollar, bullion has recently started moving ahead against strong currencies such as the Swiss franc and even cautious analysts are looking for an advance to around $230 by the year-end.

The December quarter saw the benefits of the preceding quarter's Krugerrand pipeline build-up flow through. All mines apparently received higher prices for their gold than the average price over the quarter as the Kruger pipeline was worked off and aided by the additional premium based on Kruger sales.

In addition, fears of a major year-end downturn in labour complements proved largely unfounded With a lack of employment opportunities elsewhere in the economy, black workers remained at the mines so that by the year-end labour complements were in many cases above 95% of requirements against around 75% at end-1976.

Buffels: Gold grades in the Lucas Block area development continue at about the mine average and uranium above average, though channel widths are down. The final should improve on the 60c interim

Stilfontein: No details are given of development beyond the Kromdraai fault, though much of the increase in development came from the area. Development results both for gold and uranium remain good There is also no mention of a start on uranium slimes treatment, though this is where much of the shares' appeal lies At current levels the mine is operating above break-even after the September quarter's loss and there is tremendous gearing to the gold price.

South Roodepoort: The prospect of an end to State aid in June puts future operations under a cloud. Development on the Kimberley reef was only 9% payable, pointing to continuing difficulty in maintaining grade. No dividends are likely this year unless gold moves strongly above $200.

West Rand Cons: Development in the uranium section has risen 52%, pointing to an increase in mill throughput from the mine's own lease area. The potentially major tonnages remaining on the uranium-bearing reefs should be evaluated as soon as possible. This will affect working costs, but there should be scope for an increase in the total dividend from last year's 10c.

East Drie: VCR development in the northern part of the lease area and in the area outside held under prospecting permit points to a major high grade area for stoping. Even if capex runs at R25m this year, $175 gold could result in a total payout of 100c.

Kloof: Operations this quarter will continue to be affected by the December quarter's fire. However the loss of production because of the fire has led to an advance of development of the second north and south long-walls, which should ensure greater flexibility of mining operations in future. Second half capex is planned at R8,1m with outstanding planned capex at December 31 of R43,9m. A 20c final looks possible.

West Drie: Operations should remain steady for a couple more years. A 150c final will be easily possible though retentions will increase if operations move out of the lease area (see *Fox*)

Doornfontein: No details of prospecting beyond the mine's western boundary are given. Proving additional ore reserves there will lead to additional capex for a new shaft system to serve the area.

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General Mining Group

GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 31 DECEMBER 1977

All companies mentioned are incorporated in the Republic of South Africa

SOUTH ROODEPOORT

MAIN REEF AREAS LIMITED

Issued Capital — 1 420 663 shares of 56 cents each

Operating results

		Quarter ended 31 Dec 1977	Quarter ended 30 Sept 1977	6 months ended 31 Dec 1977
Ore milled	(t)	**56 700**	51 300	108 000
Gold produced	(kg)	**264,712**	279,400	544,112
Yield	(g/t)	**4,67**	5,45	5,04
Working revenue per ton milled	(R)	**22,35**	21,23	21,82
Working cost per ton milled	(R)	**25,20**	24,50	24,87
Loss per ton milled	(R)	**2,85**	3,27	3,05
Financial *(R'000)*				
Working revenue		**1 267**	1 089	2 356
Working costs		**1 429**	1 257	2 686
Loss		**162**	168	330
State aid		**203**	195	398
Net additional expenditure		**20**	21	41
Income before taxation		**21**	6	27
Taxation		—	—	—
Income after taxation		**21**	6	27
Capital expenditure		—	20	20
Dividends declared		—	—	—
cents per share		—	—	—
Capital Expenditure Commitments		—	—	—
Capital Expenditure for remainder of year		—	—	—
Development				
Advanced	(m)	**1 103**	879	1 982
Sampling results Sampled	(m)	**328**	387	715
Channel width	(cm)	**163**	179	173
Average value	(cm g/t)	**570**	844	718
Payable				
Metres	(m)	**50**	144	194
Percentage		**15,1**	37,2	27,0
Channel width	(cm)	**125**	177	162
Value	(g/t)	**9,25**	7,89	8,24
	(cm g/t)	**1 155**	1 397	1 335

Development Summary

for the three months ended 31 December 1977

Total Development

Reef	*Metres advanced*	*Metres sampled*	*Channel width cm*	*g/t*	*Value cm g/t*
Ventersdorp Contact Reef	188	28	52	15,92	830
Kimberley Reef	915	300	173	3,15	545
Totals	1 103	328	163	3,50	570

Payable Development

Reef	*Payable metres*	*Percentage payable*	*Channel width cm*	*g/t*	*Value cm g/t*
Ventersdorp Contact Reef	23	78,9	52	19,04	987
Kimberley Reef	27	9,0	186	6,97	[illegible]
Totals	50	15,1	125	9,25	1 155

REMARKS

Shareholders were advised on 21 December 1977 of the Government Mining Engineer's recommendation that as from July 1978, the mine will no longer qualify for State Assistance in terms of the Gold Mines Assistance Act No 82 of 1968, as amended, and of the difficulties being experienced in maintaining the recovery grade

During the quarter in an effort to counteract some of the effects of the declining recovery grade more throughput was achieved

The development rate has been increased by 224 metres in an effort to open up ore reserves and to provide flexibility in the mining programme The development results, however, have been disappointing, being only 9% payable on the Kimberley horizon where the possible future of the mine may lie

The gold price of $171 per ounce received, assisted in reducing the effects of the higher working costs, which are due in the main to the high cost of maintenance and steady replacement of worn-out equipment It is expected that the costs will remain relatively high for the remainder of the financial year

On behalf of the board,

A W S SCHUMANN
J C FRITZ } *Directors*

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WEST RAND
CONSOLIDATED MINES LIMITED

Issued Capital 4 250 000 shares of R1 each
25 000 deferred shares of R2 each

Operating results

		Quarter ended 31 Dec 1977	Quarter ended 30 Sept 1977	12 months to 31 Dec 1977
Gold Section				
Ore milled ex underground	(t)	148 635	161 000	664 421
Ore milled ex surface dumps	(t)	2 865	—	40 579
Total ore milled	(t)	151 500	161 000	705 000
Gold produced (kg)				
ex underground sources		723,964	969,543	3 631,883
ex surface dump		4,964	—	34,020
Total gold		728,928	969,543	3 665,903
Yield (g/t)				
ex underground sources		4,87	6,02	5,47
ex surface dump		1,73	—	0,84
Uranium Section				
Ore to Stockpile	(t)	—	—	—
Gold				
Ore milled ex underground	(t)	240 000	226 000	879 000
Ore milled ex stockpile	(t)	—	—	—
Total ore milled	(t)	240 000	226 000	879 000
Gold produced	(kg)	153,072	130,452	567 097
Yield	(g/t)	0,64	0,58	0,64
Uranium				
Tons treated	(t)	240 580	228 870	881 670
Uranium produced	(kg)	75 780	70 487	265 559
Yield	(kg/t)	0,315	0,308	0,301
Financial *(R'000)*				
Working revenue	*(gold)*	4 354	4 241	17 372
Net revenue	*(uranium)*	3 576	5 217	17 116
Net revenue	*(acid and pyrite)*	5	6	12
Total revenue		7 935	9 464	34 500
*Working Costs				
Underground operations		9 216	8 991	35 094
Per ton milled	*(R/ton)*	23,71	23,23	22,74
Surface		31	—	315
Per ton milled	*(R/ton)*	10,82	—	7 76
Total Working Costs		9 247	8 991	35 409
Total per ton milled	*(R/ton)*	23,62	23,23	22,35
Income		(1 312)	473	(909)
State aid		1 681	448	3 531
State aid 1976 adjustment		—	—	463
Net additional revenue		145	105	476
Income before taxation		514	1 026	3 561
Taxation		195	—	172
Income after taxation		319	1 026	3 389
*Excludes uranium treatment costs				
Capital expenditure		242	223	1 153
Unlisted investments			—	
Dividends declared				
Ordinary amount		425	—	552
Cents per share		10,0	—	13,0
Deferred Amount		142	—	185
Rand per share		5,67	—	7,37
Capital Expenditure Commitments				
Capital Expenditure for remainder of year			—	
Development				
Advanced	(m)	5 507	3 927	16 144
Gold Section				
Advanced	(m)	1 104	1 022	4 612
Sampling results Sampled	(m)	471	358	1 454
Channel width	(cm)	103	104	93
Average value	(cm g/t)	1 510	1 613	1 606
Payable				
Metres	(m)	129	108	500
Percentage		27,4	30,1	34,4
Channel width	(cm)	116	109	99
Value	(g/t)	27,16	28,37	28,92
	(cm g/t)	3 162	3 091	2 849
Uranium Section				
Advanced	(m)	4 403	2 905	11 532
Sampling results Sampled	(m)	1 131	1 015	3 528
Channel width	(cm)	58	43	49
Average value				
uranium	(cm kg/t)	55,06	45,52	55,45
gold	(cm g/t)	151	149	147
Payable				
Metres	(m)	138	402	1 338
Percentage		12,2	39,6	37,9
Channel width	(cm)	67	47	48
Value Uranium	(kg/t)	2,016	1,339	1,783
	(cm kg/t)	135,27	63,44	86,04
Gold	(g/t)	6,36	5,37	4 68
	(cm g/t)	427	254	226

Development Summary
for the three months ended 31 December 1977

Gold Section

Reef	*Payable metres*	*Percentage payable*	*Channel width cm*	*g/t*	*Value cm g/t*
Main Reef	51	42,5	111	24 86	2,764
South Reef	—	—	—	—	—
Livingstone Reef	—	—	—	—	—
Kimberley Reef	78	22,2	120	28 55	3 423
Ventersdorp Contact Reef	—	—	—	—	—
Totals	129	27,4	116	27 16	3 162

Uranium Section

Reef	*Payable metres*	*Per centage payable*	*Channel width cm*	*Uranium kg/t*	*Uranium cm kg/t*	*Gold g/t*	*Gold cm g/t*
White Reef	3	10 5	111	1 039	115 33	47 10	5 225
Monarch Reef	36	12 0	29	3 917	112 79	7 84	226
Upper Monarch Reef Zone 2	15	3,4	57	1 925	110 47	2,40	138
Upper Monarch Reef Zone 4	84	23,1	84	1 793	150,05	4 70	393
Other Reefs	—	—	—	—	—	—	—
Totals	138	12 2	67	2 016	135 27	6 36	427

Ore Reserves *at 31 December 1977*

Gold Section

	Main Reef	*South Reef*	*Livingstone Reef*	*Kimberley Reef*	*Ventersdorp Contact Reef*	*Grand Total*
Tons	77 000	—	—	58 000	—	135 000
Stope width — cm	124	—	—	118	—	122
Value						
g/t	9 35	—	—	9 51	—	9 44
cm g/t	1 159	—	—	1 120	—	1 149

Not included in the above total are 24 000 tons at a value of 11 56 g/t classified as unavailable in shaft pillars etc and 96 000 tons at a value of 9 31 g/t classified as inaccessible Ore Reserves requiring opening up operations

Uranium Section

	White Reef	*Monarch Reef*	*Upper Monarch Zone 2*	*Upper Monarch Zone 4*	*Grand Total*
Tons	42 000	139 000	173 000	36 500	390 500
Stope width — cm	91	90	93	112	93
Value					
Gold					
g/t	5 2	1 0	0 7	1 0	1 4
cm g/t	475	93	68	114	126
Uranium					
kg/t	0,563	0 767	0 812	0 781	0,767
cm kg/t	51,39	69 07	75 47	87 42	71 4[illegible]

Not included in the above total are 34 500 tons at a value of 0 869 kg/t classified as unavailable in shaft pillars etc, and 661 500 tons at a value of 0 759 kg/t classified as inaccessible Ore Reserves requiring opening up operations
Ore Reserve Pay Limit calculated at R4 333/kg ($155/oz)

REMARKS

Production

The development rate in the uranium section increased by 52% to 4 403 metres for the quarter Although the payability in the uranium section was low it is expected to improve

Financial

Although a gold price of $176,50 per ounce was received, uranium sales were lower, resulting in a loss of R1 312 000 for the quarter Working costs, in total were contained

On behalf of the board
A W S SCHUMAN
J C FRITZ } *Directors*

(214) FM 20/1/78

STILFONTEIN

GOLD MINING COMPANY LIMITED

Issued Capital — 13 062 920 shares of 50 cents each

Operating results

		Quarter ended 31 Dec 1977	Quarter ended 30 Sept 1977	12 months to 31 Dec 1977
Stilfontein Ore milled	*(t)*	482 000	503 000	1 904 000
Gold produced — Stilfontein ore	*(kg)*	4 124,474	4 322,000	16 401,486
Yield — Stilfontein ore	*(g/t)*	8,56	8,59	8,61
Working revenue per ton milled	*(R)*	41,90	31,47	35,14
Working cost per ton milled	*(R)*	36,32	34,36	34,80
Income/(Loss) per ton milled	*(R)*	5,58	(2,89)	0,34

Financial *(R'000)*

		Quarter ended 31 Dec 1977	Quarter ended 30 Sept 1977	12 months to 31 Dec 1977
Working revenue	*(gold)*	20 196	15 829	66 906
Working costs	*(gold)*	17 506	17 281	66 263
Income/(Loss)	*(gold)*	2 690	(1 452)	643
State aid		(215)	2 469	5 050
Income on sale of acid		19	13	59
Income at mine		2 494	1 030	5 752
Net additional revenue		134	108	528
Less interest		37	38	147
Income before taxation and State's share of Income		2 591	1 100	6 133
Taxation and State's share of Income		(150)	33	1
Income after taxation and State's share of Income		2 741	1 067	6 132
Capital expenditure		2 089	669	3 597
Trade investments		(1)	—	(20)
Dividends declared		1 437	—	2 874
cents per share		11	—	22
Loan repayments		90	—	193
Loan balance outstanding		1 022	1 112	1 022
Loan levies		(21)	4	—
Capital Expenditure Commitments		627	—	627
Capital Expenditure for remainder of year		—	—	—

Development

		Quarter ended 31 Dec 1977	Quarter ended 30 Sept 1977	12 months to 31 Dec 1977
Advanced	*(m)*	8 427	6 401	25 042
Sampling results Sampled	*(m)*	855	678	3 585
Channel width	*(cm)*	20	19	23
Average value Gold	*(cm g/t)*	1 383	1 630	1 302
Uranium	*(cm kg/t)*	19,35	19,22	18,09
Payable				
Metres	*(m)*	537	501	2 082
Percentage		62,8	73,9	58,1
Channel width	*(cm)*	23	22	21
Value, Gold	*(g/t)*	85,7	92,8	93,0
	(cm g/t)	1 928	2 005	1 916
Uranium	*(kg/t)*	1,148	1,075	1,167
	(cm kg/t)	25,83	23,23	24,03

Development Summary
for the three months ended 31 December 1977

Total Development

Reef	*Metres advanced*	*Metres sampled*	*Channel width cm*	Gold Value *g/t*	Gold Value *cm g/t*	Uranium Value *kg/t*	Uranium Value *cm kg/t*
Vaal	1 093	855	20	70 9	1 383	0,992	19,35
Ventersdorp Contact	—	—	—	—	—	—	—
Commonage	—	—	—	—	—	—	
Livingstone	—	—	—	—	—	—	
Total	1 093	855	20	70,9	1 383	0,992	19,35

Payable Development

Reef	*Payable metres*	*Percentage payable*	*Channel width cm*	Gold Value *g/t*	Gold Value *cm g/t*	Uranium Value *kg/t*	Uranium Value *cm kg/t*
Vaal	537	62,8	23	85,7	1 928	1,148	25,83
V C R	—	—	—	—	—	—	—
Commonage	—	—	—	—	—	—	—
Livingstone	—	—	—	—	—	—	—
All Reefs	537	62,8	23	85,7	1 928	1,148	25,83

Ore Reserves *at 31 December 1977*

	West Sub-Incline	*Toni Shaft Area*	*Margaret Shaft Area*	*Scott Shaft Area*	*East Sub-Vertical Shaft Area*	*Total Mine*
Tons	550 000	—	697 000	1 214 000	761 000	3 222 000
Stope width cm	120	—	120	120	120	120
Value						
Gold						
g/t	14,07	—	13,24	13,00	14,13	13,50
cm g/t	1 688	—	1 589	1 560	1 695	1 620
Uranium						
kg/t	0,151	—	0,177	0,176	0,168	0,170
cm kg/t	18,06	—	21,21	21,11	20,11	20,37

The following Tonnages are included in the above Ore Reserves

(i) Unavailable ore reserves in shaft pillars, etc 135 000 Tons at a value of 11,79 g/t

(ii) Inaccessible ore reserves requiring opening-up operations 830 000 Tons at a value of 12,91 g/t

Ore Reserve Pay Limit calculated at R4 333/kg ($155/oz)

REMARKS

Production

Production was adversely affected by two underground fires during the quarter

The development increased by 2 026 metres, mainly in the West sub-incline and Kromdraai areas

Financial

Due to the irregular pattern of gold sales $175 per ounce was realised, thus increasing the working revenue considerably while working costs, in total, were contained

The main items of capital expenditure were the development of the Kromdraai area, underground equipment, refrigeration, housing for Whites and Blacks

On behalf of the board

J C FRITZ } *Directors*
T F MULLER

FM 20/1/78

BUFFELSFONTEIN

GOLD MINING COMPANY LIMITED

Issued Capital — 11 000 000 shares of R1 each

Operating results

		Quarter ended 31 Dec 1977	Quarter ended 30 Sept 1977	6 months ended 31 Dec 1977
Gold				
Ore milled	*(t)*	**734 000**	795 000	1 529 000
Ore milled by Stilfontein	*(t)*	**15 000**	2 000	17 000
Ore milled — Total	*(t)*	**749 000**	797 000	1 546 000
Gold produced	*(kg)*	**6 772,957**	7 332,847	14 105,804
Gold produced by Stilfontein	*(kg)*	**112,846**	17,153	129,999
Gold produced — Total	*(kg)*	**6 885,803**	7 350,000	14 235,803
Yield	*(g/t)*	**9,23**	9,22	9,23
Yield by Stilfontein	*(g/t)*	**7,52**	8,58	7,65
Yield — Total	*(g/t)*	**9,19**	9,22	9,21
Working revenue per ton milled	*(R)*	**43,64**	35,91	39,65
Working cost per ton milled	*(R)*	**30,76**	28,20	29,44
Income per ton milled	*(R)*	**12,88**	7,71	10,21
Uranium				
Pulp treated	*(t)*	**734 000**	795 000	1 529 000
Oxide produced	*(kg)*	**151 300**	173 300	324 600
Yield per ton	*(kg/t)*	**0,206**	0,218	0,212

Financial *(R'000)*				
Working revenue	*(gold)*	**32 683**	28 618	61 301
Working costs	*(gold)*	**23 038**	22 472	45 510
		9 645	6 146	15 791
Tribute agreement — Vaal Reefs (nett)		**116**	123	239
Income	*(gold)*	**9 761**	6 269	16 030
Income on uranium production		**482**	4 949	5 431
Tribute agreement — Vaal Reefs (nett)		**12**	46	58
Income on sale of pyrite		**139**	100	239
Income on sale of acid		**26**	19	45
Income at mine		**10 420**	11 383	21 803
Net additional revenue		**615**	788	1 403
Less interest		**2**	4	6
Income before taxation and State's share of Income		**11 033**	12 167	23 200
Taxation and State's share of Income		**2 309**	5 197	7 506
Income after taxation and State's share of Income		**8 724**	6 970	15 694
Capital expenditure				
Gold		**3 972**	2 181	6 153
Uranium and acid		**22**	134	156
Trade investments		**(18)**	—	(18)
Dividends declared		**6 600**	—	6 600
cents per share		**60**	—	60
Loan repayments		**—**	—	—
Loan balance outstanding		**28**	28	28
Loan levies		**252**	559	811
Capital Expenditure Commitments		**10 538**	2 447	10 538
Capital Expenditure for remainder of year		**11 289**	9 772	11 289

Development

Advanced		*(m)*	**15 503**	16 151	31 654
Sampling results	Sampled	*(m)*	**1 443**	1 371	2 814
Channel width		*(cm)*	**105**	108	106
Average value					
Gold		*(cm g/t)*	**1 887**	1 697	1 794
Uranium		*(cm kg/t)*	**57,61**	51,12	54,45
Payable					
Metres		*(m)*	**861**	858	1 719
Percentages			**59,7**	62,6	61,1
Channel width		*(cm)*	**100**	102	101
Value gold		*(g/t)*	**25,67**	21,38	23,50
		(cm g/t)	**2 571**	2 182	2 377
Value uranium		*(kg/t)*	**0,722**	0,588	0,654
		(cm kg/t)	**72,30**	60,03	66,18

Development Summary

for the three months ended 31 December 1977

Area	*Payable metres*	*Percentage Payable*	*Channel width cm*	*Gold g/t*	*Gold cm g/t*	*Uranium kg/t*	*Uranium cm kg/t*
Pioneer Secondary	72	55,8	123	15,56	1 913	0,478	58,75
Lucas Block	207	63,9	68	27,07	1 846	0,926	63,14
Southern Shaft	330	69,6	95	35,91	3 407	0,892	84,67
Orangia Shaft	156	59,8	128	15,48	1 978	0 474	60,62
South Vaal	96	37,6	125	21,70	2 721	0,628	78,69
Eastern Shaft	—	—	—	—	—	—	—
Totals	861	59,7	100	25,67	2 571	0,722	72,30

REMARKS

Production

The tonnage milled for the quarter decreased by 48 000 tons due to difficulties experienced in the reduction plant The tonnage from underground however was higher than in the previous quarter despite an underground fire The excess ore has been stockpiled on surface and will be processed as capacity becomes available

Financial

The gold price of $170 per ounce received, increased the revenue by R4 065 000 while the working costs in total were contained Due to the erratic delivery of uranium the income was R4 467 000 less than in the previous quarter

The main items of capital expenditure were electric power and compressed air reticulation, refrigeration, reduction plant and the Strathmore shaft system

On behalf of the board,

J C FRITZ
W B COETZER } *Directors*

NOTES

(a) Development values quoted above represent actual results of sampling (no allowance having been made for any adjustments which may be or were necessary) when estimating ore reserves at the end of the financial years

(b) All financial figures are subject to audit

Secretaries

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18 January 1978

FM 20|1|78

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FALCON MINES LIMITED

(Incorporated in England)
(Registration No. 107779)

CHAIRMAN'S REVIEW

Since the period of depressed prices which followed the early IMF auctions in mid-1976, the gold market has been encouragingly stable on a steadily rising price trend with the result that our gold output realised an average price of Rh $85,90 per ounce compared with Rh $79,79 for the previous year and only Rh $68,21 for the month of August 1976

This welcome improvement has not been reflected in the net profit to the extent that might have been anticipated as a significant proportion of the increase in revenue was absorbed by higher working costs and a greater liability to taxation

The rise in expenditure of about 11 per cent for the year means that the unit cost per ton milled has almost doubled in the past four years from $7,69 in 1973 to $14,57 for 1977 Much of the year's rise is accounted for by increases of 20 per cent or more in the prices of the main consumable stores A larger labour force, brought about by the general spread of effort over more mining areas and absences of men on military service also contributed to the higher costs It is hoped to effect some economies in labour during the coming year

The tonnage milled was almost identical with that of 1976 but gold production increased following a rise in the recovery grade from 7 29 grams to 7,64 grams per ton — the latter being a little in excess of the planned figure

The financial details of the year's operations, as mainly given in the Quarterly Report for September, 1977 are as set out below

	1977 $	1976 $
Mine Working Profit	1 598 046	1 338 313
Administration less Sundry Revenue	86 245	20 649
Profit before Taxation	1 511 801	1 317 664
Taxation	207 425	116 768
Net Profit before Appropriations	1 304 376	1 200 896
Associated Company — Provision written back	50 000	—
	1 354 376	1 200 896

Appropriations	1977 $	1976 $
Net Expenditure on Mining Assets		
Capital	297 554	310 681
Stores Stock Increases	34 891	30 194
Prospecting and Development Reserve (Actual expenditure charged to Reserve Account $87 451 — 1976 $108 479)	—	100 000
Dividends	998 586	699 010
= Cents per share	50,0	35,0
Unappropriated Profit at year end	336 818	313 473

An amount of $50 000 written back in respect of a provision made in previous years against loans advanced to Olympus Consolidated Mines Limited has been added to the net profit The balance of the provision is $200 000 and there is every likelihood that loan repayments by Olympus during the current financial year will reduce further the need for this provision

The rate of tax payable on the profit for the year, including branch profits tax is 13 72 cents in the dollar (1976 8,86 cents) due to taxation allowances

The main items included in the capital expenditure total of $297 554 (1976 $310 681) were $168 000 for shaft sinking and equipment $81 000 for African and European housing and $17 000 for a new slimes dam

Prospecting expenditure mainly incurred in the Venice area amounted to $87 451 and this has been charged to the Prospecting and Development Reserve The balance of the reserve is adequate to meet the expenditure anticipated for the current year and no further appropriation has been made

The total distance advanced in development account including the Venice Mine was 8 516 metres being 860 metres less than that of the previous year A total of 4 711 metres was sampled of which 670 metres (14 per cent) proved payable, last year 4 856 metres were sampled, of which 1 468 (30 per cent) were payable

Thus after several years of consistently good development results flowing mainly from the persistence of values in the main Dalny orebody westwards between 19 and 28 levels we have had two disappointing years the last one particularly so I should perhaps point out first of all that pay limits are calculated at the start of each year by reference to gold price and cost estimates The gold price has fluctuated widely during the last three years and direct comparisons of percentage payabilities are not completely valid under these conditions

This factor apart the reasons for the poor results of the past year are

(1) there was a considerable decrease in metres advanced in the main Dalny section which invariably records the highest percentage payability compared with the other sections This decrease is attributable mainly to the concentration of effort on the sinking of shafts and main winzes,

(2) the remainder of the main ends of the Dalny orebody between 19 and 28 levels reached the western fault cut-off during the year

(3) values have so far been sporadic in the unexplored section of the mine lying between 12 and 19 levels which was made accessible during the year by a new vertical shaft sunk between these levels but little work has yet been done in the expected more favourable zones of this area,

(4) in the area between 28 and 32 levels, which was also entered during the year via a new vertical shaft development in the main orebody was hindered by the presence of intersecting structural features and initially only short stretches of pay were exposed on 30 and 32

Second half capex will be relatively heavy, meaning restraint on the final.

Libanon: Grade will decline further over the second half as mining operations are brought into balance With bullion over $170, a final greater than 60c looks possible.

Venterspost: Grade and tonnage problems still persist Unless grade recovers, operations this quarter could be at a loss before State aid Increased profits from higher gold prices will be retained to finance previously delayed capex. The best that can be expected is a 5c final to match the interim

Deelkraal: Shaft sinking is on schedule. Further funds are to be raised to finance capex and operations until the mine becomes self-financing.

Randfontein: There was no income from uranium despite the Millsite plant start-up and a start of sales. Loss of gold in tails occurred because of intermittent uranium plant operations Development values at Cooke No 1 shaft fell as development moved towards a known payshoot on the eastern flank of the mine.

The full R90m consumer loan has been drawn For the current year dividends will depend on how soon a start on Cooke No 3 shaft is made But an improving gold price, shortening the tax shield period, could lead to an early start to Cooke No 3.

Western Areas: Things are fast coming right for the mine. Mill throughput increased with the help of drawings from surface stockpile during a quarter of seasonal labour shortages For the current year an average gold price of only $170 should be enough to enable a 20c (13c) total payout even with the relatively heavy on-going capex programme

But most speculative interest is in the uranium-bearing Middle Elsburg reefs. Initial underground drilling results point to the reefs being payable on uranium alone, though gold values are negligible Further results should be announced this quarter from three more boreholes Much depends on the area over which the Middle Elsburgs are payable. But satisfactory results will mean dividend restraint as capex is earmarked for uranium treatment facicilities.

Hartes: Lack of uranium sales was more than offset by higher gold revenue. For the second half mill throughput should be sufficient to push the year's total above the planned 2,9Mt But with R9m capex still to be spent this year and the on-going shaft sinking programme at Zandpan, the final might only be marginally better than the 75c interim

ET Cons: Grade is being well maintained and an increasing gold price should not lead to any drastic grade cuts Work to increase output of the Agnes mine is well in hand and will contribute to holding unit cost increases within reasonable bounds. A 20c final could be on the cards.

Loraine: The mine is marginally profitable at $190 gold. Timing of gold deliveries and the Krugerrand premium led to an extraordinarily high gold price receipt for the December quarter But taken on the quarter, unit costs are rising at a 36% annual rate which can only be cut by lifting mill throughput to the full 1,62Mt annual capacity. Any major profit improvement could be earmarked for capex put off some years back. Retentions this year could inhibit a return to the dividend paying lists

Harmony: The mine is just about breaking even on gold alone so the gearing effect on earnings of a rising gold price is obvious. During the December quarter, the mine was one of the worst affected by labour turnover and year-end shortages which seem to have affected uranium output from the expanded Virginia uranium plant which was fully available for the quarter. Excluding anything that may be planned for the Merriespruit uranium plant, capex is slowing down slightly. A final of 25c should be possible (25c interim)

Blyvoor: Again there were no uranium sales and the stockpile is now worth well over R10m at current prices With gold over $170 and reasonable expectation of uranium sales during the second half, a repeat of the 30c interim is possible.

ERPM: Grade and mill throughput are stabilising but a major gold price rise is still needed if operations are to be profitable without State aid Even if this happens there is still the State loan (currently R3,1m) to repay That will absorb two-thirds of all profits in excess of 8,838% of gold revenue So all ways, any recovery of dividends is limited.

Durban Deep: Problems are similar to those of ERPM and dividend restraint is assured by the eventual need to repay the currently outstanding State loan of R2,4m. The shares are only for super-optimists But if gold performs well and moves strongly through the $200 level, the mine's life and profit prospects could be transformed Near-term dividend prospects are negligible

Jim Jones

GOLD QUARTERLIES

	Costs □			Revenue		Gold □				Uranium □		Profit		EPS after capex & loan levy
	R/kg	$/oz		R/kg	$/oz	Milled '000t		Recovery g/t		Milled '000t	Recovery kg/t	gold R'000	Uranium & other R'000	c
ANGLOVAAL														
ET Cons	2 744	98	(95)	4 659	167	84	(87)	6,5	(6,4)			1 032	16	7,0
Hartebeestfontein	2 789	100	(92)	4 922	176	741	(776)	11,1	(11,0)	741 (776)	0,13 (0,12)	17 543	148	44,1
Loraine	5 114	183	(164)	5 168	185	319	(323)	6,1	(6,3)			106	834	•6,6
GENERAL MINING														
Buffelsfontein	3 346	120	(109)	4 746	170	749	(797)	9,2	(9,2)	734 (795)	0,21 (0,22)	9 761	1 272	40,9
South Rood	5 398	193	(161)	4 786	171	57	(51)	4,7	(5,5)			(162)	♦183	1,5
Stilfontein	4 244	152	(143)	4 897	175	482	(503)	8,6	(8,6)			2 690	(99)	4,5
WR Cons				4 937	177	392	(387)	2,3	(2,8)	241 (229)	0,32 (0,31)	——514——		1,8
GFSA														
Doornfontein	3 179	114	(113)	4 818	172	355	(355)	9,7	(9,5)	—	—	5 635	304	17,4
East Dne	1 123	40	(36)	4 665	167	530	(597)	24,7	(23,8)			46 372	*5 554	28,2
Kloof	2 861	102	(90)	4 942	177	382	(426)	12,5	(12,5)			9 937	†2 310	12,7
Libanon	2 711	97	(89)	4 907	176	405	(405)	8,8	(9,3)			7 854	347	32,3
Venterspost	4 905	175	(138)	4 811	172	314	(324)	5,2	(6,3)			(156)	‡1 295	7,3
Vlakfontein	4 465	160	(144)	4 619	165	180	(179)	1,4	(1,9)			39	(145)	0,9
West Dne	1 263	45	(44)	4 801	172	600	(615)	23,6	(22,8)	294 (312)	0,25 (0,25)	49 994	5 308	100,1
JCI														
Randfontein	1 550	55	(50)	4 793	171	310	(297)	14,6	(15,0)			14 669	6	▲(324,3)
Western Areas	3 625	130	(120)	4 859	174	1 013	(1 000)	5,8	(6,0)			7 246	389	11,2
RAND MINES														
Blyvoor	3 103	111	(87)	4 792	171	405	(460)	10,7	(12,0)	412 (417)	0,16 (0,17)	7 347	(145)	9,7
Durban Deep	5 648	202	(190)	4 788	171	512	(531)	3,6	(3,7)	—	—	(1 589)	§2 360	25,6
ERPM	5 310	190	(172)	4 784	171	448	(471)	6,3	(6,2	—	—	1 491	#3 456	25,6
Harmony						1 585	(1 676)	4,8	(4,7)	1145 (1211)	0,11 (0,11)	——9129——		15,7

** Includes R3,7m insurance recovery † Includes R1,9m insurance recovery ‡ Includes R1,028m State Aid § Includes R2,235m State Aid # Includes R3,391m State Aid ▲ Ignores interest free loans • Includes R689 000 State Aid ♦ Includes R203 000 State Aid □ Figures in parentheses are for the previous quarter* levels No ore reserves were blocked in this area and it will require time to elucidate the unexpected change of structure However, better reef has been exposed on these levels since the year ended,

(5) the metres advanced at Venice rose from 21 per cent to 32 per cent of the total and payability dropped from 33 per cent to 11 per cent, due in large measure to the higher pay limit At the pay limit for the current year this percentage would have been 24 per cent,

(6) of total sampled, approximately 30 per cent (1 432 metres) was attributable to the outside sections of Arlandzer Turkois, Delcia and Beehive and only 8 per cent (155 metres) proved payable compared with 23 per cent for the previous year

All the foregoing serve to illustrate that there was, coincidentally a fall-off in ore values generally spread over all sections

Satisfactory progress has been made at Dalny with the major shaft programme The sinking of the main W 11 Tertiary shaft from 19 to 32 level is in progress following the completion of the extensive preparatory work on 19 level The vertical shaft from 28 to 32 level was sunk and commissioned during the year and that between 12 and 19 levels was all but completed by the year end The vertical from 19 to 28 level is well advanced, the shaft from surface to 12 level has been collared and it is expected that the East Dalny shaft from 28 to 32 level will be started shortly Only the W 11 shaft has been classified as capital expenditure the remainder being regarded as main winzes for access or mining purposes

Preoccupation with this programme has meant that exploration at Dalny on 19 level west of the fault and of the footwall reef encountered in the western extremity on 28 level has been limited but such work as has been done on 19 level has served to prove the complete dislocation of the Dalny shear zone by the Colne fault

At Pixy the drive east on 19 level from the Whistlecock area exposed payable values before encountering a main dyke This dyke was traversed and a holing was effected with the vertical shaft sunk from 13 level Driving to the east has been resumed and the reef is presently looking more promising

The No 2 incline shaft at Turkois was reclaimed from 5 level to 8 level and sunk to 11 level Now that access has been obtained to this, the bottom level of the mine, the exploration programme is being accelerated and diamond drilling from 9 level has already encountered a reef zone in the hangingwall The main drive west on 6 level towards Brancepath was unpayable but probing from the long crosscut north to the Turks Head section on this level has given some interesting indications

No positive results were obtained at Arlandzer but drilling has indicated several points of attack which must be followed up In the meantime driving to the east on 14 level is continuing and a new effort has been started on the west side to locate the possible extension of the 90 foot reef

At Venice, extensive work was carried out on the E reef during the year and although payability was low, considerable tonnages of ore of a value just below the pay limit were demarcated Should the price of gold continue to move higher, this ore will become profitable to mine A cut-off appears to have been reached below 8 level in the Ruth shaft area and the ground below this horizon will have to be probed to see if the reef makes again

Trial stoping of the E reef commenced at mid-year and values were lower than anticipated due to extensive intrusions of a poorly mineralised sill practically indistinguishable from the reef Multiple faulting is also present but carefully selected mining on a trial basis is proving successful

The C, tributed section, vertical shaft from 6 to 10 level was completed by the year end Development so far on 10 level tends to confirm the eastern cut-off of the main ore shoot and a winze down to 11 level has given mediocre values However, borehole drilling into the hangingwall on 11 level located a narrow reef with good values at 70 metres and a crosscut has been advanced to pick this up

Several features on the west side of C section remain to be explored and 6 level is being advanced for this purpose

The shaft on the Pinkun claims which lie between the Nando and Esperanza Mines was sunk to 2 level during the year and the drive north towards the latter encountered good values in the last quarter of the year A holing has been effected with the old workings of the Esperanza Mine and the exploitation of this promising area will now be advanced as rapidly as possible

The ore reserve at 30th September, 1977 calculated at a gold price of Rh $91 per fine ounce equal at that time to about U S $147 was 1 118 000 tons averaging 11,9 grams per ton over a width of 172 cm Compared with the previous year's reserve, the tonnage increased by 37 000 tons but the average value decreased by 0,6 grams and the width by 4 cm The drop in the average value of the ore reserve is due to the lower pay limit resulting from the higher price of gold combined with the paucity of new blocks arising from the indifferent development results New reserves created during the year fell short of depletion by 63 000 tons but 100 000 tons of reserves previously written off became payable again at the lower pay limit The percentage of the total reserve contained in shaft and other safety pillars and not immediately available for mining has risen to 57 per cent because of the increase in the areas allocated to safety pillars pending the formulation of different stoping methods for ground below 29 level The Venice ore reserve included in the total is 78 000 tons compared with 86 000 tons for 1976

The results of the past year are early warning signs that ore reserve generation at Dalny will probably become more difficult The prime objective for the next three years will be the gathering of data to assist in setting the boundaries of profitable mining while the ore reserve position is still more than strong enough to carry the mine through that period Development results at Dalny during the ensuing year will thus be of above average interest

The outlook for Venice has improved as a result of the higher gold price but not sufficiently to warrant expenditure on a separate concentrating plant The E reef will be explored further by advancing the 4 and 8 level drives eastwards to match the long probe on 6 level and the ground below 8 level will be tested Prospecting of the Pinkun/Esperanza reefs at a faster rate will be facilitated now that rights to mine in the reserved area of a farm homestead have been acquired On the south side of this area, a crosscut from Pinkun 2 level should reach the Nando reef towards the end of the year Venice has been called to contribute ore to the Dalny mill at the rate of 4 400 tons per month for the 1978 year

The profit forecast for the current year and other details have been given in the Quarterly Report for September 1977 The milling rate and recovery grade have been set at 20 500 tons per month and 7,22 grams per ton respectively giving an estimated profit at the mine for the year of $1 788 000 at a gold price of Rh $100 per fine ounce, equal to U S $155 at the present rate of exchange After allowing for capital and administrative expenditure and taxation, the amount expected to be available for distribution is $1 094 000 Should the forecast of working costs and gold production remain unchanged the mine profit should rise by $285 000 per annum for every additional Rh $5 per ounce realised for gold in excess of the price of Rh $100 used in the estimate

The gold price has remained steady since the last IMF auction on 6th December, 1977 and the slow upward movement may well be maintained unless sales by monetary agencies disrupt the market

Capital expenditure for the current year has been estimated at $450 000 This amount includes $270 000 in respect of shafts and $140 000 for African and European housing

Olympus Consolidated Mines Limited produced its best results for some years earning a net profit for the year ended 30th June, 1977, of $158 000, after providing for depreciation and the writing down of mining assets No taxation is payable on this profit because of previous assessed losses

At the Old Nic Mine, the deepened main shaft and the new reduction plant units were commissioned early in 1977 and the throughput of ore was raised gradually in the succeeding months as plant running-in problems were solved Development results throughout the year continued to point to a promising future for this mine

The outlook for the Dawn and Commoner properties is more speculative but at Dawn the systematic exploration programme has revealed new reef areas in recent months and these are being opened up as speedily as possible as the ore reserve position is not strong

The new reef feature at Commoner which I reported last year and on which the mine has since been running has not yet been found to extend further and vigorous probing continues

All three mines have earned excellent profits since the Olympus year ended — the combined total at mine for the four months ended 31st October, 1977, being just over $200 000

Arising from the high level of profitability, the fresh loans raised in connection with the new Old Nic plant were repaid in full and your Company had received a total of $80 500 in reduction of its earlier (No 3) loans by 30th September 1977 I have already mentioned that further recoveries of these old loans will add to future profits

In conclusion, I have pleasure in recording the Board's appreciation and thanks to Mr D R Ferguson, the manager at the Dalny Mine to Mr R J Ramage, the manager at Venice to our Consulting Engineers and to all our mine employees for their able and loyal services during another exacting year I would also like to pay tribute to the efficient services provided by the technical and administrative staffs at all the Company s offices

F L WIGLEY, Chairman

Bulawayo
20th December, 1977

Jake Kappert SONDAG 22 JANUARIE 1978

VERRASSING

MET GOUD

Koste styg nou te erg

(214) 23/1/78

Deur Ons Mynverslaggewer

VIR mense wat meen dit sal vanjaar as gevolg van 'n stygende goudprys buitengewoon goed met ons goudmyne gaan, wag daar 'n verrassing. Alle tekens — en kenners onderskraag dit — dui op 'n moeilike jaar vir die goudmynbedryf.

Daar is verskeie redes. Steeds stygende koste en 'n effe spekulatiewe goudprys word beskou as twee belangrike faktore wat 'n mens in gedagte moet hou voordat jy jou geldjies begin tel

Afgesien van die geringe styging in koste die afgelope kwartaal word buitengewoon groot kostestygings vanjaar verwag. Daarby is dit te betwyfel of die styging in die goudprys die kostestygings sal kan absorbeer

Behalwe vir die gewone kostestygings vanjaar om inflasie te vergoed, word 'n hele aantal buitengewone kostestygings verwag In die eerste plek sal elektrisiteit met gemiddeld 18 persent toeneem As in ag geneem word dat die Suid-Afrikaanse goudmyne ongeveer 25 persent van die elektrisiteit gebruik wat deur Evkom opgewek word, kry 'n mens 'n aanduiding van die omvang van hierdie koste-item

Inflasiekoers

Dan is daar natuurlik ook die onlangse verhoging in staalpryse wat geabsorbeer moet word

Verder word ook verwag dat vakbonde vanjaar verdere druk op die myne sal uitoefen vir salaris- en loonverhogings Salarisse en lone is verlede jaar redelik in toom gehou met behulp van die samewerking van vakbonde

'n Gemiddelde inflasiekoers van net minder as 10 persent word weer vir vanjaar verwag En met die onlangse salarisverhogings in die staatsdiens sal vakbonde moontlik sterker druk om groter verhogings op die myne uitoefen

'n Verdere aansienlike toename in die goudprys vanjaar lyk in hierdie stadium baie onwaarskynlik Die onlangse verbetering in die prys van goud word hoofsaaklik toegeskryf aan spekulasie vanweë die probleme wat die Amerikaanse dollar ondervind [illegible]

ONTLEDING VAN KWARTAALVERSLAE DESEMBER 1977

MYN	Goud gram per ton Sept	Goud gram per ton Des	Koste per ton gemaal R Sept	Koste per ton gemaal R Des	Koste per ons $ Sept	Koste per ons $ Des	Inkomste per ons $ Sept	Inkomste per ons $ Des	Ton Gemaal Sept	Ton Gemaal Des	Wins in R000 Sept	Wins in R000 Des
GOUDVELDE												
WES-DRIE	22,8	23,6	27,96	29,75	43,89	43,53	138,89	171,74	615 000	600 000	18 025	23 703
DOORNS	9,5	9,7	30,17	30,79	113,16	113,72	137 78	172,34	355 000	355 000	1 860	2 780
LIBANON	9,3	8,8	23,28	23,93	89,12	96,96	138,52	175,53	405 000	405 000	2 822	4 155
VLAKFONTEIN	1,9	1,4	7,49	6,29	143,83	159,73	146,63	165,23	178 500	180 000	77	(136)
VENTERSPOS	6,3	5,2	24,29	25,65	137,92	175,47	139,71	172,07	324 000	314 000	786	1 058
KLOOF	12,5	12,5	31,46	35,77	90,25	102,35	141,04	176,77	426 000	382 000	5 702	6 525
OOS-DRIE	23,8	24,7	23,98	27,74	36,06	40,17	138,88	166,88	597 000	530 000	19 554	25 147
ANGLOVAAL												
ET CONS	6,4	6,5	16,89	17,70	95,14	98,13	139,03	166,65	86 500	83 500	396	479
HARTIES	11,0	11,1	28,44	30,96	92,50	99,78	146,83	176,06	776 000	741 000	8 037	9 403
LORAINE	6,3	6,1	28,81	31,12	164,04	182,98	151,66	184,87	323 000	319 000	393	940
RAND MINES												
BLYVOOR	11,96	10,74	29,18	33,34	87,25	96,25	139,70	171,39 •	460 000	405 000	5 209	4 489
DURBAN DEEP	3,67	3,61	19,49	20,40	166,32	175,66	139,09	171,27	531 000	512 000	(674)	771
ERPM	6,18	6,33	29,73	33,60	172,07	189,94	139,18	166,65	471 000	448 000	228	1 965
HARMONY	4,74	4,78	20,45	23,28	*	*	139,10	170,64	1 676 000	1 585 000	2 220	8 623
UNION CORP												
MARIEVALE	3,20	3,20	9,04	8,71	101,06	97,37	139,35	173,26	270 000	570 000	460	867
GROOTVLEI	4,40	4,40	12,13	12,92	98,57	104,99	138,85	171,36	400 000	390 000	966	1 529
BRACKEN	6,80	6,80	16,63	17,24	87,50	90,68	140,66	172,76	205 000	205 000	935	1 309
KINROSS	7,60	7,60	15,96	17,41	75,09	81,96	139,47	171,66	390 000	390 000	2 486	3 119
LESLIE	4,81	4,80	17,51	19,37	130,22	144,32	141,79	172,78	225 000	215 000	265	529
WINKELS	7,80	7,80	13,98	14,89	64,10	68,27	139,51	171,71	515 000	516 000	3 402	4 559
ST HELENA	9,50	9,30	19,51	20,37	73,47	78,32	138,93	170,82	510 000	490 000	4 537	4 859
JCI												
WESTERN AREAS	6,0	5,8	20,20	21,02	120,45	129,67	140,0	173,80	1 000 000	1 013 000	3 359	7 236
RANDFONTEIN	15,0	14,6	21,09	22,61	50,30	55,43	138,69	171,44	297 000	310 000	11 452	14 675
GENERAL MINING												
STILFONTEIN	8,59	8,56	34,36	36,32	143,0	151,82	131,0	175,15	503 000	482 000	1 067	2 741
SOUTH ROODEPOORT	5,45	4,67	24,50	25,20	160,92	193,09	139,41	171,20	51 300	56 700	6	21
W R CONS	6,02	4,87	23,23	23,62	*	*	*	*	161 000	151 500	1 026	319
BUFFELS	9,22	9,19	28,20	30,76	109,36	119,67	139,27	169,78	795 000	734 000	6 970	8 724
ANGLO AMERICAN												
PRESIDENT BRAND	9,33	9,07	23,36	23,94	89,57	94,39	148,34	178,50	788 000	761 000	7 815	9 531
WELKOM	6,34	6,17	21,35	22,15	120,38	128,32	138,85	174,25	553 000	540 000	1 950	2 668
F S SAAI	3,85	3,93	20,69	21,07	192,31	191,95	147,13	177,50	312 000	299 000	2 043	1 233
PRESIDENT STEYN	8,88	8,02	24,51	26,26	98,69	117,11	128,67	176,97	809 000	752 000	10 879	10 098
FREGULS	13,06	12,02	21,94	24,59	60,07	73,14	145,66	176,95	898 000	834 000	*	16 729
WESTERN HOLDINGS	11,15	10,86	19,95	22,07	63,99	72,67	136,84	170,27	815 000	747 000	7 818	9 409
WESTERN DEEP	14,45	14,66	30,01	31,64	74,27	77,18	138,76	170,32	764 000	741 000	11 516	15 166
VAAL REEFS	9,34	8,79	27,32	27,85	104,58	113,30	141,94	178,49	1 839 000	1 809 000	14 610	32 540

* Nie beskikbaar

die goeie afset van Kruggerrande in die kwartaal Goudmyne ontvang gemiddeld 3 persent van die inkomste op die verkoop van Kruggerrande.

Die inkomste- en kostestygings van goud produksie in die afgelope kwartaal van die onderskeie myngroepe was as volg Goudvelde. inkomste 16,8 persent, koste 6,4 persent, Anglovaal inkomste 15,9 persent, koste 4,6 persent, Rand Mines, inkomste 11,4 persent, koste 3,2 persent, Union Corp inkomste 20,3 persent, koste 4,0 persent, JCI, inkomste 23,2 persent, koste 6,9 persent; General Mining inkomste 18,9 persent, koste 2,3 persent en Anglo American, inkomste 12,2 persent, koste 0,8 persent

In die geval van Rand Mines en General Mining kon die inkomste- en kostestygings nie heeltemal korrek bereken word nie, aangesien hul inkomste- en koste uit goud nie afsonderlik van hul ander mynboubedrywighede aangegee is nie

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Nywerheidsvraag

Druk is reeds op pres Carter uigeoefen om die dollar te stabiliseer. As hy daarin slaag om sy voorgestelde energieplan aanvaar te kry, sal die onsekerheid wat daar op die oomblik oor die dollar heers, moontlik verdwyn. Dit kan op sy beurt 'n groot gedeelte van die spekulatiewe element uit die prys van goud laat verdwyn.

Wat nodig is vir 'n redelik stabiele goudprys is dat die nywerheidsvraag na dié metaal bestendig toeneem. Die jongste voorspellings is dat die ekonomiee van die Westerse wêreld vanjaar baie stadig sal groei, wat die vraag na nywerheidsgoud nie baie sal laat toeneem nie.

As die goudprys vanjaar nie sterk verbeter nie — wat in hierdie stadium onwaarskynlik lyk — sal die sterk kostestygings van die goudmyne winsgrense waarskynlik baie nadelig beinvloed

Krugerrande

Die mynhuis wat die afgelope kwartaal die beste gevaar het met die in toom hou van sy koste, was Anglo American. Die myne in die groep het hul kostestygings vir die kwartaal op ongeveer 1 persent beperk. Dit is aansienlik laer as die meeste ander myngroepe

Die sterk toename in goudinkomste (die myne het 'n gemiddelde inkomste van ongeveer 172 dollar vir hul goud ontvang in vergelyking met 139 dollar die vorige kwartaal, is ook in groot mate toe te skryf aan

Boom for gold mines

SUN EXP. BUS. 22/1/78

(214)

THE price the gold mines received for their bullion jumped more than 50% in the past 15 months.

The mines' average receipt price has moved steadily upwards from the average $113 recorded in the third quarter of 1976 to $173 notched up in the last quarter of 1977 — a dramatic and satisfying increase for the South African mining industry

This higher revenue for the mines brought smiles to the faces not only of the mining magnates, but also to the faces of investors who have been understandably concerned by the rising cost of extracting an ounce of gold from the ground.

By PAUL DIAMOND

Mine costs are estimated to have advanced between 12 almost 20% last year and so the extra revenue was more than welcome

From the mines' quarterly results one can trace the average gold price the mines have received for their gold. In September 1976 it was $113 and this rose to $122,3 for the December quarter. In 1976 the mines received an average $120,50 for their gold.

This was bettered in 1977 when the average price was 21% higher at $145. In the March quarter the mines received an average $129 while in both the June and September quarters receipts were $142 The December figure is a best-ever $173

The mines themselves had an early indication that the December quarter would come up trumps for by mid-December the average price received was $155

Goldfields cannily took advantage of the higher price received during the quarter and announced its quarterly mine figures a full week ahead of the other houses GFSA mines received on average $171

Although the average receipt price had hit $155 by mid-December, it was no foregone conclusion that it would exceed this for the quarter. Traditionally the December quarter is a short one and tonnages are down Then, too migrant workers tend to move off the mines going home either to plant crops or to participate in Christmas festivities

This year however, the buoyant gold price, sweeping Krugerrand sales and reasonable uranium sales, outweighed any negative factors.

The outlook for this first quarter of 1978 is extremely bullish — not only is the gold price keeping steadily ahead of $172 an ounce, but it is hoped that Krugerrand sales will be maintained at their last year's level.

Heavy going for lead

Contango

THIS week the metals went into reverse on the commodity markets of the world with speculators selling into every rally

Worst hit was lead which nosedived on the news that the Asarco strike is not on The price hit £333 (three months) after last week's price of £380 and there is shorting of the metal all the way down

Silver which rose on the higher bullion price was brought down to 259p on the sterling price and the weakness of the other metals. Tin eased to £6 220 (three months), £200 lower than a week ago

Copper slumped to £654 (three months) on the talk that there may be a producer price drop in the US This reflects a £20 decrease on last week and a £50 fall in the past month The brokers did not expect to see copper through £660

By contrast the softs were quiet and little changed

WEST DRIEFONTEIN (214)

A new lease of life FM 20/1/78

Most of the betting at the moment is that the next gold mine to be announced will be by Union Corp in the Free State. But if the tempo of GFSA's drilling near East Driefontein is anything to go by, Union Corp could be pipped at the post.

Over the past year, GFSA has sunk 10 boreholes on the farms Blaauwbank, Vlakplaats, Driefontein and Oog van Wonderfontein. It has not announced any of this to its shareholders. In addition, boreholes VPI, DF1 and DF2 were indicated on the map attached to GFSA's 1976 annual report but there was not a whisper about results

The attitude apparently is that if any details are broadcast, it could upset negotiations with other mineral rights holders in the area. These holders have been kept in the dark.

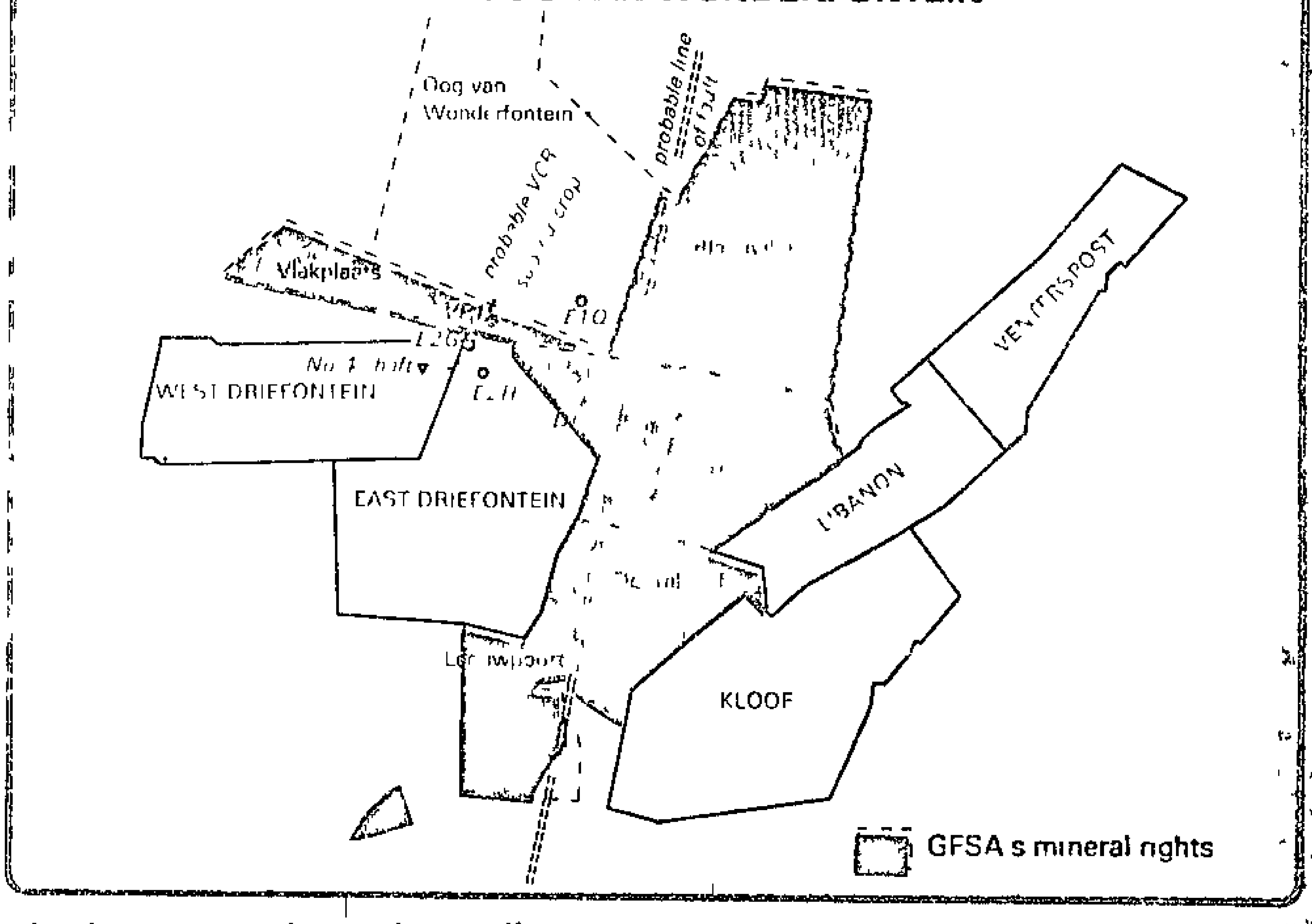
GFSA's problem is that in the West Wits days, borehole E1Q was drilled on Oog van Wonderfontein to evaluate the VCR The result was a trace of gold and whatever mineral rights or options were held on the farm were relinquished by West Wits. Since then, they have been picked up by others, notably one US mining company which reckons it is one of their prime mineral rights in SA But the Americans are busy elsewhere in the country and are in no great rush to sink money into boreholes for gold

What is happening is that GFSA is busy trying to tie everyone in the area into a deal to develop what could turn into a bonanza along the lines of East Drie

Published information is limited, but a major problem facing GFSA is the size of the area it holds which is underlain by VCR It is currently running magnetometer surveys to determine the exact position of the major fault east of East Drie (see map for approximate location) East of the fault, VCR does not exist Borehole FBI was sunk in VCR footwall so there is no chance of VCR being picked up to the east

The other problem is the line of the VCR sub-outcrop after it has passed through East Drie I have shown its possible continuation on the map, but the further west it lies, the better the bargaining position of GFSA's possible partners in a new mine Location of the sub outcrop is thus crucial

EYEING OOG VAN WONDERFONTEIN



Unconfirmed reports put drilling results at anything over 20g/t gold over reef widths of well over 100 cm Borehole E2H on East Drie gave two VCR intersections grading 84,7g/t over 25,4 cm and 68,2g/t over 22,1 cm And in its latest quarterly, East Drie reports development results in the small area it holds to the east of its northern boundary on the farm Driefontein of 43,1g/t over 233 cm giving 10 042 cm g

There are problems drilling the area because of reef rolls But moving north the reef tends to thicken and mineable tonnages look like being sufficient to support a major mine

I reckon the drilling programme is now so far advanced that an announcement will be forthcoming from GFSA this year But just how a mine will be financed is a matter of conjecture GFSA will be heavily committed to developing Aggeneys for the next few years Financ

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ing a major new gold mine could be an intolerable strain on cash flow even with an accelerating bullion price.

There seems little point in incorporating the area into East Drie. It has sufficient ore reserves within its own lease area to maintain production well into the next century.

West Drie, however, is fast exhausting its high grade VCR and Carbon Leader reserves Without these its future inside its lease area is tied to the much lower grade Main reef.

If the Main reef turns out to be unpayable, West Drie's reduction plant could be standing idle, or at least seriously short of tonnage, within four or five years So it makes sense from GFSA's point of view to incorporate the new areas into West Drie

The plan could be to sink one shaft on Blaauwbank or Oog van Wonderfontein and connect it by underground haulages or surface railway to West Drie's No 4 shaft. Ore can then be shifted to No 4 shaft and then by the overhead railway to the reduction works

West Drie will not get all this for nothing. It will probably issue new shares in exchange for the necessary mineral rights including GFSA's. Development of the area should be possible from West Drie's cash flow over the next four or five years

If this scenario proves correct, present West Drie shareholders can expect dilution of their holdings and lower near-term dividends But life expectations will more than compensate

Jim Jones

Staatshulp R7,3 milj.

22/1/78 SAKE-RAPPORT

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Die sterk styging in die inkomste van myne uit goud in die kwartaal tot 31 Desember het weer eens bewys dat dit lonend is om myne wat swaarkry, se lewensduur met staatshulp te verleng. Dié hulp was R7,3 milj. in die kwartaal.

Die agt myne in die groot myngroepe wat staatshulp ontvang of daarvoor klassifiseer, het in die kwartaal tot 31 Desember oorwegend beter gevaar, hoewel daar nog 'n paar was wat ondanks die hoër goudprys nie 'n wins uit goud kon toon nie.

Die myne wat op die oomblik staatshulp ontvang óf daarvoor kwalifiseer, is myne wat oorwegend 'n baie lae ertsgraad het Hul reserwes is egter groot genoeg om hulle nog 'n lang ruk aan die gang te hou, mits die goudprys genoegsaam verbeter.

Die hele idee van staatshulp is om hierdie myne so lank moontlik aan die gang te hou met die hoop dat die goudprys voldoende sal verbeter sodat hulle weer winsgewend sal word.

Die myne in die groot myngroepe wat op die oomblik staatshulp ontvang of daarvoor kwalifiseer, is ET Cons, Durban Deep, ERPM, Loraine, Stilfontein, Venterpost, WR Cons en Leslie

Venterspos in die Goudvelde-groep het in die afgelope kwartaal 'n wins na belasting en die staat se aandeel van R1 058 000 getoon, teenoor R786 000 die vorige kwartaal. Staatshulp het in die kwartaal effens toegeneem en het op R1 028 000 te staan gekom teenoor R522 000 die vorige kwartaal.

Afgesien van die sterk styging in die inkomste uit goud was die myn se kostestruktuur nog te hoog om 'n wins uit goud te toon. Die myn se gemiddelde inkomste in dollar per ons was 172,07 teenoor 139,71 die vorige kwartaal. Koste daarenteen het 175,47 dollar per ons beloop teenoor die vorige kwartaal se 137,92 dollar

In die Anglovaal-stal het ET Cons en Loraine ook albei hul winsposisies verbeter ET Cons het in die afgelope kwartaal 'n wins na belasting en die staat se aandeel van R479 000 getoon teenoor R396 000 die vorige kwartaal Die myn het reeds só verbeter dat hy nie meer staatshulp ontvang nie ET Cons het 'n gemiddelde prys van 176,06 (146,83) dollar per ons vir sy goud ontvang, terwyl sy koste per ons 99,78 (92,50) dollar beloop het

Ondanks die feit dat Loraine se ertsgraad baie min van die van ET Cons verskil, kon die myn egter nie sy koste in toom hou nie Hy het nogtans daarin geslaag om vanjaar 'n geringe wins uit goud te toon, teenoor 'n verlies die vorige kwartaal

Die myn het staatshulp van R689 000 (R266 000) ontvang.

Rand Mines se Durban Deep en ERPM se staatshulp het in die afgelope kwartaal ook sterk toegeneem Durban Deep het hulp ten bedrae van R2 235 000 (R1 922 000) ontvang terwyl ERPM se hulp R3 391 000 (R2 832 000) beloop het. Al twee myne se koste was hoer as hul inkomste sodat hulle 'n verlies uit hul goudbedrywighede getoon het

Leslie Gold Mines van Union Corporation is sedert 1 Oktober verlede jaar 'n myn wat vir staatshulp kwalifiseer Hy het egter nog nie daarvan gebruik gemaak nie Die myn het in die afgelope kwartaal 'n wins van R528 000 getoon teenoor R265 000 die vorige kwartaal

Die ander twee myne wat vir staatshulp kwalifiseer, is in die General Mining-groep.

Hulle is Stilfontein en WR Cons. Hulle het egter nie in die afgelope twee kwartale staatshulp ontvang nie

Welkom: There were no deliveries to the JMS despite the fact that slimes are [illegible] highest uranium grade in the OFS and especially as the JMS was unable to meet contractual commitments Just when the mine will start deriving income from the JMS remains to be seen But gearing to bullion prices gives immediate speculative appeal

President Brand: The year's capex got off to a slow start and R10,4m remains to be spent on non-JMS projects The quarter's low recovery means that recovery will have to average over 10 g/t for the rest of the year if the target is to be achieved But if the policy is to cut grade in line with gold price rises, capex on new shaft systems could be deferred

President Steyn: The 250 000t/month average mill throughput of the first quarter was well below the planned average of 300 000 t for the whole year But above-average milling rates in the final three quarters could provide scope for lowering unit costs Development sampling grades are well down indicating that lower grade areas will be mined and that planned average recovery for the year of 8,3g/t will not be met

Free State Saaiplaas: Technical problems at the JMS chopped uranium revenue and there is little prospect of uranium contracts being filled from JMS production this year. Unless there is a sharp improvement in the bullion price, gold production will remain below break-even for the rest of the year This, coupled with lower than expected uranium profits and relatively heavy capex, means little chance of dividends this year or next

Western Holdings: The greatest proportion of Basal reef development and sampling is in the lower grade No 3 shaft area pointing to a steady decline in recoveries But development on the much lower grade Leader reef horizon remains small, hinting that the reef will not be mined unless the gold price takes off

Free State Geduld: Planned capex for the current year has been increased by R8m to R33m, equivalent to an additional 77c per share pre-tax This, plus the low first quarter recovery means that dividends will be under restraint this year Even at $175 gold there may not be much of an improvement on last year's total 240c payout

Western Deep: Planned mill throughput for the current year is only marginally higher than last year at 3 Mt, while planned grade has been lowered slightly With R26m capex slated for the year, an interim of 50c seems possible There will be little let-up in capex next year

Vaal Reefs: Planned capex for the current year has rocketed to R72m (something of a record for the industry) to bring in additional uranium capacity earlier than originally planned Much of the cost will be financed from consumer loans and at current gold prices, total dividends approaching 150c should be possible

Grootvlei: At current gold prices life should be in excess of the 6 years estimated by management in 1976 at $130 gold Additional development will be needed to define additional payable blocks, but with $170 gold a total of 30c could be on the cards.

Marievale: The future is highly dependent on an early start of development into Nigel This looks likely at current bullion levels, but the additional development and capex necessary will be a drag on this year's dividends

Leslie: State assistance has been granted on condition that there is no drop in gold output This should be no problem The mine has been milling at about 25% below capacity for the past year, so there is scope for cutting recovery to around 4 g/t if necessary On the basis of higher mill throughput, better control of unit costs should be possible At $170 gold a total payout of 6c is possible for the year, though much depends on development necessary to prove additional ore reserves

Bracken: Mill throughput and recovery are being maintained at the lower level but there is little likelihood of life being extended much beyond two years. At $170 gold, a 25c total dividend is possible

Winkelhaak: Grade and mill throughput are being maintained and there seems no reason to expect major changes Capex is minimal and an interim of at least 50c is easily attainable

Kinross: Development payability continues to decline, though this reflects the sporadic nature of the Kimberley reef and should improve eventually. Grade could decline only marginally this year though this may result in a cost boost as mining becomes more selective

St Helena: No details are available in the quarterly on what tonnage was drawn from the surface ore stockpile But something less than 1 Mt of high grade ore remains in stock and once this is worked off, recovery could drop sharply Development remains at a high level to open up the No 8 shaft area and no near-term let-up is likely unless the difficulties of mining pillars near the mine's eastern flank are overcome soon Even at present gold prices the scope for increasing dividends is poor

Wit Nigel: On management's estimates, the mine should now be operating above break-even Unit costs are highly geared to mill throughput, but there is little likelihood that the milling rate can increase more than marginally Even at the current gold price, this year's dividend prospects are not bright

Jim Jones

GOLD QUARTERLIES

	Costs			Revenue		Gold†				Uranium†				Profit		
	R/kg	$/oz		R/kg	$/oz	Milled 000t		Recovery g/t		Milled 000t		Recovery kg/t		Gold R000	Uranium & other R000	EPS after capex & loan levy c
ANGLO AMERICAN																
Free State Geduld	2 045	73	(60)	4 947	177	834	(898)	12,0	(13,1)	‡597	‡(508)	0,08	(0,08)	29 101	196	68,3
Free State Saai	5 362	192	(192)	4 963	178	299	(312)	3,9	(3,9)	‡550	‡(507)	0,21	(0,20)	(474)	1 707	(6,8)
President Brand	2 639	94	(90)	4 990	178	761	(788)	9,1	(9,3)	‡633	‡(626)	0,09	(0,07)	16 237	(883)	37,7
President Steyn	3 274	117	(99)	4 947	177	752	(809)	8,0	(8,9)	‡896	‡(917)	0,09	(0,09)	10 092	6	33,3
Vaal Reefs	3 167	113	(105)	4 990	178	1 809	(1 839)	8,8	(9,3)	1 287	(1 192)	0,20	(0,22)	28 986	11 113	57,2
Welkom	3 588	128	(120)	4 872	174	540	(553)	6,2	(6,3)	‡0	‡(1)	—	(0,14)	4 281	329	15,4
Western Deeps	2 158	77	(74)	4 762	170	741	(764)	14,7	(14,5)	192	(195)	0,22	(0,22)	28 294	2 353	35,7
Western Holdings	2 032	73	(64)	4 760	170	747	(815)	10,9	(11,2)	‡830	‡(664)	0,09	(0,09)	22 144	1 051	85,9
UNION CORP																
Bracken	2 535	91	(87)	4 830	173	205	(205)	6,8	(6,8)					3 199	134	7,8
Grootvlei	2 935	105	(96)	4 791	171	390	(400)	4,4	(4,4)					3 184	104	11,3
Kinross	2 291	82	(75)	4 799	172	390	(390)	7,6	(7,6)					7 433	218	12,8
Leslie	4 035	144	(130)	4 830	173	215	(225)	4,8	(4,8)					821	49	3,1
Marievale	2 722	97	(101)	4 844	173	270	(270)	3,2	(3,2)					1 833	108	16,1
St Helena	2 190	78	(73)	4 776	171	490	(510)	9,3	(9,5)					11 787	196	37,7
Winkelhaak	1 909	68	(64)	4 800	172	516	(515)	7,8	(7,8)					11 640	421	31,1
INDEPENDENT																
Wit Nigel	5 002	179	(171)	4 905	175	59	(63)	5,3	(5,2)					(30)	*334	1,7

**Includes R285 000 State Aid* †*Figures in parentheses refer to previous quarter* ‡*Deliveries to Joint Metallurgical Scheme*

GOLD QUARTERLIES FM

Falling recoveries 27/1/78

(214)

Gold bugs have the bit well between their teeth and look like pushing bullion towards $180 by the end of the month This is not without its problems as far as predicting dividends is concerned

The Anglo Free Staters without exception all reported lower recoveries in their first quarter than the level planned for the year as a whole. No reason is given, but it seems likely that rising gold prices will lead to a downward revision in planned recovery this quarter

At the Joint Metallurgical Scheme, teething problems are retarding planned production levels and uranium will have to be bought this year to satisfy contracts. Finance for this is being raised from each of the participants Though it will only have a marginal effect on most participants, failure to produce to plan is a serious set-back for the most dependent mine, Free State Saaiplaas. In addition, there must be fears that the same problems could arise at Ergo which is just starting to commission its plant.

FM 3/2/78

FREE STATE SAAIPLAAS

Rights issue coming

214

The market was far too preoccupied with gold price movements last week to pay much immediate attention to Free State Saaiplaas's announcement that its No 3 shaft is now estimated to cost R120m, 50% more than estimated in the 1975 prospectus Additional funds will be

Joint metallurgical scheme . low uranium recoveries a setback for Saaiplaas

needed in 1979, but how much will depend on gold price movements

At September 30, the end of the last financial year, capex for expansion had totalled R31,6m and the company had R9,5m available cash The first quarter of the current year yielded a profit of R1,2m, so to complete No 3 shaft and if there is no further escalation, a further R77,7m has to be found from profits and external funds over the next three years

To break-even on gold the mine currently needs a price of $192 So even on the most optimistic view of the gold price, working cost escalation will mean that little if anything will be contributed by gold The bulk of internally generated funds will have to come from the mine's participation in the Joint Metallurgical Scheme That is where the snag arises

Operations at the JMS are causing headaches Little detail is given but some assumptions can be made There is probably 75% recovery of uranium from Saaiplaas's high grade slimes This suggests that JMS uranium recovery from the low grade slimes is only running at about 7,5% against expectations of 20%

In the latest annual report, Saaiplaas's technical advisers reported that the JMS's "problems have been largely overcome by changes in design or operating techniques It is anticipated that all plants will achieve rated capacity during 1978" But in the JMS's December quarterly it was reported that uranium sales commitments could not be met this year and that the participants were making provision to buy uranium to make up the shortfall

On a quarterly basis there is no telling what the individual participants' shares in JMS profits will be Uranium sales are made according to contracts held by the mines involved Individual delivery or recovery shortfalls are made up by borrowing from other participants Anglo isn't disclosing sales schedules, but it is probably reasonable to assume that over the next three years Saaiplaas will be a net lender of uranium

In the December quarter, Saaiplaas's share of JMS profit was R988 000 compared with JMS uranium profit of R2,34m, acid of R291 000 and a loss on gold of R1,31m

Assuming that JMS gold production breaks even, acid production makes an annual profit of R1,5m and uranium profit averages R15m, Saaiplaas should receive profits of R26,7m from the JMS in the next three years if it receives its full share Which means that an extra R51m will have to be raised to complete No 3 shaft leaving no prospect of dividends

The last annual report did not specify the need for a rights issue, but it seems inevitable The numbers involved need not be too intimidating for example a one-for-one issue at 180c would do the trick

But President Brand owns 50% of Saaiplaas and with its own relatively heavy capex programme this year, a further rights issue by Saaiplaas could cause some strain

Saaiplaas shares have come back 20c to 195c since the announcement With dividend prospects limited for three years and a call on shareholders likely next year, downside potential looks considerable Investors in marginal gold or uranium shares can find better opportunities elsewhere

Jim Jones

(214) FM 17/2/78

LYDENBURG

A gold and platinum spec

Though free market platinum has climbed to $225 against the Rustenburg/Impala producer price of $205, Lydenburg shares have slipped back to 115c compared with their recent high of 135c. The discount to net worth of 144c is 20% and they are at a discount of 8,5% to the Rustenburg holding alone.

An overlooked factor in assessing Lydenburg is its extensive OFS mineral rights.

Last year, the 25% interest in the OFS farm Video was exchanged for 141 600 President Steyn shares, currently worth 13c per share. Another interesting holding is the 25% participation in Vermeulenskraal Noord which General Mining is now evaluating.

Bordering and forming part of the main area of interest south of the OFS gold field (*Fox* July 8 1977), Lydenburg holds 15% participation rights and net vendor consideration in the farm Kalkoenkrans.

In the Forties, two boreholes on the farm intersected Leader reef at around 1 870 m. The two highest values were 5,1 g/t (780cm g) and 7 g/t (921cm g). At the same time an interest was held in Doornrivier. One borehole in 1947 intersected an uncorrelated reef at 1 490 m, grading 5,6 g/t (953 cm g).

These are not spectacular values (though there is no indication of possible uranium grades), but the farms could ultimately form part of a new mine in the area.

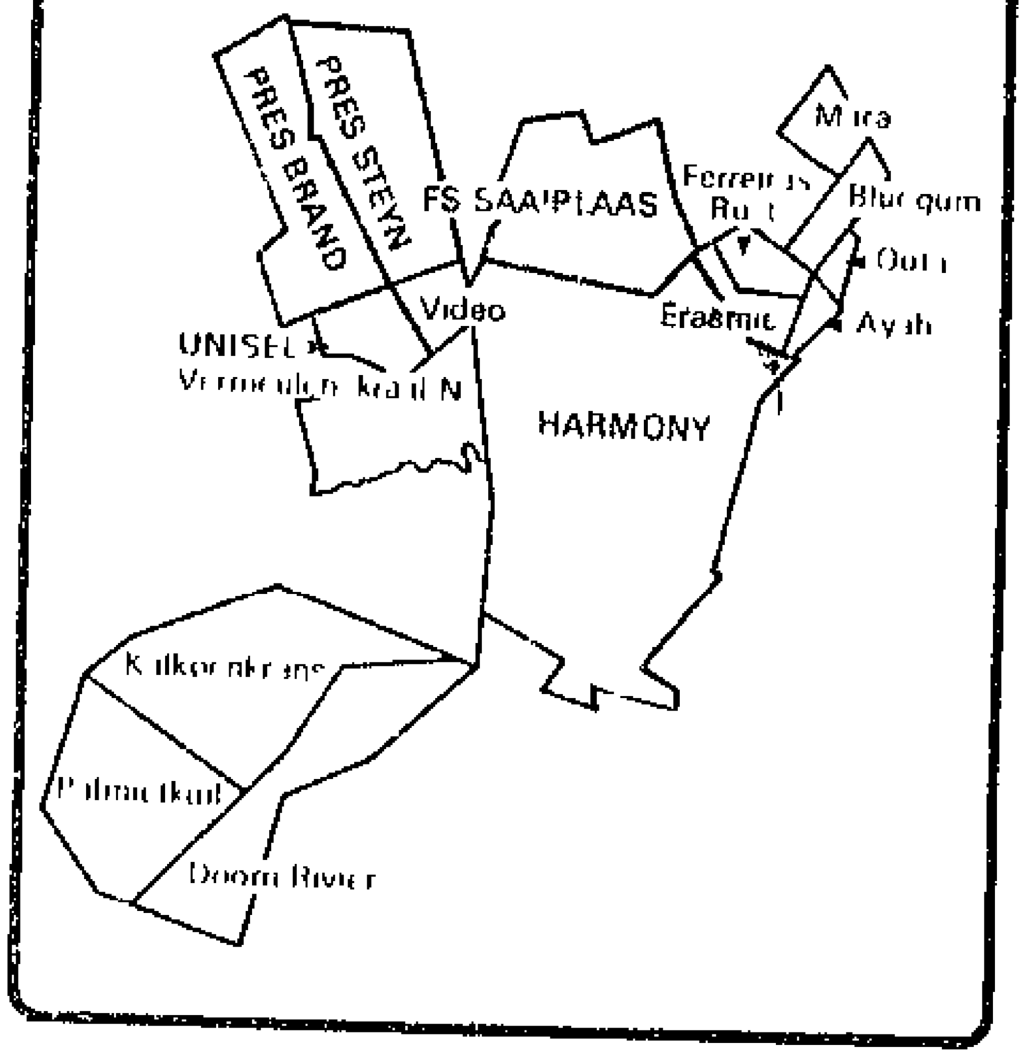
Elsewhere in the OFS, mineral rights are held on farms to the north of Loraine and Jeannette. It is hard to see them being developed at any conceivable gold price.

To the east of Free State Saaiplaas, on the other hand, a strongly rising gold price could revive interest in Mara, Bluegum, Outa, Ferreiras Rust, Erasmie and Ayah. In the Forties, drilling gave generally poor gold results on the Basal and Leader reefs where they were developed.

But on Ferreiras Rust, borehole FR1 intersected "B" reef in the Kimberley series at 1 015 m grading 25,7 g/t (2 827 cm-g) and 15,1 g/t (1 854 cm-g). The Kimberley reef has patchy gold values though uranium could be attractive, with possible grades about the same as those on Loraine and Freddies.

Drilling the "B" reef on Erasmie gave poor gold values and the best result on the Leader reef at 760 m was 4 g/t (199 cm g). Again there is no information on uranium. But borehole SM 1 on Harmony's boundary with Erasmie intersected Leader reef at 571 m, grading 1 028 cm g. Borehole GS 1 on Free State Saaiplaas, about 700 m from the boundary with Erasmie, gave average Leader reef values of 16,9 g/t (976 cm-g) gold and 0,65 kg/t (36,6 cm-kg) uranium.

LYDENBURG'S OFS INTERESTS



It is a fairly long shot, but at least Erasmie and Ferreiras Rust could have some long term potential.

For the present there is no need to rush into the shares on either gold or platinum considerations. Dividends will be under restraint, with only modest income from Rustenburg. But on new mine developments in the OFS, some speculative interest is likely. At the present share price, the mineral rights are in for nothing.

Jim Jones

No new gold mines likely in near future

(214)

Mac Thain

The high gold price will not bring about the opening up of new mines on the West Wit Line and in the OFS in the near future

A bullion price in excess of 182 dollars — largely the result of the weakness of the dollar — could fall back Furthermore, prospecting work and its evaluation is not yet at a stage where mining houses concerned could take a decision to go ahead.

Gold Fields has been investigating the areas to the north of West Driefontein and East Driefontein and to the east of the latter for some time to determine whether payable Ventersdorp Contact Reef values exist and the extent of mineralisation Of importance is the whereabouts of a major north-south fault to the east of East Driefontein which is the eastern limit of VCR mineralisation

Mineral rights are held by GFSA in the area, but as such would not appear adequate to support any new mine but, should they be underlain by payable values, could provide a useful extension to the West Driefontein and East Driefontein lease areas

It seems premature to anticipate major developments at this stage

It is common knowledge that Union Corporation is drilling to the south of the existing Free State field, where indications that the general tenor of the reef is relatively high uranium but low gold values.

This is part of the group programme to seek replacements for old mines, but no results of prospecting work has been published

The high current gold price — which could be a temporary phenomenon — would have little influence in precipitating a decision to go ahead and making a start with shaft-sinking

Costs tarnish the golden promise of mining industry

STAR 22/2/78. (214)

Major gold mines continue to be the prime long-term investments on the sharemarket and should form part of any prudent portfolio, said Mr Robin Plumbridge vice-chairman of Gold Fields of SA, at today's investment conference.

But he pointed out that costs, since 1973, had risen at virtually the same rate as the gold price Both had more than doubled. It was essential that costs were reduced

Major mines he said, were those which mill 100 000 tons a month or more, with production costs of 100 dollars an ounce or less and a life of more than 10 years.

There were many fine mines that fall outside this definition and investment in their shares could be very rewarding to professional investors who had the time, knowledge and feel for short-term market movements, said Mr Plumbridge. In some instances uranium was an important consideration for such shares

The merit of major mines was that they had the flexibility to weather any foreseeable storms and the production capacity to derive large benefits from the upswings Over and above working cost and gold price considerations, they also had the financial muscle to finance capital programmes needed to maintain the scale of operations in modern deep level mines.

NO INCREASE

The average gold price received at the end of last year compared with that in 1973 was some 130 percent greater. However, operating costs had risen by 127 percent In this context, for the mining industry there had been no real increase in the price.

The implication of this, said Mr Plumbridge, was that it was imperative that rate of increase in costs be dramatically reduced The causes included the high internal rate of inflation, major improvements in black wages and the exceptionally hoists in administered prices — particularly those of electricity

All these conspired to raise costs at a rate which could have only been offset by a major increase in productivity of the work force This has failed to happen and it actually fell last year

Discussing the gold price, Mr Plumbridge emphasised that the key task of any analyst was to establish a trend line about which it would fluctuate In the past, too much attention had been given to short-term movements and this led to undue speculation in gold shares which ought to be bought on medium to long term merits.

FM 17/3/78

UNION CORP GOLDS

Cautious on bullion

214

Interim d[illegible] from Union Corp gold mines, tabled below, [illegible] likely to [illegible] based on actual r[illegible] quarter and man[illegible] estimates.

Financial Mail March 17 1978

St Helena's new plant nearing completion

March quarter results

During the December quarter, helped by booming Krugerrand sales, the industry's revenue averaged \$173,41/oz Thus far this quarter the London fix has averaged about \$178 and average revenue to the mines for the full period could average around \$183 So unless bullion stages a sharp upward break above \$190 the prospect of greatly improved finals might be limited

St Helena's sharp dividend improvement reflects the much lower rates of capex with completion of the new mill After tax and capex December quarter earnings were 38c, but grade continues to fall especially as the high grade surface ore stockpile is worked off Higher bullion prices could take some of the pressure off development to open up the new No 8 shaft area But if grade declines sharply a final of much better than 100c might not be possible even with bullion in excess of \$185

Winkelhaak was in line with expectations but the 53c interim compares with first quarter earnings after tax and capex of 31,1c It appears that retentions are being made preparatory to a start on sinking prospect winzes in the north and provision of refrigeration plant in the deeper parts of the mine

Kinross still appears to be increasing development rate to make up for the slippage at the start of last year But once the apparently higher grade ground in the No 2 shaft area starts being milled towards the end of the year, there should be scope for a rising dividend pattern

At **Leslie's** agm the chairman said that following the granting of State Aid, a preliminary life estimate was three years. But there is sufficient unused capacity at the mill to allow grade cuts and still maintain gold production At the current price the market seems to be expecting a life of at least six years and a final of about 10c

On the basis of management's estimates of a remaining life of two years, **Bracken's** interim indicates that the share price is way out of line Even at higher gold prices only small tonnages of additional marginal ore will become available and a final of at least 50c seems necessary to justify the share price

Grootvlei's announcement of a decline from 2,7 Mt to 15 Mt in reserves, based on \$150 gold (R4 200/kg) led to a sharp drop in the share price But it also raises the question of what reserves could be at \$200 gold

The mine will be faced with a problem of rising water in about three years But the report does not make clear whether this will affect remaining workings on the Main reef alone or also interfere with the more important operations on the Kimberley reef some 250 m higher

This year unit costs will probably average about R14,10/t In 1974 on a gold price of R3 500/kg reserves were estimates at 10 Mt (Main reef 4,5 Mt; Kimberley reef, 5,5 Mt) at an average grade of 3,9 g/t But costs then averaged R6,54/t At \$180 gold, according to a chart in the latest report, current reserves are estimated at 2,8 Mt grading 4,3 g/t So it will take a sharp increase in the gold price before management is prepared to stick its neck out and give anything but the most cautious of projections.

In the meantime bulls of the share can't wait for the agm at 9h30 on April 13

Jim Jones

INCREASING STEADILY

	1977 March	Sept	Total	1978 March	Latest Price
Bracken	13	12	25	20	150
Kinross	12	22	34	23	625
[illegible]	—	3	3	7	72
St Helena	60	55	115	80	1 310
Winkelhaak	39	47	86	53	1 260

1. Naam (eerste naam a[illegible]
2. Ouderdom
3. Ras
4. Tuiste (dorp, distr[illegible]
5. Soort werk
6. Skooljare voltooi
7. Span
8. Nommer in span: sk[illegible]
9. Hoe lank het u al d[illegible]
10. Hoe het u geleer om
11. Het u al ooit ander

Indien wel, kort be[illegible]

Plek Tydperk [illegible]

1.
2.
3.
4
5.

12. Het u al ooit daara[illegible]

Indien wel, waarom [illegible]

13. Vir watter deel van die jaar doen u hierdie w[illegible]

14. Hoeveel plase besoek u elke jaar?

East Rand Proprietary Mines, Limited

A Member of the Barlow Rand Group

Chairman's Statement

The company has experienced another very difficult year and large cost increases, which management was powerless to control, were sustained These cost increases more than neutralized the benefits which arose from the increased gold price and the improved yield achieved during the year The company was also confronted by a serious shortage of Black labour during the first nine months of the year, which together with the introduction of the 11-shift fortnight on 1st April, 1977, caused the quantity of ore milled in 1977 to be 227 000 tons less than in the previous year

Although capital expenditure was again restricted to such projects as were considered vital to the continued operations of the mine there was a net cash outflow after maximum State assistance and the company had no alternative but to draw on the special State loan facility, as recorded in the report of the directors

In spite of these difficulties the fundamental operating objective remained one of endeavouring to achieve a reduced dependency on State aid without prejudicing the ability of the mine to operate profitably should financial and other critical considerations permit at some future date

Summary of results

	1977	1976
Tons milled	**1 616 000**	1 843 000
Gold produced - kilograms	**9 981,6**	11 030,6
Yield - grams per ton	**6,18**	5,99
Working revenue	**R41 083 000**	R37 053 000
Working revenue per ton milled	**R25,42**	R20,10
Working expenditure	**R51 011 000**	R43 595 000
Working expenditure per ton milled	**R31 57**	R23,65
Working loss	**R9 928 000**	R6 542 000
Working loss per ton milled	**R6,15**	R3,55
Other income (net)	**R289 000**	R531 000
State assistance claimed	**R10 271 000**	R9 286 000
Taxation and State's share of profits	—	R17 000
Profit after taxation and State's share of profits	**R632 000**	R3 258 000
Forfeited dividends	**R1 000**	—
Profit appropriations		
Mining assets	**R1 560 000**	R5 222 000
Dividend	—	198 000
Reversal of profits previously appropriated for expenditure on mining assets	**R3 151 000**	—
Retained surplus at 31st December, 1977	**R4 264 000**	R2 040 000
Total ore reserves		
- tons	**1 374 000**	1 150 000
- value - grams per ton	**12,5**	11,9
- width - centimetres	**137,7**	138,9

Financial results

The average price received for the gold produced at R4 105 per kilogram (approximately U S $147 per ounce) was 23 per cent higher than the average price received in 1976 This explains the 11 per cent increase in working revenue despite the fall in gold produced from 11 030,6 to 9 981,6 kilograms

The revenue received for gold sold during the company's financial year was as follows

	Rand per kg	US $ per oz
Financial year ended - 31st December, 1976	3 349	120
Quarter ended -		
31st March 1977	3 668	131
30th June, 1977	3 937	141
30th September, 1977	3 880	139
31st December, 1977	4 774	171
Financial year ended - 31st December, 1977	4 105	147

As a consequence of the increase in the price of gold it was possible to undertake a gradual systematic increase in the scale of operations in the latter part of the year under review. The number of Whites in service increased from 995 in December, 1976 to 1 097 at the end of 1977 and the Black underground complement increased from 8 230 to 12 242 over the same period

There was a marked increase of 33 per cent in working expenditure which rose from R23,65 per ton milled in 1976 to R31,57 per ton milled in 1977 The three basic reasons for this increase were firstly, the inflation in the national economy which affected the cost of stores and materials, secondly, pay increases granted to employees as well as the inflationary effect of the 11-shift fortnight, and thirdly, major increases in electric power costs

The working loss increased from R6 542 000 in 1976 to R9 928 000 during the period under review State assistance claimed increased by 11 per cent to R10 271 000 which resulted in a net profit of R343 000 After appropriating an amount of R1 560 000 in respect of net expenditure on mining assets, and reversing the sum of R3 151 000, being profits previously appropriated for expenditure on mining assets as explained in the directors' report, the retained profit for the year was R2 224 000 After adding the retained surplus brought forward from the previous year the retained surplus at the end of the year was R4 264 000

State loans

As reported in the chairman's statement last year a special loan facility to cover residual losses after receipt of the maximum assistance permitted in terms of the Gold Mines Assistance Act, was granted by the State for the period 1st July, 1976 to 31st December, 1977 It became apparent in mid 1977 that extensive use would have to be made of this facility to preserve the company's limited cash resources, and that the company's ability to carry on as at present would be severely jeopardised if this facility was not extended into 1978 Accordingly, on 15th August, 1977 a formal application was made to the authorities to extend the facility until at least 31st December, 1978 On 20th November, 1977 the authorities replied to our application advising that it had been decided not to extend the facility and that it would terminate as originally planned on 31st December, 1977 Notwithstanding this decision a further fully motivated application for the extension of the scheme was immediately submitted, because without this loan facility the company could run out of cash over a short period and then be forced into a rapid suspension of operations However, if the gold price trend which developed towards the end of the year continues into 1978, and providing there are no unforeseen problems on the mine, there may be no need to call on this facility It is hoped that the authorities will be prepared to reconsider the matter and extend the scheme

Operations

The report of the directors, to which the attention of members is directed, describes the results of operations of the company's mine for the financial year ended 31st December, 1977 There has been no fundamental departure from the operating strategy outlined in the chairman's statement last year As a result of the planned withdrawal from the low grade areas the yield increased from 5,99 grams per ton in 1976 to 6,18 grams per ton in 1977 With the improved supply of Black labour towards the year-end it was possible to achieve an average milling rate of 150 000 tons per month A better milling rate would have been achieved had it not been for the adverse effect of the 11-shift fortnight

Capital expenditure

During 1977, the company's policy remained one of limiting capital expenditure to essential projects and this policy will be observed again in 1978 Expenditure of a capital nature during 1978 is estimated at R2,9 million and will be incurred mainly on conversion of the electrical system, on rapid yielding hydraulic props, on improvements to hostels and on cooling underground

Future prospects

Over the past few years this company has experienced rapidly diminishing profit margins, and, more recently, increasing losses, due to the fact that the inflationary trends in the National economy have caused operating costs to increase at such a rate as to completely offset the benefits of the increases in the price of gold Black labour is likely to be more freely available in 1978 and it is planned to increase the milling rate This will result in a slight decrease in yield but unit costs will be reduced Nevertheless it is evident that a significant increase in the price of gold is now a fundamental prerequisite if the company is to reduce its dependency on State assistance and ultimately return to a profit making status However, I am deeply concerned that the benefit of the necessary significant increase in the price of gold may be very short-lived because of the increased inflationary pressures which will develop in the National economy thereafter Certainly then, a further essential requirement for a return to financial independency in the case of your company's mine, and possibly most other State-assisted mines, is a successful attack on the continuing inflationary trend in the National economy as reflected in the index of mine working costs published quarterly by the Chamber of Mines of South Africa The industry as a whole sustained an increase of approximately 23,7 per cent in working costs in the calendar year 1977 It is doubtful whether the industry, and particularly the low grade producers, can survive in the face of further cost increases of this magnitude

In the immediate future, members are most unlikely to receive any benefit from the operations of the mine However, the directors continue to believe that it is in the interests of members to maintain the mine in such a state as will enable the company to take full advantage of any further improvements in the gold price There is, of course, a substantial amount of gold bearing ore in situ in the mine capable of sustaining mining operations at the current tempo for many years to come providing that the correct interrelationship between the gold price and working costs can be maintained

Members must, however, appreciate that if the required improvement in the gold price does not eventuate in the near future, and if the State loan facility is not extended into 1978, the company may again be faced with the problem of a depletion of its cash resources Under these circumstances there will probably be no alternative but to embark upon a severe cut-back programme or even a rapid suspension of operations

Appreciation

I have pleasure in recording the board's appreciation of the services rendered by Mr R S Lawrence who resigned as chairman on 24th October, 1977, by Mr R J J Fourie prior to his resignation as managing director on 24th October, 1977 and by Mr D D Waterman who succeeded him as managing director, by the general manager, Mr J A Tyser, and the staff and employees at the mine, by the technical and administrative staffs at head office, and by the secretaries in the United Kingdom

D T Watt, Chairman

Johannesburg
7th March, 1978

General Mining & Finance Corporation Limited

(Incorporated in the Republic of South Africa)

PROFIT ANNOUNCEMENT — 1977

UNAUDITED CONSOLIDATED PROVISIONAL ANNUAL FINANCIAL STATEMENTS

Year ended 31 December

SUMMARY

	1977	1976
Group income — before tax	R113 873 000	R106 789 000
— after tax	R86 258 000	R 77 996 000
Income attributable to ordinary shareholders	R43 263 000	R 34 533 000
Earnings per share	520c	415c
Dividend per share	225c	210c
Dividend cover	2,3	2 0
Net asset value per share	5 453c	4 553c
Total number of shares issued	8 322 736	8 319 236

GROUP OPERATING RESULTS	1977 R000	1976 R000
Operating income	124 721	116 781
Income from investments	40 797	45 395
Surplus on realisation of investments	3 545	2 506
	169 063	164 682
Less		
Amortisation of mining investments and mining assets	9 559	6 855
Interest paid	30 746	33 187
Exploration and development costs	9 734	10 072
Provisions against investments, advances and other assets	5 151	7 779
	55 190	57 893
Group income before taxation	113 873	106 789
Taxation	27 615	28 793
Group income after taxation	86 258	77 996
Outside shareholders interest and preference dividends	42 995	43 463
Net income attributable to ordinary shareholders	43 263	34 533
Ordinary dividends		
— interim — 90 c p s (90 c p s)	7 395	7 389
— final — 135 c p s (120 c p s)	11 100	9 852
Income retained	24 768	17 292

CONSOLIDATED BALANCE SHEET		
Ordinary shareholders' interest	257 766	233 458
Outside shareholders interest	276 054	271 560
Group equity	533 820	505 018
Loan capital	160 410	175 289
Preference share capital — 6%	500	500
Deferred taxation	36 796	33 176
Capital employed	731 526	713 983
Employment of capital		
Investments — listed	204 801	190 866
— (market value)	(445 123)	(362 832)
— unlisted	50 916	51 767
— (directors' valuation)	(136 981)	(134 942)
	255 717	242 633
Fixed and mining assets	377 877	351 327
Loans	33 760	33 360
Current assets	375 650	396 352
	1 043 004	1 023 672
Current liabilities	311 478	309 689
Net assets	731 526	713 983

NOTES

1 During December 1977, a rationalisation scheme was finalised in terms of which Alpha Dunswart Beleggings Beperk, Alpha Free State Holdings Limited and Dunswart Iron & Steel Works Limited ceased to be subsidiaries The indirect interest of 25 per cent in The Standard Brass, Iron & Steel Foundries Limited has also fallen away General Mining now holds a direct interest instead of an indirect interest of 36 per cent in Dunswart Iron & Steel, and a 55 per cent direct interest in Standard Brass The Group profit for the year was not affected by these changes In accordance with standard accounting practice ordinary shareholders interest has been reduced by R4 043 000 being an extraordinary adjustment in respect of the elimination of net assets previously consolidated

2 The Group s combined capital commitments as at 31 December 1977 were as follows

	1977	1976
Contracts concluded	R20 029 000	R36 153 000
Contracts authorised by directors	R42 923 000	R57 838 000

On behalf of the board
W J DE VILLIERS | Directors
J L VAN DEN BERG |

14 March 1978

Declaration of dividend

NOTICE IS HEREBY GIVEN that a final dividend No 104 (Coupon No 106) of 135 cents per share in respect of the year ended 31 December 1977 has been declared payable to members registered at the close of business on 31 March 1978 and to holders of share warrants to bearer surrendering coupon No 106

The register of ordinary shareholders will be closed from 1 to 14 April 1978 both days inclusive

No instructions involving a change of the office of payment will be accepted after 31 March 1978

The dividend is declared in the currency of the Republic of South Africa Payments from the United Kingdom office will be made in United Kingdom currency at the rate of exchange ruling on 24 April 1978 or on the first day thereafter on which a rate of exchange is available

Non-resident shareholders tax of 15 per cent will be deducted from dividends payable to shareholders whose registered addresses are outside the Republic of South Africa

Dividend warrants will be posted by the transfer secretaries mentioned below, on or about 5 May 1978

The full conditions of payment may be inspected at or obtained from the head office or the offices of the transfer secretaries of the company

By order of the board
R A WILSON
Secretary

Head Office
6 Hollard Street
Johannesburg 2001
(P O Box 61820
Marshalltown 2107)

London Office
Princes House
95 Gresham Street
London EC2V 7BS

Transfer Secretaries

South Africa
Union Corporation Limited
Share Transfer Department
74-78 Marshall Street
Johannesburg 2001
(P O Box 61357
Marshalltown 2107)

United Kingdom
Charter Consolidated Limited
P O Box 102
Charter House
Park Street]
Ashford
Kent TN24 8EQ

14 March 1978

Federale Mynbou Beperk

(Incorporated in the Republic of South Africa)

PROFIT ANNOUNCEMENT — 1977

UNAUDITED CONSOLIDATED PROVISIONAL ANNUAL FINANCIAL STATEMENTS

Year ended 31 December

SUMMARY

	1977	1976
Group income — before tax	R114 312 000	R109 349 000
— after tax	R86 499 000	R 80 033 000
Income attributable to ordinary shareholders	R27 624 000	R 24 556 000
Earnings per share	94,6c	84 1c
Dividend per share	36,0c	32,5c
Dividend cover	2,6	2,6
Net asset value per share	1 035c	863c
Total number of shares issued	29 200 000	29 200 000

GROUP OPERATING RESULTS

	1977 R000	1976 R000
Operating income	125 542	119 247
Income from investments	41 020	45 559
Surplus on realisation of investments	3 555	2 436
	170 117	167 242
Less		
Amortisation of mining investments and mining assets	9 559	6 855
Interest paid	30 737	33 187
Exploration and development costs	10 358	10 072
Provisions against investments, advances and other assets	5 151	7 779
	55 805	57 893
Group income before taxation	114 312	109 349
Taxation	27 813	29 316
Group income after taxation	86 499	80 033
Outside shareholders' interest and preference dividend	58 875	55 477
Net income attributable to ordinary shareholders	27 624	24 556
Ordinary dividends		
— interim — 15 0 cps (12,5 cps)	4 380	3 650
— final — 21,0 cps (20,0 cps)	6 132	5 840
Income retained	17 112	15 066

CONSOLIDATED BALANCE SHEET

	1977	1976
Ordinary shareholders' interest	177 880	160 427
Outside shareholders interest	372 895	360 049
Group equity	550 775	520 476
Loan capital	160 410	175 289
Preference share capital — 7%	397	397
Deferred taxation	36 797	33 176
Capital employed	748 379	729 338
Employment of capital		
Investments — listed	206 569	192 634
— (market value)	(447 852)	(364 926)
— unlisted	51 214	52 001
— (directors valuation)	(137 290)	(135 241)
	257 783	244 635
Fixed and mining assets	377 877	351 328
Loans	35 060	35 360
Current assets	384 043	404 085
	1 054 763	1 035 408
Current liabilities	306 384	306 070
Net assets	748 379	729 338

NOTES

1 During December 1977, a rationalisation scheme was finalised in terms of which Alpha-Dunswart Beleggings Beperk Alpha Free State Holdings Limited and Dunswart Iron & Steel Works Limited ceased to be subsidiaries The indirect interest of 25 per cent in The Standard Brass, Iron & Steel Foundries Limited has also fallen away General Mining now holds a direct interest, instead of an indirect interest of 36 per cent in Dunswart Iron & Steel, and a 55 per cent direct interest in Standard Brass The Group profit for the year was not affected by these changes In accordance with standard accounting practice, ordinary shareholders interest has been reduced by R1 938 000 being an extraordinary adjustment in respect of the elimination of net assets previously consolidated

2 The Group's combined capital commitments as at 31 December 1977, were as follows

	1977	1976
Contracts concluded	R20 029 000	R36 153 000
Contracts authorised by directors	R42 923 000	R57 838 000

On behalf of the board
W B COETZER
W J DE VILLIERS } Directors

Registered Office
6 Hollard Street
Johannesburg 2001
(P O Box 61820
Marshalltown 2107)

Transfer Secretaries
Union Corporation Limited
Share Transfer Department
74-78 Marshall Street
Johannesburg 2001
(P O Box 61357
Marshalltown 2107)

14 March 1978

Durban Roodepoort Deep, Limited

A Member of the Barlow Rand Group

Chairman's Statement

The attention of members is drawn to the report of the directors which describes in detail the results of operations at the company's mine for the financial year ended 31st December 1977. It will be noted that the past year has indeed been a most difficult one for your company.

The supply of Black labour was initially both low and erratic resulting in a retardation of production. The eleven shift fortnight, for members of the Mine Workers Union was introduced at the beginning of the second quarter which was undoubtedly inflationary and reduced productivity. However the supply of Black labour improved in the second half of the year and this enabled the tonnage milled to be increased by 8,8 per cent for the year as a whole. This increase was unfortunately insufficient to offset the decline in yield experienced over the year.

A further adverse development during the year was the rate at which costs continued to increase. Your company sustained a cost increase of R6,3 million which far exceeded the improvement of R4,1 million achieved in gold revenue. Thus despite the receipt of the maximum State assistance permissible and severely reduced capital expenditure the company operated at a loss for the year and had no option but to draw on the special State loan facility to the extent of R2,4 million.

Throughout the year the company adhered to the policy of striving to maximise gold production without compromising the capability of the mine to operate profitably in the event of favourable financial and economic conditions developing at some future date. Despite all efforts the yield in 1977 averaged 3,660 grams per ton milled compared with 4,207 grams per ton milled in the previous year.

Gold price

There was a moderate upward trend in the gold price over the first 5 months of the year. Thereafter this upward trend increased significantly and the price at the end of the year was approximately U.S.$170 per ounce. This increase in price has led to a most welcome improvement in the company's gold revenue. However, it is important to note that the more recent increase in the gold price has been influenced by renewed activity on the part of investors and speculators. This activity on the part of investors and speculators has increased the volatility of the market and consequently continued price fluctuations must be anticipated. The future upward trend, and the fluctuations about the average trend will have a significant influence on the financial results in 1978.

Financial results

The average price received for the year 1977 for the gold produced was R4 054 per kg which was 21,2 per cent higher than that received in 1976. This improvement in the gold price enabled the company to achieve a 13,3 per cent increase in gold revenue over the previous year despite the decrease in gold production.

Working expenditure increased from R17,56 per ton milled in 1976 to R19,18 per ton milled in 1977, representing an increase of only 9,2 per cent. This was well below the average increase of 23,7 per cent sustained by the gold mining industry as a whole and reflects the efforts of management to keep costs down.

The working loss increased from R6,3 million in 1976 to R8,4 million in 1977 and State assistance claimed increased by 19,3 per cent to R7,8 million. The net loss after taking into account State assistance and other income net, amounted to

Summary of results

	1977	1976
Tons milled	2 052 000	1 886 000
Gold produced - kilograms	7 510	7 935
Yield grams per ton	3,66	4,21
Working revenue	R30 569 000	R26 534 000
Working revenue per ton milled	R14,90	R14,07
Working expenditure	R39 360 000	R33 115 000
Working expenditure per ton milled	R19,18	R17,56
Working loss	R8 791 000	R6 581 000
Working loss per ton milled	R4,28	R3,49
Pyrite revenue	R404 000	R249 000
Net working loss	R8 387 000	R6 332 000
State assistance claimed	R7 753 000	R6 499 000
Other income (net)	R297 000	R378 000
Forfeited dividends	R2 000	R3 000
Net (loss) profit	(R353 000)	R548 000
Profit appropriations		
Mining assets	R784 000	R1 179 000
Reversal of amounts previously appropriated for expenditure on mining assets	R2 443 000	—
Retained surplus at 31 December 1977	R2 681 000	R1 375 000
Total ore reserves		
tons	871 000	481 000
value - grams per ton	8,2	7,3
- width centimetres	155,9	152,9

R353 000. After appropriating R784 000 in respect of net expenditure on mining assets and reversing an amount of R2 443 000 previously appropriated from profits for expenditure on mining assets as explained in the directors' report the retained surplus at the end of 1977 was R2,7 million. This was R1,3 million more than the retained surplus brought forward from 1976.

In view of the adverse operating results achieved, no dividends were declared during 1977.

State loans

As was reported in the Chairman's statement last year a special loan facility to cover residual losses after receipt of the maximum assistance permitted in terms of the Gold Mines Assistance Act was provided by the State for the period 1st July 1976 to 31st December 1977. It became apparent in mid 1977 that extensive use would have to be made of this facility in order to preserve the company's limited cash resources and that it was likely that the company would be severely prejudiced if this facility was not extended into 1978. Accordingly in August 1977 a formal application was made to the authorities to extend the facility until at least 31st December 1978. The authorities replied in November that it had been decided not to extend the arrangement and that it would terminate as originally planned on 31st December 1977. Notwithstanding this decision a further fully motivated application for the extension of the scheme was at once submitted in the belief that without such loan facility the company could rapidly run out of cash, in the event of an unforeseen occurrence, and then be forced into an immediate suspension of operations. However if the gold price trend which developed towards the end of the year continues into 1978 and providing there are no unforeseen problems on the mine there may be no need to call on this facility It is hoped that the authorities will be prepared to reconsider the matter and extend the scheme in the light of our latest submissions

Capital expenditure, development and exploration

In view of the company's very limited cash resources and continuing working losses the policy observed throughout 1977 was to limit capital expenditure to essential projects necessary to ensure continuity of operation in the short term Thus, only R745 000 was appropriated for expenditure on mining assets in 1977 Similarly development was also severely restricted

The final borehole in the first phase of the surface drilling programme was completed during the year and the results which are detailed in the directors' report are not encouraging No further surface drilling will be undertaken in the near future and certainly not before there is a substantial improvement in the company's financial position

Pumping capacity and the recent flooding of the lower levels of the mine

During the past 18 months the pumping capacity of the mine has been increased from about 18 megalitres per day to approximately 27 megalitres per day by the installation of additional pumps, increased water settling capacity and additional storage facilities Until very recently these facilities had proved to be adequate to cater for the maximum amount of water requiring to be pumped from the mine

During the early part of January 1978 there was a considerable inflow of water into the mine as a result of heavy rains The existing pumping capacity, sumps and emergency damming facilities in the mine were fully utilized in coping with this inflow Subsequently, on the night of 29th January there was a further sudden large inflow which flooded the lowest pump station on 53 level Thereafter the lower working areas (on Main Reef only) were flooded

Arrangements were immediately made to install emergency pump stations to cope with the inflow of water and to recover the flooded lower levels of the mine Additional pumps have been commissioned in the main pump stations at No 5 shaft to increase the total pumping capacity to nearly 32 megalitres per day The new emergency stations have just been commissioned and there are reasonably good prospects that the flooded portions of the mine will be dewatered within 3 to 4 months Providing this target can be achieved, it is expected that the flooding will not have a very significant effect on gold production In addition arrangements have been made to increase production from other areas of the mine to make up as far as possible for the loss from the flooded lower section

The cost of installing the new emergency pump stations, carrying out various associated flood diversion arrangements and recovering the flooded pump station is likely to be between R500 000 and R800 000 depending on the extent of the damage caused to the lower level pump installation while under water

It is to provide for emergencies of this nature that the special State loan scheme was originally requested There is little doubt that had the company not enjoyed the benefit of the special State loan facility during 1977 its cash resources would have been so severely depleted that it would not have been able to finance the recovery of the flooded lower levels of the mine

Possible exploitation of adjoining areas

The possibility of your company participating in the exploitation of the area adjoining the South Western boundary of the mine has, in view of the recent improvement in the gold price, been re-examined in detail by the company's technical consultants The owners of the mining title over the area concerned have disclosed the results of their exploratory drilling

The area is underlain at comparatively shallow depth by Kimberley Reef, which was probed by the abovementioned drilling programme Exploitation at current gold prices would seem to be possible only as an adjunct to an existing adjoining mine Even under these conditions the indicated return on investment would appear to be low when considered in relation to the risks inherent in exploiting Kimberley Reef, which in the case of your company's mine, has proved to be of extremely variable gold content

Prospects

During 1977 the principal operating objective was to maximize the tonnage milled in an endeavour to offset the low yield For some time management was unable to implement this strategy because of a shortage in the supply of Black labour It is only comparatively recently that the supply of Black labour has again become adequate and while there are signs that it may continue to remain so for the duration of 1978 it is now apparent that maximizing the milling rate will by itself not enable the company to achieve independent viability This is because the rate of increase in working costs over the past few years has more than offset the profit potential inherent in operating a low grade mine at current gold prices

The company's prospects of achieving financial independence are now quite clearly dependent on a significant increase in the price of gold However, I am very concerned that even if the necessary increase in the price of gold eventuates, the benefits will indeed be shortlived because of the inflationary pressures which will develop in the national economy and flow through to the mining industry Certainly then, a further essential requirement for a return to profitable operation in the case of your company's mine, and possibly most other State assisted mines, is a successful attack on the continuing inflationary trend in the national economy, as reflected in the index of mine working costs published quarterly by the Chamber of Mines of South Africa The industry as a whole sustained an increase of approximately 23 7 per cent in working costs during the course of 1977 While your company was more fortunate than others in being able to contain its increase to 9,2 per cent it is nevertheless clear that it cannot survive, in its present form, in the face of further cost increases of this magnitude

In an endeavour to improve the grade of ore mined and thereby reduce the margin between revenue and costs, a decision has been taken to start mining portions of the No 5/5A shaft pillar which contains ore of a higher value than the average in the mine However, the contribution from this source will not be very great as the method and rate of mining must be geared to the protection of the shafts and associated excavations in the longer term interests of the mine The mining policy must, in the opinion of the directors be one of maintaining the mine in such a condition as will enable the company to take full advantage of any favourable developments in the future

Members must appreciate that the mine is being kept operational only by virtue of the substantial amount of State assistance which it receives In addition, it has had to make significant use during 1977 of the special State loan facility Without these forms of state assistance the mine could not have remained in existence through 1977 Insofar as the future is concerned, if the required significant improvement in the gold price does not eventuate in the near term and if the various forms of State aid are attenuated in any way in the near future the company could again be confronted by the problem of a depletion of cash resources In these circumstances there would probably be no alternative but to suspend operations via a relatively rapid closure programme

I regret to say that in the circumstances I have outlined the prospects for the resumption of dividend payments in the near future are not encouraging

Appreciation

I have pleasure in recording the Board's appreciation of the services rendered by your former chairman, Mr R S Lawrence who resigned from this position on the 25th October 1977 Mr Lawrence will, however continue to serve on the board of directors of your company

In conclusion I have pleasure in recording the board's appreciation of the services rendered during the past year by the managing director, Mr N A Honnet by the general manager, Mr H G Mosenthal, and the staff and employees at the mine by the technical and administrative staffs at Head Office, and by the secretaries in the United Kingdom

D T Watt, Chairman

Johannesburg
8th March 1978

ANGLO GOLDS FM 24/3/78

Some look dear

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There were no surprises from Anglo's Transvaal gold mines, which reported this week The shares are all caught up in the bear trend that has engulfed golds. As could have been expected, greatest percentage drop was in Sallies which fell from 85c to 65c on the week. Along with all the other speculative issues it has come in for a major reassessment by the market.

Dividends are becoming increasingly important to investors They are at least three years off at Elandsrand and with the rights issue planned for mid-year, the shares are losing a lot of the shine from the previous announcement of an earlier start of milling. They were chopped from 370c to 310c over the week.

There could be more blood-letting before the market settles down With a yield of 9,3% available on De Beers it is difficult to see any institutional investor looking for any less in golds, especially with current uncertainty over the gold price.

Vaal Reefs has already announced that capex this year is planned at R72m partly financed by consumer loans, R46m is for the South lease area and R26m for the North. Now shareholders are told that the rate will be maintained in 1979 and only start to tail off in 1980 when the additional uranium facilities are completed There is still the No 9 shaft to complete at over R100m with commissioning due in 1983, and repayment of the uranium consumer loan starts in 1981

This year planned operations of 7,2 Mt milled at 9,0 g/t recovery are little changed on 1977. But recovery grade should improve next year as No 6 and 7 shafts are phased out and No 5 and 8 shafts reach full capacity Uranium recovery in 1977 was 0,21 kg/t and an apparent difficulty at Vaal Reefs is that if gold grade is cut with higher bullion prices, uranium grades fall more than *pro rata* So to fulfil contractual uranium deliveries, grades cannot be cut too far

This year, with an average gold price of $180, total dividends of 150c look possible. So at the present price of 2 025c the shares are on a potential yield of only 7,4%

In today's market, with increasing emphasis apparently being placed on dividends, the shares look over-priced Exploration outside the lease area has been unencouraging and the future of the drilling programme is in doubt.

Southvaal's royalty of 55% of profits from mining in the Vaal Reefs South lease area has not been affected by capex on the South uranium plant But during 1981-1983 consumer loan repayments will be deducted from profits before calculating royalty. For the current year a total dividend of 30c should easily be possible.

Western Deep plans to mill 3 Mt this year at a recovery of 14,4g/t Capex is estimated at R26m and unit costs are unlikely to average less than R34/t milled At $180 average bullion for the year total dividends of around 110c look possible

This year, and probably in 1979, the mine will experience a uranium production shortfall below contracted delivery tonnages Capex will remain at a relatively high rate for the next couple of years

At 1 140c the shares look fully priced but any hint of a dividend lower than I have projected could mark them down

Elandsrand now estimates capex to reach production in mid-1979 at just under R200m of which R100m remains to be spent with R78m planned for 1978 More will be needed to finance production until the mine becomes self-supporting

Plans are for a rights issue at mid-year and authorised capital is to be increased from R55m shares to R80m shares with 50,3m currently on issue At December 31 1977 the mine had net current assets of R21,3m so at least R57m will need to be raised at mid-year. But at the current price of 310c, the issue of all 29,7m shares can raise R92m So even if the shares are showing no strength at mid-year, the mine should scrape through

Sallies' 1976 rights issue raised R1,9m and completion of the two boreholes currently being drilled will mean toal drilling expenditure of R1m But drilling results have been disappointing and a decision rests on whether further holes will be drilled in the Withok area when the two presently in progress are completed around the middle of the year. The future does not look encouraging

Dump treatment at a rate of about 80 000t/month at a recovery of over 1,5g/t is planned this year. But there is the caveat that if there is any possible foreshortening of operations, shareholders will be informed.

If gold averages $180 for the year and recovery is only 1,5g/t, operations will at best be at break-even. Dividends do not appear to be on the cards. Break-up value is probably in the region of 25c per share

Jim Jones

FM 24/3/78

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Chairman's review

Amgold

ANGLO AMERICAN GOLD INVESTMENT COMPANY LIMITED

Encouraging fundamental position underlying gold.

'The control of working cost escalation must continue to be the industry's paramount objective'

— MR J OGILVIE THOMPSON

An abridgement of the annual review by the chairman Mr J Ogilvie Thompson.

FINANCIAL

The firmer trend in the gold market during 1977 raised the average gold price received by the industry for the year to US $146,1 which was 21 per cent higher than the US $120,4 received in the previous year but still lower than the 1975 average of US $155,1. The industry's working revenue from gold, at R2 809 million, was 19 per cent above that for the previous year

South African gold production fell by two per cent to 697 tons as a result of a similar decrease in the tonnage milled to 74,54 million tons, while the average grade of ore mined was fractionally higher at 9,22 grams a ton (1976 9,21 grams a ton)

Despite lower rates of wholesale price increases and the voluntary wage restraints, industry working costs per ton milled increased more rapidly last year at 21 per cent This sharp increase limited the rise in working profits, which rose by only 18 per cent to R1 054 million Uranium profits, State assistance and sundry revenue amounted to R210 million, bringing the industry's total profits before tax to R1 264 million or 19 per cent more than the 1976 profits of R1 058 million Taxation and the State's share of profit rose by a similar percentage to R477 million

Increased capital expenditure for 1977 (R430 million on producing mines as compared with R375 million in 1976) and the anticipation of considerable capital expenditure in the near future placed a restraint on dividend declarations by the industry At R338 million dividend declarations for 1977 were only four per cent higher than in 1976

Amgold's investment income moved against this trend, dropping by four per cent from R46 930 000 to R45 189 000 in 1977 Pre-tax profit was accordingly lower at R41 608 000 (1976 R45 400 000), and with a provision of R101 000 (1976 R34 000) for taxation, after-tax profit of R41 507 000 was nine per cent lower than the R45 366 000 earned in 1976

Interim and final dividends of 80 and 85 cents a share respectively were declared The total distribution of 165 cents a share was 15 cents lower than in 1976 and absorbed R36 221 000 so that R5 286 000 was retained for the year

The net acquisition of listed investments, principally in East Rand Gold and Uranium Company and Elandsrand Gold Mining Company, increased the book value by R37 150 000 to R184 731 000 The market value of these listed investments, following the firmer trend on The Johannesburg Stock Exchange, rose by 24 per cent to R760 811 000 The directors' valuation of unlisted investments increased by 19 per cent to R5 289 000 as a result of the higher market values of the underlying listed investments

The net asset value of each Amgold share at December 31 1977 was 3 415 cents compared with 2 882 cents at the end of 1976 By March 3 it had risen to 3 518 cents a share, as a result of a further increase of R22 690 000 in the market value of the group's investments

The gold mines of the Anglo American Corporation Group have decided to defer by some five weeks their dividend declarations so that they may be based on the actual results for the relevant periods, and not, as hitherto, on estimated results

Accordingly, it has been decided to change the company's year end from December 31 to the last day of February each year The current financial year will consequently run for a period of 14 months to February 28 1979, and consideration will be given to declaring interim and final dividends in June 1978 and March 1979 Thereafter it is expected that interim dividends will be declared in August and final dividends in March

GOLD

If one takes the year as a whole, the average increase in the gold price as compared with the average for 1976 was confined by no means to a gain in dollar terms alone The 18,4 per cent appreciation in dollar terms was certainly the highest, but the rise in the average price in deutschemarks was almost nine per cent, in yen seven per cent and in Swiss francs over 13 per cent

It is evident, therefore, that during 1977 gold rose in price in both strong and weak currencies, and that in real terms gold began to recover what it had lost in the two preceding years Jewellery demand, which accounts on average for 75 percent of the total industrial demand, almost doubled in 1976 and preliminary indications are that last year it was still higher, possibly exceeding free world output However, the percentage rate of increase has been reduced, and a greater proportion of the demand has come from the developed countries in Europe and the United States rather than from the traditional markets for jewellery in the Middle and Far East

With this wave of interest in gold for jewellery

Chairman's review

Amgold

ANGLO AMERICAN GOLD INVESTMENT COMPANY LIMITED

(and, to a lesser degree, for other uses in industry) came a gradually responding investment demand for bullion This became manifest especially in the latter part of 1976 and increased in 1977 with a growing awareness of the underlying statistical position, coupled with a heightened interest in gold as a hedge medium when the dollar weakened and the attractions of equity investment declined Indeed, while the market in the United States has remained of major importance for industrial demand, its growing significance for investment and hedging is reflected in the remarkable expansion of activity in gold futures trading on the New York and Chicago commodity exchanges The nature of these futures markets is such that they can experience considerable volatility in price and, in the short run, conditions in these markets can differ widely from those in the markets for physical delivery in Zurich and London, ultimately, however, the two types of markets cannot be divorced from each other Technical events over the past year have demonstrated this, and large visible stocks have been built up in the United States to meet the gradual absorption of physical gold for long-term investment purposes Although the market for official coins has remained virtually static in the past two years, the Krugerrand has enjoyed notable success export sales increased by 11,3 per cent, accounting for almost 15 per cent of South African gold production, as compared with 13 per cent in 1976, and the approximate 3,2 million coins sold abroad represented over 61 per cent of world official coin sales, a proportion only slightly lower than that attained in the record year of 1975 Of more significance, however, is the fact that Krugerrand sales in the second half of the year were substantially higher than those in the first six months and that current monthly sales are equivalent to over 30 per cent of the total new South African gold production This testifies to the extent of investment interest and the success of this particular medium for attracting a new class of investor, particularly in the United States

The accelerating demand for gold for fabrication and investment could not have been satisfied unless adequate supplies had been forthcoming to supplement free world production It is not surprising that the sales from Communist sources and official sales from the IMF and certain central banks have been absorbed so readily and, on balance, at rising prices In appraising the strength and potential of the market, reputable commentators, particularly in the United States, are taking a soberly optimistic view, over the next decade they see the price moving ahead not merely to keep pace with inflation, but in real terms as well This opinion is based on realistic projections of future output trends and careful assessments of the likely policy of official sellers in the Communist bloc as well as in the West The conclusion is that official sales, including possible further auctions of US Treasury gold, are not likely to disrupt the market The recent ending of the Group of Ten agreement to freeze official stocks and the singular imbalance in gold holdings between the deficit developed countries on the one hand and Opec and the other major surplus countries like Japan on the other must also be taken into account The beneficial implications of market-related valuations of official stocks once the ratification of the amendments to the IMF Articles is completed point to greater appreciation of the advantages of gold in international settlement and in some remobilization of central bank gold holdings for this purpose

On the demand side, the trends in fabrication over the past few years, and particularly the fact that the real price, even in dollars, is still lower than it was some years ago, give solid ground for expecting continued growth in absorption Investment demand is conditioned by a variety of influences but, taking into account the grave economic and financial problems which beset the western world, and the continuous creation of dollar liquidity, it is reasonable to expect this interest to be sustained, particularly as the inclusion of gold in some investment portfolios is becoming accepted as prudent practice in prevailing circumstances

These sanguine views on the medium- to long-term outlook from independent observers are of great satisfaction to the industry Nevertheless, one must not ignore the short-term influences which may also have a bearing on price movements The demand for jewellery can move in phases, and it is generally recognised that the heightened investment buying, and, in particular, the influence of trading in futures, have imparted a greater element of speculation to the market Furthermore, despite the present weak position of the US balance of payments, international political as well as economic events must be considered in assessing the longer-term outlook for the dollar As in the past, the actions of official sellers are not predictable, and they could at times also magnify movements in the market price However these reservations do not detract from the encouraging fundamental position which points to a further improvement in the gold price in the future

THE INDUSTRY

Looking back over the recent history of the South African gold mining industry it is interesting to note how its role and its nature have changed Until the early 1970s the industry represented a quietly dying asset having served its vital purpose in launching a strong self-supporting secondary industry in the Republic Its nature during the decades preceding was characterised by predictable costs, prices and relatively stable political conditions The supply of black labour and, in particular, the aspirations of such labour, perhaps wrongly, had seldom been matters for concern All these factors contrast strongly with the new and revitalised industry which has emerged with the free market price of gold It is important to see the full extent of the implications of this change In many respects it has conceived a new industry, an industry which has characteristics and problems significantly different from those of the It has also brought a field of new opportunities challenges which put a premium on imagin management

The new era has now run for about five years the most distinctive problem of these early years been the escalation in the costs of mining Since 19 working costs per ton milled have risen at an average rate of 22 per cent taking the average cost per ton from R8,69 to R23,87 for 1977 Cost increases in the construction of mining plant, sinking of shafts and the development of infrastructure have been almost as dramatic Indices prepared by Anglo American Corporation of South Africa Limited reflect that escalation of capital costs on the mines within the Group approached 16 per cent a year during the three years 1974 to 1977 The effect of this has been profound

The factors contributing to this problem are numerous and must be internationally familiar The 1973 energy crisis, which led to the monetary crises and the subsequent inadequate fiscal and monetary policies of major western powers, played a part The mines import a significant portion of their capital goods requirements and control of this aspect is beyond them However, it is the area of locally generated costs, together with the high levels of domestic inflation, which gives ground for even greater concern Despite restraints which limited wage increases for blacks to six per cent and whites to five per cent, the average cost per ton milled for the industry rose by 20,5 per cent in 1977 compared with 15,3 per cent in 1976 — a most disappointing result By contrast the average cost per ton milled for Anglo American Corporation Group mines, which had been rising faster than the industry average in previous years, rose by only 14,6 per cent last year, somewhat higher than the wholesale price index increase of 12,9 per cent The major cause of the 1977 increase on the Group mines was not the cost of consumable stores which rose by only 11,2 per cent but the increases in other elements Notable amongst these was the increase in power costs In the Orange Free State area the cost of power to the mines has risen by over 80 per cent in the last two years so that power now accounts for up to 10 per cent of the total working costs of a typical mine These increases by Escom have fundamentally altered the economics of many current and potential projects in South Africa

However, price increases have not been the only cause of cost increases The rapid rise in the gold price has enabled the industry both to implement expansion programmes and to correct employment and other inequalities of the past This has, of course, involved extra costs, but it is important to understand that in many respects they represent investments necessary and normal to the establishment of a revitalised industry The major expenditures on research and development, the efforts to move towards a unified wage scale, the upgrading of amenities, the improvements in employment conditions and the extension of service and other non-mining functions are each part of the approach New industrial relations programmes, spearheaded by the Anglo American Corporation Group, are catering for the developing black worker consciousness, while the more difficult operating conditions have been met in the Group with comprehensive information systems and more effective management control techniques better suited to the current requirements In the development of new technologies early efforts by the industry have refined boring and tunnelling techniques to the point where raise boring is now an established practice providing higher rates of advance more economically Further benefits in the form of mechanisation and integrated stoping systems will, I am sure, come in due course Collectively they have created a firmer base from which the industry can handle the new opportunities presented by the enhanced gold price

Chairman's review

Angold

ANGLO AMERICAN GOLD INVESTMENT COMPANY LIMITED

The new era calls for a different approach to gold mine management in response to its greater complexities. In the past, mines had always been subject to a fixed gold price which had simplified the mine planning process. Consistently low rates of inflation made the determination of payable ore uncomplicated so that detailed mining plans could be developed with some confidence well in advance. Furthermore, the available technology was constant and stable while resources were freely and cheaply available. Optimisation of mining plans was a comparatively easy task. Recent developments have demanded new approaches. Forecasting and anticipation are now vital skills, second only to the need for a greater sensitivity in labour relations. Daily changes in the gold price, more rapid changes in technology, the growing importance of uranium and fluctuating inflation rates have all contributed to the demand for a more sophisticated approach to mine management. It is no longer possible to work with fixed mining plans, flexible plans which can cater for new developments are essential for effective management. Furthermore, the introduction of new and more complex technology underground has called for greater skills in the labour force and a foreseeable need for even more in the near future.

There have been a number of notable developments during 1977. The 11-shift fortnight was introduced in April. Owing to the many other variables involved, it has as yet proved too difficult exactly to quantify the effects of this change, although certain immediate problems have become apparent, including the necessity to increase labour complements to maintain production. However, there can be no doubt that the 11-shift fortnight has contributed materially to the large increase in working costs for the industry in 1977 and in the light of this it is imperative that the industry exercise restraint in future wage awards if the viability of many of the industry's new projects is to be guaranteed.

On the labour front, I am happy to report that the disconcerting black unrest of 1973/74 is now apparently dormant. It has been a good year with black labour readily available and a better supply, on most mines, of skilled whites. Much of this is attributable to the high unemployment prevailing in the country. This will not continue indefinitely and we must expect a recurrence of shortages as soon as there is an improvement in general economic conditions. Some credit, however, must be given to the better employment conditions and wages now offered to blacks by the industry. The important concession by the government allowing mines to house key workers and their families in black urban areas, which becomes effective this year, should provide a further element of attraction to mine employment.

URANIUM

Uranium remains a significant feature of the new era and the dramatic improvement in prices following the 1973 energy crisis has given added impetus to the future viability of the gold mining industry and has been a further spur to new developments.

The Anglo American Corporation Group gold mines produced 1 543 metric tons of uranium as a by-product during 1977, an increase of 33,8 per cent over the previous year. This was largely due to the inclusion for the first time of production from the Group's Joint Metallurgical Scheme complex in the Orange Free State which began commissioning in the second quarter of 1977.

The detailed feasibility study and pilot plant test work for the Afrikander Lease project were successfully completed during 1977 and negotiations with prospective customers for the purchase of a large part of expected production on a long-term basis are now in progress. If these negotiations result in extended sales contracts which will ensure an adequate return to shareholders, this company, too, will have to raise further funds to open its mine.

The industry as a whole increased uranium production during 1977 by 24,5 per cent to 3 874 metric tons and profits of R75,92 million were realised on the year's sales after adjustments for sales from, and additions to, stockpiles.

The outlook for the uranium industry remains satisfactory with customers still willing to enter into long-term supply contracts involving consumer finance. However, should substantial tonnages from Australia and Canada be made available simultaneously, a temporary over-supply situation might result with a consequent fall in price. I believe that an upturn in the rate of world growth will absorb this over-supply in the longer term and that local producers will continue to participate profitably in a stable and growing uranium market.

EXPLORATION

Drilling continues on the farms Erfdeel, Dankbaarheid and Homestead to the north of the Free State Saaiplaas lease area. Two boreholes were completed during the year and two more boreholes, DNK 4 and HS 5, are nearing completion and the results are included in the directors' report. All results are now being reviewed.

Drilling also continues on the ground held under option south of the OFS goldfields as well as on the ground south of the Vaal River. In general these results have been somewhat disappointing, mainly because of complex structural problems. Work is continuing but it will be some time before a clear picture of the potential of these areas is obtained. Drilling is also in progress on ground held under option west of The Afrikander Lease Limited's Rietkuil section to test the potential of the Dominion Reef and to provide additional structural details.

The search for uranium continued in South Africa and South West Africa. In the North West Cape initial work on a small secondary deposit was completed and metallurgical studies are currently being undertaken to establish whether a detailed drilling programme to prove the reserves is justified. In the Karoo where a number of occurrences are being investigated in conjunction with the Spanish nuclear fuel company Empresa Nacional del Uranio S A, some encouraging results have been obtained although a lot more work will be required before it can be established whether it will be possible to develop an economic operation.

CONCLUSION

Higher gold prices during 1977 relieved, in part, the pressure which the combination of low prices and escalating working costs had formerly placed upon the industry's profitability. It is nevertheless disturbing that, during a year of strict wage restraint and smaller wholesale price increases, industry working costs should have risen at an even faster rate than in the previous year. The higher levels of these costs, together with larger profit retentions to finance capital expenditure, negated almost entirely the benefit of the higher revenues earned by the industry.

While the control of working cost escalation must continue to be the paramount objective of management so that the need for continued wage restraint remains extremely important, considerably more time and skill is necessarily being devoted to the field of industrial relations as well as to meeting the complexities of mine planning during a period of fluctuating gold prices. Although management's tasks in this regard are considerable and time will be required to achieve these objectives, the industry's response to its new operating environment has been imaginative and provides grounds for long-term confidence.

Current indications for gold continue to be favourable in that, despite higher prices, fabrication demand has been maintained and investment demand remains firm. The rising gold price, a weakened United States dollar and uncertainty in the international monetary markets have unfortunately introduced a speculative element into the gold market. This is reflected in the buoyant futures market. However, apart from this comparatively recent speculative pressure it appears that the gold market is soundly based in relation to fabrication and investment requirements. So far this year the improvement in the gold price has been more than sufficient to cover anticipated increases in working costs.

Our company has a wide spread of holdings in good quality gold mines. We are therefore well-placed to participate in the profitable future which, subject to political stability, the industry seems set to achieve.

The annual general meeting of members will be held at 44 Main Street, Johannesburg on Friday, April 14 1978 at 09h30.

The annual report and chairman's statement is obtainable from Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001.

Unicorp decision on new mine in final stages

(214) 31/3/7?

Mac Thain

Union Corporation is in the final stages of evaluating a possible new uranium-gold mine to the south of St Helena GM in the OFS, says Mr Ted Pavitt in his chairman's review of Union Coporation.

If a decision is taken to go ahead, a very substantial cash investment will be required.

The exploratory programme has been in progress for a long time, as well as being costly. No details, however, have been divulged of the exact area prospected.

Loan financing plays a major role in the new mining ventures in which the group is involved. This, says Mr Pavitt, is becoming a standard pattern in modern mine financing, and until there is some general revival of demand for metals and minerals, the existence of such commitments inhibits further new undertakings or the expansion for existing ones.

With inflation as it is today, the cost of bringing even a modest mining project to production is such that very careful consideration must be given to the priorities and risks of new business.

New undertakings in which an interest is held — Richards Bay Minerals (30 percent) and EMI Espana (27 percent) — have encountered unexpected commissioning problems and poor market conditions for their products. Long-term prospects are good but the short-term impact on cash flow cannot but be unfavourable, according to Mr Pavitt.

He draws attention to the fact that Impala Platinum will be liable for tax this year as initial developments and expansion spending has now been largely written off against profits.

Prospects for industrial interests must be viewed against the continuation of poor economic conditions and a number of major uncertainties.

However, Mr Pavitt believe that the group's strong enterprising management teams will make most of the opportunities and take full advantage of any improvement in the domestic economy.

On gold prospects, his opinion is that a further decline in the supply of newly-mined gold appears to be inevitable and likely to extend into the longer-term. The consequent upward pressure on price would be of considerable benefit to the longer-life mines.

10. Bestaan daar 'n formele of informele skakeldiens met
(i) ander boere wat hul arbeiders se kinders na n
skool toe stuur, (ii) of ouers van u arbeiders se kinders.

11. Dink u dat plaasskole
(i) bydra om meer produktiwiteit onder die werkers
aan te bring.
(ii) veroorsaak dit dat hulle die plaas wil verlaat.
(iii) wil hulle liewer ander soort werk op die plaas doen.

12. Hoe belangrik is dit vir u arbeiders dat hulle kinders
onderwys kry.

13. Doendie onderwyser enige k... in
die godsdiens aan werker(s)

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FM 24/3/78 (214)

DEELKRAAL GOLD MINING COMPANY LIMITED

(Incorporated in the Republic of South Africa)

CHAIRMAN'S REVIEW

I am pleased to report that registration of the Deelkraal mining lease, and the cession thereof into the name of your company, were effected during the year under review It is also pleasing to report that the sinking of the two surface shafts has been completed and that progress in general on the establishment of your company's mine continues to be satisfactorily maintained according to the schedule which had previously been accelerated to alleviate as far as possible the adverse effect the continuing high rate of inflation has had on costs The reports of the technical advisers, which are included in the annual report and the enclosed circular, and to which members' attention is directed, describe in detail the progress made during the past year This review will therefore, deal with the salient features of those reports

No 1 Shaft, which will convey men and material and through which all rock hoisting to surface will take place, was sunk to its final depth of 2 037 metres below collar on 7 February 1978, with stations having been excavated together with ancillary development, at two-level intervals between 3 and 11 Levels By the end of December 1977, 1 606 metres of haulage development had been completed as well as the reef passes between all levels and waste passes between 3 and 5 Levels and between 9 and 11 Levels Equipping of the shaft will soon be started and should be completed early in the second half of this year, by which time most of the construction work on the stations should also have been completed so that development to reef can commence

Sinking of No 2 Shaft, which is primarily for ventilation but will also have facilities for conveying men and material, was completed in January 1977 to its final depth of 1 778 metres below collar Stations on 3 and 5 Levels, together with ancillary development, were also completed. After the headgear portion of the smaller diameter No 1 Sub-Vertical Shaft, which is an extension of No 2 Shaft, had been completed, sinking of the sub-vertical shaft was started and to date has reached a depth of 184 metres below its collar, with the excavation and support of 7, 9, 11 and 13 Level stations, and ancillary haulage development, having been completed The sub-vertical shaft is expected to be sunk and fully equipped to its presently planned final depth to the loading station below 21 Level by the end of 1979 when development to reef can be started

The Ventersdorp Contact Reef was intersected in No 1 Shaft at a depth of 1 857 metres below collar but, not unexpectedly disclosed negligible values An average value of 1 323 centimetre-grams per ton was however disclosed in a band of Elsburg Reef lying 9 metres below the Ventersdorp Contact Reef This result is encouraging and it is the intention that the potential of the Elsburg Reefs will be investigated at an earlier stage than had been planned As members are aware, the feasibility of turning the mining lease area to account was based solely on the mining of the Ventersdorp Contact Reef although it was considered probable that substantial additional tonnages, albeit at a lower value, might become available from the Elsburg Reefs A reef, identified as a merged Ventersdorp Contact Reef and Elsburg Reef, was also intersected in the headgear portion of No 1 Sub Vertical Shaft, 1 867 metres below the collar of No 2 Shaft, which averaged 265 centimetre-grams per ton These isolated results should not be regarded as indicative of the tenor of ore likely to be opened up by development beyond the shaft pillar

Most of the surface buildings and installations have been completed and are in use, and work is now being concentrated on the construction of the reduction plant, the initial phase of which should be completed by the end of this year, and on the refrigeration plant which is expected to be commissioned in time for the start of the underground development programme

The initial portion of the mine village, comprising 276 houses with services and amenities, was completed during the year No additional houses will be built until after the mine is in production At the hostel complex four residential blocks have [illegible] completed and are in use, as are the administration block, kitchen, brewery, [illegible] room and sports fields Work on the remaining five hostel blocks is expected to [illegible] completed by the end of this year

It was previously forecast that stoping would start in 1980, and that milling wo[illegible] build up to a rate of 60 000 tons per month by the end of that year. Howev[illegible] development from No 1 Shaft is now expected to reach the reef horizon early in 19[illegible] and provided sufficient payable raises have been established, stoping is expe[illegible] to start half a year earlier than previously forecast with trial milling commencing towards the end of 1979 and production in 1980 building up from a rate of 60 000 to[illegible] per month to a rate of 120 000 tons per month by the end of that year, at which [illegible] production should be maintained as ore becomes available from No 1 Sub-Vertic[illegible] Shaft A final decision on the expansion of operations beyond this level will only [illegible] taken after the results of the initial development and stoping become available

In the technical advisers' report which was included in the annual report for the y[illegible] ended 31 December 1976, and in my review dated 25 February 1977, it was stated th[illegible] taking into account expenditure already incurred, and on the basis of costs preva[illegible] at the beginning of 1977, the estimated total cost to bring the mine to production was R125 million, no account having been taken of probable further cost in[illegible] during the remaining period to 1980 Capital expenditure during 1977 was R29,3 mi[illegible] compared with the estimate of R27,6 million made at the beginning of that year, [illegible] increase being mainly attributable to the effects of inflation The technical ad[illegible] have made a new forecast, on the basis of costs prevailing at the beginning of 197[illegible] of total capital expenditure to be incurred up to the stage when the mine is expected to become self-financing This amounts to R134 million After allowing for cos[illegible] escalation until the mine becomes self-financing and sundry pre-producti[illegible] expenditure, they have recommended that an amount of R50 million be raised as [illegible] as possible

Members have already subscribed R100,7 million as capital in the company, of [illegible] R91,1 million had been expended to 31 December 1977 At the present rate of prog[illegible] on the mine, the balance of these funds will soon be exhausted The directors have accepted the recommendation of the technical advisers and accordingly the[illegible] recommend that approximately R50 million be raised by means of an offer of shares [illegible] members for the purpose of implementing the proposals detailed in the technical advisers' report which is contained in the enclosed circular giving particulars of [illegible] proposed rights issue of shares to members registered in the books of the company on 21 April 1978 It is expected that the offer of the new shares will be made on [illegible] April and will close on 19 May 1978, subject to members agreeing to an increase in the authorised capital of the company at the annual general meeting to be held on 13 April 1978

Once again I have much pleasure in expressing, on behalf of the board, our appreciat[illegible] of the services rendered during the year by Mr. J D Pollard, the consulting engineer, [illegible] by Mr D A Blair Hook, the mine manager who was transferred to another position in the Gold Fields Group at the end of the year, and by the staff at the mine and at [illegible] head office

R. A Pl[illegible]
[illegible]

Johannesburg
6 March 1978

A MEMBER OF THE GOLD FIELDS GROUP

Looking for R30m

The annual report shows a temporarily strained cash position, reflecting the heavy investment in Ergo and Elandsrand over the past year Net current liabilities were R21,4m, against net current assets of R2,6m a year ago, and with the 85c final dividend, costing R18,7m, forming the bulk of the liabilities, the need for short- to medium-term funding is apparent

With investment income down from R48,8m to R47,7m, Amgold's income statement illustrates the fact that gold mining company dividends move slowly through the corporate pipeline But though, as Julian Ogilvie Thompson's review points out, the average gold price rose from $120 in 1976 to $146 in 1977, industry-wide gold dividends only rose from R328m to R339m The global figure is important to Amgold, which receives about 14% of the industry's dividend payments

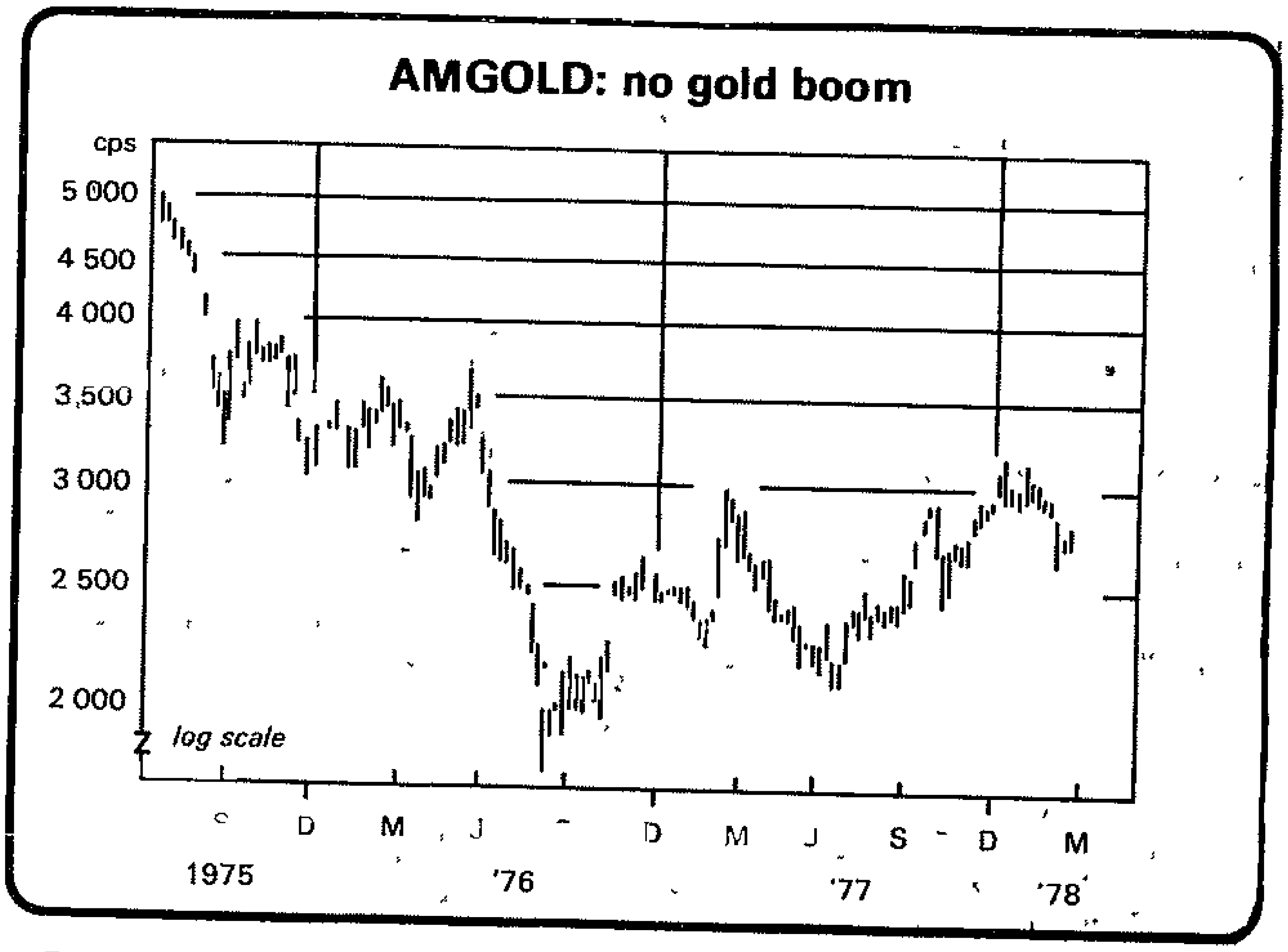
The effect on Amgold, and other companies relying on gold share dividends, is pronounced On the one hand, dividend income is rising slowly at best and (see *Fox* February 24) is well down on the peak levels of 1974-75, on the other, rising capital costs increase the funding requirements at the individual's gold mines To follow its interest in Elandsrand and comparable developing projects, Amgold either has to reduce its dividend or obtain additional working capital

One avenue is disposal of non-strategic investments. Last year, Amgold sold a number of holdings, including Amic, Libanon, Sentrust and Stilfontein, and reduced seven others, making an unprecedented level of share sales How far this policy could be taken is uncertain as the level of funds which can be raised this way without selling key investments out of the R760m portfolio is rather limited

Apart from end-year liabilities, and possible borrowings since then from Anglo (with which Amgold has an R30m loan facility), there are also new business opportunities to be funded In the next year to 18 months a number of mines in which Amgold is a shareholder will be arranging rights issues.

These include·

- Elandsrand (22,7%) which had spent R99m to end-December, had net current assets of R21m and estimated that just under R200m would be needed to reach the pre-production stage This suggests it will be looking for about R80m this year, of which Amgold's obligation will be about R17m.



- Deelkraal (8,7%) said last week it will need another R50m to reach a self-financing stage, so to follow its rights would cost Amgold R4,5m
- Free State Saaiplaas (19,2%) will need funds by early 1979 About R80m is required to complete the No 3 shaft, but the proportion from shareholders will depend on the gold price and the timing of uranium sales The rights issue could call for around R50m, however, of which Amgold would have to put up R10m
- Afrikander Lease (15,3%) is still classed as a prospecting interest in this Amgold report Its capital requirement, depending on a go-ahead and on the scale of operations, could be about R120m, but the funding split between consumer loans, uranium pre-payments and shareholders' funds is unclear

Looking further ahead, the Erfdeel-Dankbaarheid farms could have some potential as a new mine, but capital costs are likely to approach R200m, and values allowing for dilution look poor in relation to this level of expenditure

To meet current liabilities and expected commitments, Amgold will probably arrange a preference share issue within the next few weeks, raising about R27,5m-R30m Details of the term and coupon are not yet available, but I understand the issue will be taken up by Barclays and Nedbank and will be held by these banks as an investment rather than placed with clients

Hence Amgold will acquire some gearing which may increase its attractions as an investment vehicle But whether this gearing proves temporary or permanent will depend on whether current financing needs are exceptional or part of a continuing burden

In any event, Amgold shares, standing at 2 800c to yield 5,9%, look likely to share the present malaise of the gold market until there is clear evidence that dividends are on a rising trend

Richard Rolfe

Sunday Express 214 2/4/78

Mining houses face rising cost problems

By PAUL DIAMOND

WORKING costs on the gold mines have been a recurrent, at times shrill, theme from the mining houses over the past two or three weeks.

It is almost as if this is a prelude to unhappy reading in the coming quarterly results. On the other hand, it could perhaps be setting the scene for across-the-table talks with the unions over wage claims.

The fact is, however, that despite the highest gold prices in three years, the mining industry is not in all that good a state of health

Dramatising the cost escalation factor, Gerald Langton, a newcomer to Anglo's gold stage and a known cost cutter, noted that over the last 30 years, at Free State Geduld, working costs had risen by a factor of 7,3 with most of the increase occurring in the last 10 years.

If the gold price had risen in the same ratio as working costs, it would have reached R4 058 a kilogram in 1977. The mine received only R3 731 a kilogram for its financial year.

If these inflationary trends persist, said Langton, and if we are not able to improve significantly on productivity and in lowering costs by technical advances and the motivation of workers, "even Free State Geduld could be struggling for survival in the not too distant future.

"It is becoming more and more difficult in the mining industry to develop a mine and at the same time give shareholders an adequate return on their investments"

The global figures for the industry in 1977 give room for thought. (See table below). Gold production amounted to 697 tons and tonnage milled amounted to 74-m tons, both down 2% on last year.

And as can be seen, the anticipation of considerable capital expenditure requirements in the near future placed an unhappy restraint on dividends

As one can see these figures are sobering. Apart from general inflation, the upward cost-push in mining is attributable to the structural wage increases to Blacks over recent years and the apparent inability of the miners to become more productive

The mines have also been hammered by constantly rising Escom charges. (The mines take one-fifth of Escom power.) Power tariffs for the huge Vaal Reefs complex have risen 125% in the past two years and at Western Deeps by a stiff 156%

If power costs continue to surge at this rate, there is little doubt that the lives of these and other mines will be shortened. Power now accounts for 10% of a mine's budget while salaries and wages absorb nearly 50%

Mining chiefs with rounds of wage negotiations in the offing are clearly concerned about securing the involvement and motivation of "all workers to ensure the survival of the gold industry."

Last week the president of the Chamber of Mines Lyn van den Bosch lamented that productivity-oriented salary agreements in the industry seemed to fail too quickly.

The most recent attempt concerned the 11-day fortnight and gave the companies certain flexibility in deploying Black mine workers As far as the gold mines are concerned, the outcome was a fiasco. At 14 selected mines, the 11-day fortnight had simply added an extra R26-m to the total wages bill with no commensurate improvement in output

More Black miners had to be recruited to keep up production targets which added R10-m to wages and in overtime a further R14-m was paid to Blacks and R2-m to Whites

HOW THE INDUSTRY FARED

Average grade at 9,22 g/t virtually unchanged

Working revenue from gold at R2 809-m	+19%
Working costs	+21%
Working Profits at R1 054-m	+18%
Profits before tax at R1 264-m	+19%
Tax and State's share of profit at R477-m	+19%
Capital expenditure of R430-m	+14,7%
Dividend declarations of R338-m	+4%

214 7/4/78

GOLD REPORTS (214)

Mixed bag FM 7/4/78

Most interest in the reports issued this week centred on uranium developments With the exception of Randfontein, dividends will be under restraint for some years unless gold takes off and quickly pushes through the $200 level.

Consumer loans are still available for uranium developments, but the numbers of potential producers in the queue is rising and could cause strains within Nufcor A new uranium plant probably cannot be established for less than R50m and the effect on cash flow of a low grade gold producer such as Western Areas is obvious

Randfontein: Teething problems at the Millsite plant meant no uranium sales in 1977 Significant revenue will only accrue in the second quarter of this year

The Cooke gold-uranium plant is planned to come on stream by mid-year Randfontein section will be at full capacity by the year-end resulting in a steady decline in gold recovery grades over the year Consumer loans have been fully drawn and further capex will be funded from retentions and the R29,2m cash available at the year-end.

With uranium and the Cooke plant kicking in this year, operating profit should be about R80m with $180 gold and on 400t uranium Planned capex is R50m, excluding any work on the proposed Cooke No 3 shaft Feasibility studies are in progress and a decision should be taken later this year

Presumably Cooke No 3 will be completed with expansion of the Cooke plant before tax becomes due. Much will depend on whether additional loans are raised, but the shaft and plant extensions should cost over R100m, with completion probably three years after the start of development

Chairman Bernard Smith is confident that the mine will be able to meet loan repayment and capex commitments from its own resources

Even so with full gold-uranium production in sight for 1979, there is plenty of scope for a dividend increase to at least 500c this year Consumer loan repayments do not start until 1980, tied to uranium deliveries

This year there is an estimated R800 000 to be spent on the 50% joint venture with JCI on uranium exploration in the Karoo near Sutherland Randfontein is setting off its expenses against current profits Much remains to be done and it is difficult to see any immediate decision on a mine So Randfontein's own capex should be substantially completed before any new ventures get under way

Next year with full gold and uranium production, operating profit should be well over R100m, of which up to half could be earmarked for Cooke No 3 But even with retentions to fund further capex on the section, there should be scope for dividends up to 1 000c before tax and loan repayments start.

At 5 850c the shares are on a prospective yield of 8,5% and remain one of the soundest in the sector in 1978.

Western Areas: After a year in which all but the most essential capex was either reduced or postponed, the mine is entering a phase of potentially heavy expenditure. This year, capex is planned at R9m, largely on preparatory work for the new SV3 sub-vertical shaft system, underground refrigeration equipment and development to the potentially uranium-rich Middle Elsburg reefs

Near-term retentions will be high with scope for a minimal improvement in dividends at higher bullion prices

Near-term the major part of development will be aimed at opening sufficient new stope faces to improve mining flexibility. But there is some urgency to explore the Middle Elsburg reefs, and improved earnings from higher gold prices could be channelled this way rather than to dividends Continuing encouraging uranium results will increase the need for retentions to finance a uranium plant.

To the west where mineral rights are held, the exact location of the Panvlakte fault, which bounds the major horst (upthrow) separating Western Areas and Kloof, has still to be defined The picture apparently developing is of a series of north-south faults which have upthrown the Elsburg reefs So eventual mining zones could be narrow, with relatively long strike lengths, but substantial additional tonnages are becoming available.

Uranium values on the E9EC reef are consistent though gold values are uninspiring, thus much depends on satisfactory uranium contracts But on the R50m cost of a new uranium plant, of which the mine would probably have to provide at least 20%, there is little protection from gold

In addition, work is continuing on reopening and protecting workings abandoned in 1972 because of water inflows Sinking SV3 will start in earnest next

SUSPENSE: KILLING OR ENLIVENING?

There are an unusually high number of suspensions on the JSE boards at the moment Three more were suspended this week, when Empisal, Bakker & Steyger and Marine & Trade all requested delistings. In this case the market is waiting the outcome of either take-over bids as in the case of Empisal and Telectra (formerly Phil Morkel) or the result of negotiations leading to a restructuring of the capital base, as contemplated in the case of Bakker & Steyger and Marine & Trade

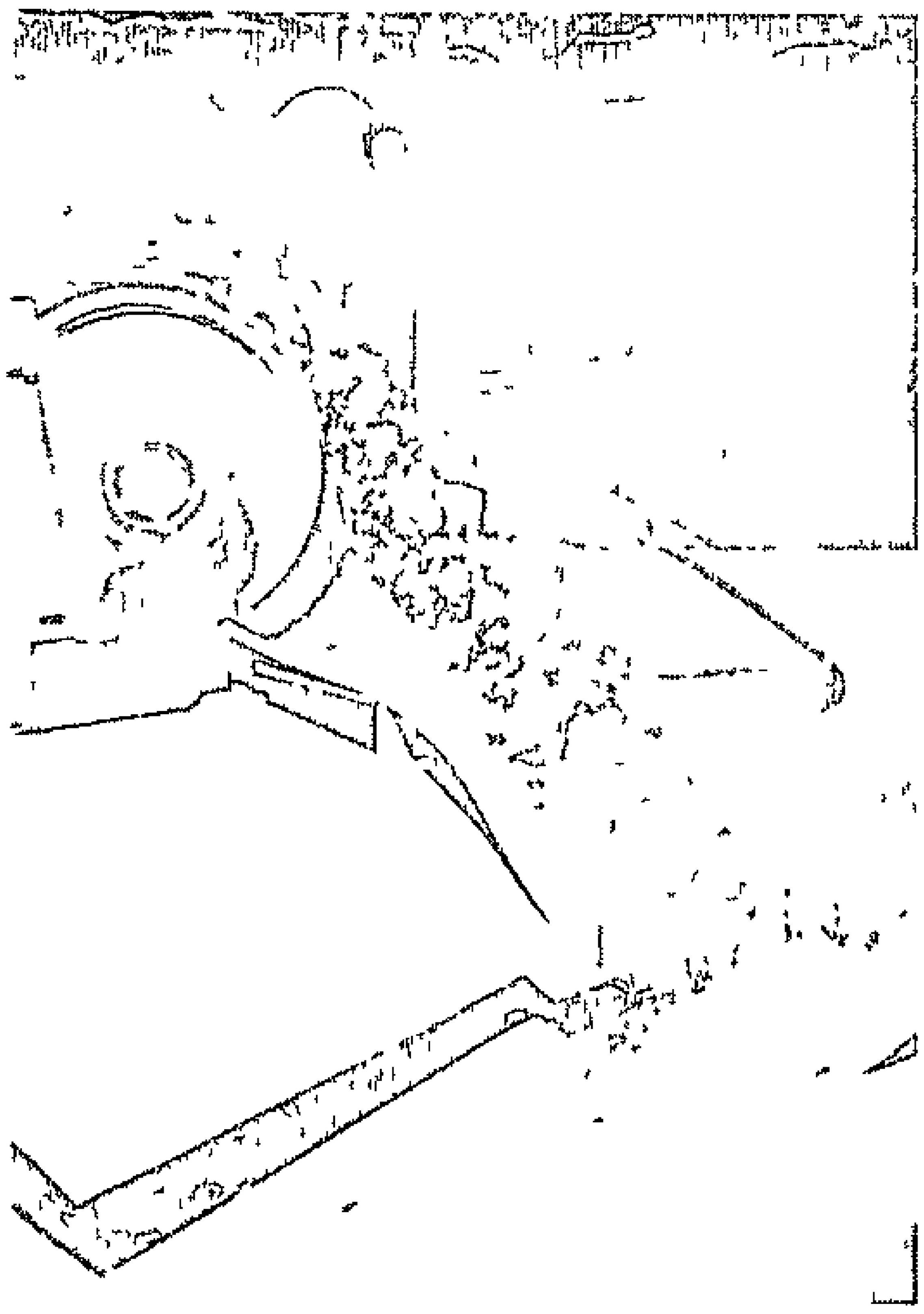
Telectra was suspended on March 14, pending the outcome of talks with FVB, which holds just over 49% of the equity, and is negotiating to take out the minorities The offer will probably be a scheme of arrangement and should be made next week Suspended at 32c Telectra is standing at a 79% discount to net assets of 151c (as at February 1977)

Empisal, distributor of knitting and sewing machines was suspended on March 31 at 36c Its directors hold over 59% of the equity According to the June 1977 balance sheet, it has a strong balance sheet with negligible debt, but is currently standing at a 49% discount to net assets of 71c

Bakker & Steyger, a furniture manufacturer and distributor, was suspended on March 29 at 16c It intends enlarging its capital base and has 2,8m shares in issue out of an authorised 4m The shares are standing at a 90% discount to net asset value (December 1976 balance sheet) Shareholders can expect an announcement early next week

Marine & Trade, suspended Tuesday, also intends increasing its paid up capital It has 2m shares in issue out of an authorised 10m The reasons may be twofold its solvency margin could be under pressure, and it may also want to diversify into industrial insurance. But it seems that the market was expecting a bid situation to emerge, as the share price rose from 45c to 70c when it was suspended.

Gail Pemberton



Western Area's ore uranium potential soon

year and capex could rise to well over R10m

So until the early Eighties shareholders will have to be patient With $180 gold, available earnings after planned capex should be about R9m (22c per share) and a token increase in dividend to 15c could be possible for a 5% prospective yield at the current 300c

The shares are best suited to investors prepared to wait 3-4 years, though uranium developments could cause some excitement **Elsburg,** worth 65% of a Western Areas share, is currently 185c and the cheaper way in

West Rand Cons: Near term there is little encouragement in the chairman's statement Gold section development has been chopped back, and despite the fact that bullion is well in excess of the $155 at which reserves have been calculated, they are fast being depleted Mill throughput is expected to be about 25% lower than in 1977

Of course this all has the appearance of *deja vu* A sharp improvement in the gold price could change the picture completely

Development of the uranium-bearing Bird Reef is being increased, to improve the tight ore reserve situation, and the scene could be set for increased co-operation with neighbouring Luipaardsvlei The water level on that property has been lowered to below 43 level and the Main reef boundary pillar is being extracted

There is still the problem that a large part of the mine's uranium output is sold under old contracts There has been some success in re negotiating contract prices but sales are still well below current spot prices Much depends on increases in uranium production, so that contracts can be serviced and sufficient material made available to enhance profits by spot sales

But lower throughput at the gold section and increased development necessary in the uranium section points to a further strong increase in unit costs this year

There is no mention of possible retreatment of waste material but any moves in this direction will be at the expense of dividends At December 31 the mine had net current assets of R3m and the uranium stockpile is down by over 70% on the year Near-term dividend prospects are not bright

At 185c the shares discount much near-term potential and are best left to uranium bugs

Stilfontein: Excluding the slimes retreatment plant, capex this year is planned at R5,4m Based on mid-1977 figures, the slimes retreatment project will cost R60m, of which R50m will be financed by consumer loans But even with conservative allowances for escalation, Stilfontein's estimated 85% share will cost at least R16m spread over the next couple of years

So even if gold averages $200 this year there is little scope for substantially improved dividends especially as State aid will decline

Development remains at a high level to improve availability of stope faces and to open up the Kromdraai area Grades in the area are above average value and substantial tonnages are indicated

On the other hand, only Vaal reef development is payable in any substantial tonnages and life extensions from mining the other reefs underlying the property are highly unlikely Even if the Kromdraai area comes up to expectations life is probably no more than 10 years

The attraction lies in uranium recovery from slimes which is planned to start in the latter part of 1980. Stilfontein's slimes grade about 0,15 kg/t with some 40 Mt currently available. On the planned treatment rate of 270 000 t/month available earnings after tax and loan repayments should be sufficient for dividends in excess of 100c by 1982

At 375c and with prospective dividends of no more than 25c this year, the shares discount much of the additional benefit from uranium Over the last two months they have shed 100c and there could be further downside potential unless bullion stages a sharp rise They are highly geared to the gold price and with uranium potential relatively far in the future there are better investments available

Jim Jones

PRIMROSE: THE GAME GOES ON

The history of bids for open situations shows that the first bid rarely, if ever, succeeds In the absence of a dominant shareholder with sufficient shares to determine the outcome to talk to and agree terms with, the only sure way of succeeding is to bid high enough to secure the target board's approval

In the case of Tongaat's bid for Primrose, the board's view on the inadequacy of the bid has obviously received considerable support from many of its important shareholders When Tongaat moved on Primrose it had tied up support from other shareholders, though always on the basis that the price was right With Tongaat withdrawing its 130c cash bid these arrangements obviously fall away but could be reactivated if it returned with a higher bid that received approval from the Primrose board

Tongaat is maintaining an inscrutable attitude that above 130c it is out of the hunt But it should be borne in mind that by withdrawing its bid, it can now move into the market if it so desires Tongaat already has a holding which could be as high as 5% and there has been no evidence of it throwing these shares onto the market

Who is buying the shares so aggressively remains the big mystery on the market David Lurie insists that he doesn't know, and that whoever is doing the buying has no connection with him One can hardly expect him to say anything else in the circumstances

The strongest rumour is that it is coming from a consortium of private individuals who intend building up a dominant shareholding, which, when added to the board's holdings, would provide a strong negotiating position. However, it should never be forgotten that two merchant banks, Volkskas and Barclays, are acting for the defence and are quite capable of offering more than simple advice

On Wednesday the shares were very firm, closing bid at 153c Although many portfolio investors must be hedging their bets by selling 50% of their clients' holdings, such demand is indicating that the final destination of Primrose has yet to be decided

My reading of the situation is that a bidder, who could well re-emerge as Tongaat, will ultimately present a bid at a price sufficient to gain board acceptance That price, I imagine, would have to be in the 170c-180c range

Richard Stuart

Financial Mail

(214) FM 7/4/78

New discoveries

The apparent drought in mineral exploration seems to have broken. Apart from some success in coal — notably by BP and Iscor — drilling in 1977 held out few prospects of major new mining developments in the 1980s Now, within a week or so, as many as four projects have firmed up, all of them gold and uranium ventures They are

- Union Corp's area south of St Helena, centred on the farm Palmietkuil,
- Anglo's Erfdeel Dankbaarheid block north of Free State Saaiplaas, which is now being evaluated,
- Randfontein's Cooke No 3 section, on which a decision will be taken this year, and
- Western Areas' uranium-gold prospects on the Middle Elsburg reefs, which are above the existing workings, where a go-ahead is in prospect if finance can be obtained

Without exception, every one of these ventures involves uranium

In addition, Randfontein has disclosed that, with JCI, it is spending large sums on exploration for uranium in the Karoo Dr Ampie Roux of the Atomic Energy Board recently said that the State might make available funds for a central processing plant to assist in making the smaller deposits of the Karoo viable

Gold and uranium remain the prime quest of SA drilling teams Perhaps for the first time, the emphasis is on uranium rather than gold Ted Pavitt of Union Corporation (who speaks to *Fox* this week, page 64) has indicated that his house is near a final decision on its new Free State prospect A sign of the times is that it is called a uranium-gold mine, probably the first time this designation has been used

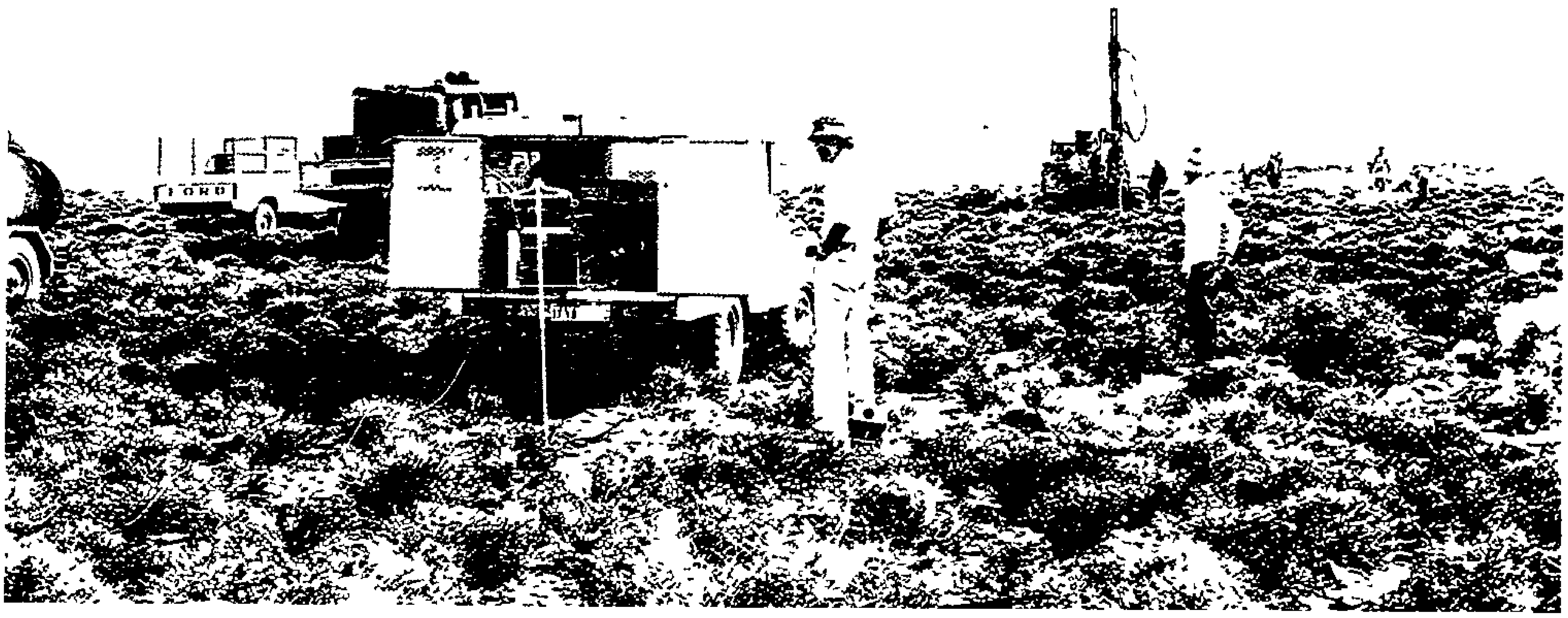
Apart from the fact that the uranium content of the ore is likely to be the more valuable, there is a further reason for the change of emphasis Uranium is "bankable" and gold is not. In other words, the house developing a new mine can go to potential customers and to the banks and raise funds on the value of the uranium in the ground. Only one gold mine, Unisel, has done so The reason is that the gold price fluctuates, whereas uranium is sold on a long-term contract with escalation clauses.

It must be doubtful whether any ordinary gold mines could be developed in today's conditions A mine like Elandsrand, where shaftsinking began in 1974, will cost R200m to reach the self-financing stage. What is the cost of an Elandsrand initiated in 1978? Like running a motor yacht, if you have to ask, you can't afford it

Apart from massive costs, overseas shareholders, who have traditionally subscribed to the equity needed for gold-mining ventures, are not interested in a proposition which may take 10 years to pay its first dividend This means the sponsoring houses have to pick up the whole tab

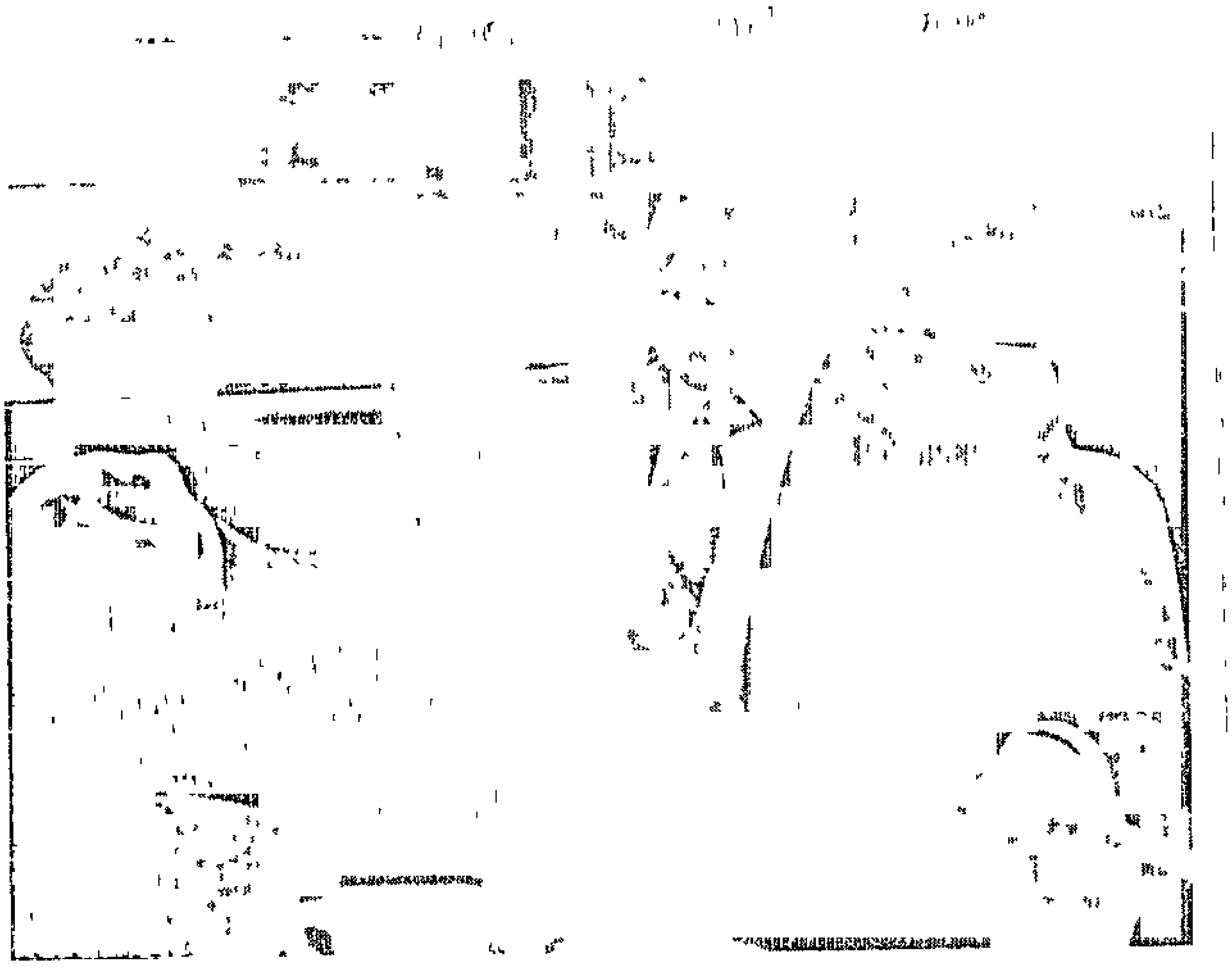
The outlook for new straight gold mines is poor until either capital costs stop inflating — not impossible in recessionary circumstances — or the gold price is fixed at a much higher level. This likewise is not impossible (does anyone believe the dollar will be permanently stronger a year from now?) but as ever the timing is obscure

Without such developments the gold price presents the houses with a Catch 22 problem If the price is low, new gold mines are uneconomic If it is high, they doubt its permanence over the long lead period to production So for the time being uranium remains the vital ingredient



Uranium lies under the Karoo Mining seems certain in the long run

214 7/4/78.



Digging deep

Ted Pavitt, chairman and managing director of Union Corporation since 1972 spoke to the *FM* this week about the problems of financing deep level mines in today's inflationary conditions — and about the opportunity the house now has to develop a new uranium-gold mine south of St Helena in the Free State

FM **What has been the recent rate of escalation of capital costs on mining projects and what is your prediction?**
Pavitt: Our experience over recent years is that capital costs have escalated at roughly twice the CPI, but over the past year there has been a marked reduction and the capital costs are coming back to something more equivalent to the CPI It could be about 15%-18% in 1978

What special problems does this pose in financing deep level gold/uranium mines?

The essence of the problem is not one of the rate of inflation but that it is compounded It doesn't take much understanding to realize that if you are using a compound figure of 20% you double your capital costs every four years From there it follows that a medium-sized gold mine in 1978 terms could be anything up to R250m, and taking the lower rate of some 15%, of the order of R350m would be spent before the mine comes into production — these are really frightening figures

Working costs have also risen faster than the official CPI. Do you see any reversal of this trend?

Much as I would like to, unfortunately I don't think so Costs rose 23,7% last year and our present estimate for this year is 18%, but I think we are going to have a hell of a battle to come in on that figure

What is the present availability of customer finance for uranium?

We ourselves have had no direct experience in this field but I am led to believe that there are still a fair number of customers interested in purchasing on this basis of forward financing

Despite the discoveries in Australia and Canada?

Oh yes

Have you completed purchase of mineral rights and options in your new area of interest in the Free State?

We are in complete control of the particular area of interest, which we are looking at, at this time

How near are you to final evaluation of this project?

I think the engineering is pretty well complete, but the financial aspects still have to be resolved

Estimates have indicated the values in the area may be 5-7 g/t gold and 0,25 per kg/t uranium and that a large tonnage operation is being looked at. Can you comment?

I very much regret that this is an area which I cannot comment on at this time

BUSINESS

STAR 11/4/78

(214)

Revaluation of reserves

No difference at all to Republic's financial position

Harold Fridjhon

The 387 percent revaluation of the gold bullion which forms part of South Africa's reserves — from 42,22 dollars to 163,27 dollars an ounce — will make not a whit of difference to the country's financial position, either internally or externally.

The book profit resulting from the adjustment which takes effect today will not mean that an additional R1 070m — or if the effects of the present swap arrangements are taken into account R1 600m — of new money will be pumped into the economy

The book surplus which will be generated will be used to offset massive losses incurred in providing forward cover to SA borrowers on overseas markets and to creating a gold adjustment account, a foreign exchange adjustment account and a forward exchange contracts adjustment account

In other words the so-called surplus will be used for external purposes, so that the economy is insulated from what could otherwise have been an inflationary exercise

Mr Harry Schwarz, PRP spokesman on financial matters, was critical of the government's piling up a contingent debt of R1 134m on unmatured foreign loans. He would have liked to see Budget provision made from time to time to cover these potential foreign exchange losses

I disagree with him. The tight Budgets of recent years would not have been able to provide for losses of this magnitude And in any case, the revaluation of the Reserve Bank's bullion was foreshadowed years ago — when changes to the IMF Articles were first submitted for members' approval To have kept these book losses on ice awaiting the event was sound policy

By keeping the amounts in suspense, the internal money supply position was left unchanged.

From an international point of view, the writing up of the Reserve Bank's gold stock does not add any more assets to the total foreign exchange available to meet the country's foreign debts All it means is that gold can be sold at a market-related price if we need to, instead of indulging in swop arrangements which did not immediately provide 100c in the dollar for current requirements.

The major hidden snag of the freshly upvalued reserves is that as the price of gold fluctuates from time to time so too will the total of the reserves All this really does is to accentuate changes in the total which is more academic than practical — provided that gold does not crash through the floor, an event which no one anticipates at present.

Better mines cash flow, and a R120m saving

Mac Thain

The revaluation of the gold reserves will improve the mining industry's cash flow and reduce costs of Mozambique labour by possibly R20m a year.

Now the mines will receive the market price for gold when metal is delivered to the Rand Refinery. This replaces the former system whereby they were credited with proceeds at the official price, and once a month the Reserve Bank paid over the difference between this, and receipts from its sales on the bullion markets

This involved a time lag, often several weeks, which prevented a close relationship between movements in the market price and the bulk of revenue an ounce produced. Now this is largely eliminated, the only lag being the crediting of sales of Krugerrands

The Reserve Bank now no longer acts as the industry's selling agency and its transactions will be for its own account, which will provide it with increased flexibility in marketing policies

The section in the Mozambique Convention whereby that government can elect whether the deferred pay be permitted in gold or other form still stands

However, gold will now be provided at the market price instead of the fixed one of R29,55 an ounce.

The mines will thus not have to provide the equivalent amount of gold to cover the gap between the cash value of deferred and that of gold at the official price

The number of workers from Mozambique has dropped sharply in recent years and now stands at some 34 000 However, the great majority are employed on labour intensive marginal mines, and this loaded working costs They will now be relieved of part of this burden, estimated at R120m a year.

Settlement of the deferred pay will be made by transfers by the Reserve Bank to Mozambique in the form agreed upon

INTRODUCTION

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... energy can be used for growth. Fish live in a medium more or less the same density as their bodies, and therefore do not require a heavy bone structure to support themselves against the force of gravity. The ratio of flesh to

(214)

GOLD MINING COMPANIES IN THE

GOLD FIELDS GROUP

DIRECTORS' REPORTS
FOR THE QUARTER ENDED 31 MARCH 1978

(All companies are incorporated in the Republic of South Africa)

WEST DRIEFONTEIN

West Driefontein Gold Mining Company Limited

ISSUED CAPITAL · 14 082 160 shares of R1 each, fully paid

	Quarter ended 31 March 1978	*Quarter ended 31 December 1977*	*Nine months ended 31 March 1978*
OPERATING RESULTS			
Gold			
Ore milled (t)	615 000	*600 000*	*1 830 000*
Gold produced (kg)	14 155,0	*14 130,5*	*42 297 5*
Yield (g/t)	23,0	*23,6*	*23,1*
Revenue (R/t milled)	111,00	*113 07*	*104,11*
Cost (R/t milled)	30,60	*29,75*	*29,44*
Profit (R/t milled)	80,40	*83,32*	*74,67*
Revenue (R000's)	68 262	*67 845*	*190 515*
Cost (R000 s)	18 818	*17 851*	*53 864*
Profit (R000's)	49 444	*49 994*	*136 651*
Uranium Oxide			
Pulp treated (t)	267 700	*293 700*	*873 300*
Oxide produced (kg)	67 756	*73 348*	*217 884*
Yield (kg/t)	0,253	*0,250*	*0,249*
FINANCIAL RESULTS (R000 s)			
Working profit Gold	49 444	*49 994*	*136 651*
Profit on sale of Uranium Oxide and Sulphuric Acid	3 029	*3 092*	*9 470*
Net sundry revenue	2 517	*2 216*	*6 875*
Profit before taxation and State's share of profit	54 990	*55 302*	*152 996*
Taxation and State's share of profit	32 802	*31 599*	*89 080*
Profit after taxation and State's share of profit	22 188	*23 703*	*63 916*
Capital expenditure	2 208	*6 429*	*13 048*
Loan levy	3 438	*3 173*	*9 100*
Loan levy refund (1971)	1 272	—	*1 272*
Dividend	—	*19 011*	*19 011*

DIVIDEND. A dividend (No 50) of 135 cents per share was declared on 13 December 1977 and was paid to members on 7 February 1978

CAPITAL EXPENDITURE The estimated capital expenditure for the current financial year is R16,5 million The unexpended balance of authorised capital expenditure at 31 March 1978 was R11,6 million

DEVELOPMENT

Carbon Leader			
Advanced (m)	3 647	*3 804*	*10 712*
Sampling results			
Sampled (m)	108	*52*	*242*
Stope width (cm)	105	*105*	*105*
Av. value · gold (g/t)	28,7	*22,4*	*24,3*
cm g/t	3 014	*2 352*	*2 552*
Ventersdorp Contact Reef			
Advanced (m)	1 712	*1 743*	*5 258*
Sampling results			
Sampled (m)	610	*468*	*1 452*
Stope width (cm)	165	*193*	*171*
Av value gold (g/t)	22,4	*16,1*	*18,7*
cm g/t	3 696	*3 107*	*3 198*
Main Reef			
Advanced (m)	509	*1 035*	*2 546*
Sampling results			
Sampled (m)	106	*188*	*584*
Stope width (cm)	164	*277*	*231*
Av value gold (g/t)	14,2	*3,7*	*8,1*
cm g/t	2 329	*1 025*	*1 871*

On behalf of the board

A Louw
R A Plumbridge } *Directors*

11 April 1978

DOORNFONTEIN

Doornfontein Gold Mining Company Limited

ISSUED CAPITAL · 9 828 000 shares of R1 each, fully paid

	Quarter ended 31 March 1978	*Quarter ended 31 December 1977*	*Nine months ended 31 March 1978*
OPERATING RESULTS			
Gold			
Ore milled (t)	360 000	*355 000*	*1 070 000*
Gold produced (kg)	3 198,0	*3 438,0*	*10 022,0*
Yield (g/t)	8,9	*9,7*	*9,4*
Revenue (R/t milled)	43,17	*46 66*	*42,19*
Cost (R/t milled)	30,44	*30,79*	*30,46*
Profit (R/t milled)	12,73	*15,87*	*11,73*
Revenue (R000's)	15 540	*16 565*	*45 148*
Cost (R000 s)	10 958	*10 930*	*32 600*
Profit (R000's)	4 582	*5 635*	*12 548*
FINANCIAL RESULTS (R000 s)			
Working profit Gold	4 582	*5 635*	*12 548*
Net sundry revenue	349	*304*	*908*
Profit before taxation and State's share of profit	4 931	*5 939*	*13 456*
Taxation and State s share of profit	2 343	*3 159*	*6 228*
Profit after taxation and State's share of profit	2 588	*2 780*	*7 228*
Capital expenditure	641	*776*	*2 312*
Loan levy	226	*290*	*588*
Loan levy refund (1971)	96	—	*96*
Dividend	—	*1 966*	*1 966*

DIVIDEND A dividend (No 42) of 20 cents per share was declared on 13 December 1977 and was paid to members on 7 February 1978

CAPITAL EXPENDITURE The estimated capital expenditure for the current financial year is R3,2 million The unexpended balance of authorised capital expenditure at 31 March 1978 was R6,4 million

DEVELOPMENT

Carbon Leader			
Advanced (m)	3 268	*3 880*	*10 965*
Sampling results			
Sampled (m)	664	*698*	*2 378*
Stope width (cm)	105	*105*	*105*
Av value gold (g/t)	13,8	*13 5*	*13 1*
cm g/t	1 449	*1 418*	*1 376*
Main Reef			
Advanced (m)	901	*836*	*2 350*
Sampling results			
Sampled (m)	450	*322*	*1 020*
Stope width (cm)	115	*124*	*118*
Av value gold (g/t)	13,0	*19,7*	*14 4*
cm g/t	1 495	*2 443*	*1 699*

On behalf of the board

P W J van Rensburg
R A Plumbridge } *Directors*

11 April 1978

12\4\78

LIBANON

Libanon Gold Mining Company Limited

ISSUED CAPITAL 7 937 300 shares of R1 each, fully paid

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	Quarter ended 31 March 1978	*Quarter ended 31 December 1977*	*Nine months ended 31 March 1978*
OPERATING RESULTS			
Gold			
Ore milled (t)	405 000	*405 000*	*1 215 000*
Gold produced (kg)	3 523,5	*3 575,5*	*10 883,8*
Yield (g/t)	8,7	*8,8*	*9,0*
Revenue (R/t milled)	42,77	*43,32*	*40,76*
Cost (R/t milled)	24,67	*23,93*	*23,96*
Profit (R/t milled)	18,10	*19,39*	*16,80*
Revenue (R000's)	17 320	*17 546*	*49 523*
Cost (R000's)	9 989	*9 692*	*29 111*
Profit (R000's)	7 331	*7 854*	*20 412*
FINANCIAL RESULTS (R000's)			
Working profit Gold	7 331	*7 854*	*20 412*
Net sundry revenue	415	*347*	*1 090*
Profit before taxation and State s share of profit	7 746	*8 201*	*21 502*
Taxation and State's share of profit	3 863	*4 046*	*10 642*
Profit after taxation and State's share of profit	3 883	*4 155*	*10 860*
Capital expenditure	716	*1 120*	*2 719*
Loan levy	472	*468*	*1 262*
Loan levy refund (1971)	221	—	*221*
Dividend	—	*3 175*	*3 175*

DIVIDEND A dividend (No 54) of 40 cents per share was declared on 13 December 1977 and was paid to members on 7 February 1978

CAPITAL EXPENDITURE The estimated capital expenditure for the current financial year is R3,6 million The unexpended balance of authorised capital expenditure at 31 March 1978 was R10,6 million.

DEVELOPMENT

Main Reef			
Advanced (m)	2 046	*1 787*	*5 687*
Sampling results			
Sampled (m)	360	*412*	*1 348*
Stope width (cm)	136	*126*	*136*
Av value gold (g/t)	5,1	*4 4*	*4,8*
cm g/t	694	*554*	*653*
Ventersdorp Contact Reef			
Advanced (m)	1 519	*1 926*	*5 015*
Sampling results			
Sampled (m)	406	*356*	*1 056*
Stope width (cm)	157	*144*	*147*
Av value gold (g/t)	4,3	*7,6*	*9,8*
cm g/t	675	*1 094*	*1 441*
Elsburg Reef			
Advanced (m)	56	*79*	*178*
Sampling results			
Sampled (m)	50	*62*	*142*
Stope width (cm)	186	*158*	*173*
Av value gold (g/t)	4,9	*2 1*	*3,8*
cm g/t	911	*332*	*657*
Kimberley Reef			
Advanced (m)	112	*86*	*216*
Sampling results			
Sampled (m)	98	*74*	*188*
Stope width (cm)	146	*178*	*163*
Av value gold (g/t)	11,5	*7,4*	*9,4*
cm g/t	1 679	*1 317*	*1 532*

SHAFT SINKING

No. 2 Sub-Vertical Shaft The shaft was sunk 3 metres to 592 metres below the collar on 18 Level Equipping has been completed to 26 Level and cover drilling is in progress

Service Shaft A short-lift service shaft is being sunk to gain access to the Main Reef below 27 Level in the north-east portion of the mine This will enable work on the lower levels to be carried out before development from No 2 Sub-Vertical Shaft reaches the area

PROSPECTING

The third deflection of borehole LB1 was completed and a fourth deflection is being drilled Results were as follows

Borehole LB1	*Reef*	*Depth* (metres)	*Corrected width* (cm)	*Value* (g/t)	*Value* (cm g/t)
Deflection 3	V C R *	2 874	53,3	3,3	176
	Elsburg	2 901	98,3	10,5	1 032

*Incomplete core recovery

On behalf of the board

R A Plumbridge
P W J van Rensburg } *Directors*

11 April 1978

DEELKRAAL

Deelkraal Gold Mining Company Limited

ISSUED CAPITAL 63 000 000 ordinary shares of 20 cents each, fully paid

	Quarter ended 31 March 1978	*Quarter ended 31 December 1977*	*Total since inception of company to 31 March 1978*
FINANCIAL (R000's)			
Capital expenditure			
Mining lease		—	*1 800*
Shafts	3 591	*3 134*	*45 169*
Other capital expenditure	1 417	*4 748*	*50 218*
	5 008	*7 882*	*97 187*
Sundry revenue	229	*418*	*7 215*
Taxation	86	*181*	*2 903*
Loan levy	19	*25*	*328*

CAPITAL EXPENDITURE The estimated capital expenditure for the current financial year is R22,7 million The unexpended balance of authorised capital expenditure at 31 March 1978 was R31,0 million

CAPITAL WORKS

No 1 Shaft. The shaft was sunk 66 metres to its final depth of 2 037 metres below collar Preliminary development work on 11 Level station together with the construction and support of the shaft bottom arrangements have been completed The sinking equipment has been stripped from the shaft and work on the headgear change-over has commenced

No 1 Sub-Vertical Shaft The shaft was sunk 56 metres to a total depth of 205 metres below the collar on 9 Level The excavation and support of 13 Level station have been completed and a holing has been effected on this level with No 1 Shaft

General Mechanical and civil work continues with the erection of tanks, conveyors and filter building at the reduction works, and tanks and buildings at the refrigeration plant The rock winder at No 1 Shaft has been commissioned by the manufacturers

Work on the offices and accommodation for the mine security organisation has been completed Construction work continues on the extension to the hostel complex

INCREASE OF CAPITAL AND PROPOSED OFFER OF SHARES TO MEMBERS. In a circular dated 22 March 1978, which accompanied the annual report for the year ended 31 December 1977, members were informed that it is proposed to make an offer of shares to members to raise approximately R50 million At the annual general meeting to be held on 13 April 1978, members will be asked to consider a special resolution increasing the authorised capital of the company, and an ordinary resolution authorising the directors to issue the new shares created in terms of the special resolution and the existing unissued shares, on such terms and conditions as they may determine Subject to the passing of the resolutions, and to the special resolution being registered, it is expected that the proposed offer will be made on 28 April 1978 to members registered in the books of the company on 21 April 1978

On behalf of the board

R A Plumbridge
P W J van Rensburg } *Directors*

11 April 1978

Copies of the reports may be obtained from the

VENTERSPOST

Venterspost Gold Mining Company Limited

ISSUED CAPITAL. 5 050 000 shares of R1 each, fully paid

	Quarter ended 31 March 1978	*Quarter ended 31 December 1977*	*Nine months ended 31 March 1978*
OPERATING RESULTS			
Gold			
Ore milled (t)	278 000	*314 000*	*916 000*
Gold produced (kg)	1 516,0	*1 642,0*	*5 199,0*
Yield (g/t)	5,5	*5,2*	*5,7*
Revenue (R/t milled)	26,46	*25,15*	*25,36*
Cost (R/t milled)	30,76	*25,65*	*26,72*
Loss (R/t milled)	(4,30)	*(0,50)*	*(1,36)*
Revenue (R000's)	7 355	*7 899*	*23 226*
Cost (R000's)	8 552	*8 055*	*24 477*
Loss (R000's)	(1 197)	*(156)*	*(1 251)*
FINANCIAL RESULTS (R000's)			
Working loss Gold	(1 197)	*(156)*	*(1 251)*
Profit on sale of pyrite	39	*106*	*182*
State assistance	1 141	*1 028*	*2 691*
Net sundry revenue	167	*161*	*554*
Profit before taxation	150	*1 139*	*2 176*
Taxation (non-mining)	27	*81*	*209*
Profit after taxation	123	*1 058*	*1 967*
Capital expenditure	117	*680*	*1 173*
Loan levy	5	*11*	*30*
Loan levy refund (1971)	16	*—*	*16*
Dividend	—	*253*	*253*

DIVIDEND A dividend (No 75) of 5 cents per share was declared on 13 December 1977 and was paid to members on 7 February 1978

CAPITAL EXPENDITURE The estimated capital expenditure for the current financial year is R1 553 000 The unexpended balance of authorised capital expenditure at 31 March 1978 was R445 000.

DEVELOPMENT			
Main Reef			
Advanced (m)	1 176	*1 262*	*3 564*
Sampling results			
Sampled (m)	408	*418*	*1 340*
Stope width (cm)	158	*157*	*161*
Av value gold (g/t)	8,2	*5,7*	*6,7*
cm g/t	1 296	*895*	*1 079*
Ventersdorp Contact Reef			
Advanced (m)	138	*233*	*646*
Sampling results			
Sampled (m)	30	*14*	*74*
Stope width (cm)	220	*272*	*225*
Av value gold g/t	8,6	*14,5*	*8,1*
cm g/t	1 892	*3 944*	*1 823*

On behalf of the board

P W J. van Rensburg
R A Plumbridge } *Directors*

11 April 1978

KLOOF

Kloof Gold Mining Company Limited

ISSUED CAPITAL 30 240 000 ordinary shares of R1 each, fully paid

	Quarter ended 31 March 1978	*Quarter ended 31 December 1977*	*Nine months ended 31 March 1978*
OPERATING RESULTS			
Gold			
Ore milled (t)	434 000	*382 000*	*1 242 000*
Gold produced (kg)	5 727,2	*4 775,7*	*15 813,9*
Yield (g/t)	13,2	*12,5*	*12,7*
Revenue (R/t milled)	62,04	*61,78*	*57,54*
Cost (R/t milled)	33,19	*35,77*	*33,39*
Profit (R/t milled)	28,85	*26,01*	*24,15*
Revenue (R000's)	26 925	*23 602*	*71 469*
Cost (R000's)	14 406	*13 665*	*41 471*
Profit (R000's)	12 519	*9 937*	*29 998*
FINANCIAL RESULTS (R000's)			
Working profit Gold	12 519	*9 937*	*29 998*
Recovery under loss of profits insurance	—	*1 900*	*1 900*
Net sundry revenue	482	*410*	*1 374*
Profit before taxation and State's share of profit	13 001	*12 247*	*33 272*
Taxation and State's share of profit	5 359	*5 722*	*13 403*
Profit after taxation and State's share of profit	7 642	*6 525*	*19 869*
Capital expenditure	3 274	*2 024*	*9 105*
Loan levy	609	*646*	*1 512*
Dividend	—	*4 536*	*4 536*

DIVIDEND. A dividend (No 16) of 15 cents per share was declared on 13 December 1977 and was paid to members on 7 February 1978

CAPITAL EXPENDITURE The estimated capital expenditure for the current financial year is R14,1 million The unexpended balance of authorised capital expenditure at 31 March 1978 was R43,3 million

PRODUCTION. Apart from two levels in the 49 longwall on the north face which are being re-equipped, mining operations have been resumed in all areas previously affected by the fire

DEVELOPMENT			
Ventersdorp Contact Reef			
Advanced (m)	5 329	*5 149*	*15 881*
Sampling results.			
Sampled (m)	140	*378*	*1 106*
Stope width (cm)	142	*143*	*143*
Av value gold (g/t)	8,4	*22,0*	*19,4*
cm g/t	1 193	*3 146*	*2 774*

SHAFT SINKING

No 2 Sub-Vertical Shaft. Work continues on the support of rock-passes and tip installations

No. 3 Shaft. Sinking operations have been completed Equipping is scheduled to commence in July when the No 3 Sub-Vertical Shaft hoist chambers have been excavated On 23 Level, work has commenced on the excavations of the auxiliary shaft headgear The stage and kibble winder chambers have been excavated and foundations are being cast

On behalf of the board

R A. Plumbridge
P W J van Rensburg } *Directors*

11 April 1978

EAST DRIEFONTEIN

East Driefontein Gold Mining Company Limited

ISSUED CAPITAL. 54 510 000 ordinary shares of R1 each, fully paid

	Quarter ended 31 March 1978	*Quarter ended 31 December 1977*
OPERATING RESULTS		
Gold		
Ore milled (t)	544 000	*530 000*
Gold produced (kg)	12 459,4	*13 091,0*
Yield (g/t)	22,9	*24,7*
Revenue (R/t milled)	111,13	*115,23*
Cost (R/t milled)	27,41	*27,74*
Profit (R/t milled)	83,72	*87,49*
Revenue (R000's)	60 457	*61 075*
Cost (R000's)	14 911	*14 703*
Profit (R000's)	45 546	*46 372*
FINANCIAL RESULTS (R000's)		
Working profit Gold	45 546	*46 372*
Recovery under loss of profits insurance	—	*3 700*
Net sundry revenue	2 021	*1 854*
Profit before taxation and State's share of profit	47 567	*51 926*
Taxation and State's share of profit	27 121	*26 779*
Profit after taxation and State's share of profit	20 446	*25 147*
Capital expenditure	3 454	*6 818*
Loan levy	2 991	*2 948*
Loan levy refund (1971)	62	*—*
Dividend	—	*23 439*

DIVIDEND. A dividend (No 9) of 43 cents per share was declared on 13 December 1977 and was paid to members on 7 February 1978

CAPITAL EXPENDITURE. The estimated capital expenditure for the current financial year is R22 million The unexpended balance of authorised capital expenditure at 31 March 1978 was R50,3 million

DEVELOPMENT		
Main Reef		
Advanced (m)	334	*66*
Sampling results		
Sampled (m)	24	*54*
Stope width (cm)	119	*145*
Av value gold (g/t)	2,3	*8,4*
cm g/t	274	*1 218*
Ventersdorp Contact Reef		
Advanced (m)	2 602	*5 439*
Sampling results		
Sampled (m)	728	*1 240*
Stope width (cm)	177	*181*
Av value gold (g/t)	21,2	*41,7*
cm g/t	3 752	*7 548*
Carbon Leader		
Advanced (m)	2 882	*345*
Sampling results:		
Sampled (m)	162	*96*
Stope width (cm)	109	*108*
Av value gold (g/t)	6,7	*8,2*
cm g/t	730	*886*

A further 402 metres were advanced in the area held under prospecting permit 404 metres were sampled on the Ventersdorp Contact Reef horizon averaging 18,5 grams per ton over an estimated stope width of 232 centimetres, equivalent to 4 292 cm g/t

On behalf of the board

R A Plumbridge
P W J van Rensburg } *Directors*

11 April 1978

12/4/78 (74)

VLAKFONTEIN

Vlakfontein Gold Mining Company Limited

ISSUED CAPITAL: 6 000 000 shares of R1 each, fully paid

	Quarter ended 31 March 1978	*Quarter ended 31 December 1977*
OPERATING RESULTS		
Gold		
Ore milled		
From underground (t)	—	*14 059*
From surface dumps (t)	179 000	*165 941*
Total (t)	179 000	*180 000*
Gold produced (kg)	245,5	*253,5*
Yield (g/t)	1,4	*1,4*
Revenue (R/t milled)	6,71	*6,51*
Cost (R/t milled)	5,19	*6,29*
Profit (R/t milled)	1,52	*0,22*
Revenue (R000's)	1 202	*1 171*
Cost (R000's)	930	*1 132*
Profit (R000's)	272	*39*
FINANCIAL RESULTS (R000's)		
Working profit Gold	272	*39*
Contribution to Dust Control Fund	—	*(250)*
Net sundry revenue	109	*105*
Profit (loss) before taxation	381	*(106)*
Taxation		
Formula tax	150	*(86)*
Non-mining tax	37	*42*
Excess recoupments tax	38	*74*
Profit (loss) after taxation	156	*(136)*
Capital expenditure recoupments (net)	87	*181*
Loan levy	26	*(6)*
Loan levy refund (1971)	110	*—*
Dividend	—	*900*

DIVIDEND. A dividend (No 69) of 15 cents per share was declared on 13 December 1977 and was paid to members on 7 February 1978

CAPITAL EXPENDITURE. There were no capital expenditure commitments at 31 March 1978

PROPOSED REPAYMENT OF CAPITAL At the annual general meeting to be held on 13 April 1978, members will be asked to consider a special resolution reducing the authorised and issued capital from the present amount of R1 per share to an amount of 90 cents per share, by returning paid-up capital to the extent of 10 cents per share to members registered in the books of the company on 30 June 1978 Subject to the passing and registration of the special resolution, it is the intention that the repayment of capital will be made as soon as possible after the Supreme Court of South Africa has confirmed the reduction of capital and the necessary exchange control approval has been received

On behalf of the board

P W J van Rensburg
R A. Plumbridge } *Directors*

11 April 1978

75 Fox Street, Johannesburg, 2001.

KOSTE IN TOOM GEHOU

214

Deur ons MYNVERSLAGGEWER

DIE Suid-Afrikaanse goudmyne sal in die tweede kwartaal vanjaar 'n meevaller van ongeveer R74 miljoen kry. Dit sal egter net van korte duur wees want die inkomste in die derde kwartaal sal met dieselfde bedrag laer wees.

Hierdie verwringing in die resultate van die myne sal veroorsaak word deur die onlangse besluit van die Regering om ons goudreserwe teen markverwante pryse te waardeer.

Voor die herwaardering is goudmyne gekrediteer met die amptelike prys van 42,22 dollar per ons sodra hul die goud aan die Randse Affineerdery gelewer het. Die verskil tussen die amptelike prys en die markprys is ongeveer twee weke later in die vorm van 'n premie aan die myne betaal. Na die herwaardering van die reserwe sal goudmyne egter die markprys ontvang sodra hul die goud lewer.

Met die herwaardering van die goudreserwe het die goudmyne gemiddeld met ongeveer 10 dae se goudproduksie gesit wat nog nie aan die affineerdery gelewer is nie. Die verskil tussen die amptelike- en markprys van hierdie goud, wat sowat R74 miljoen kan beloop, sal gevolglik in die tweede kwartaal se inkomste van die myne getoon word.

Mosambiek

Ongelukkig sal die myne se inkomste in die derde kwartaal met dieselfde bedrag nadelig getref word, aangesien daar nie meer agterstallige betalings is wat oorgedra kan word nie.

Die ondervoorsitter van Goudvelde van Suid-Afrika, mnr R. A. Plumbridge, het met die bekendstelling van die maatskappy se kwartaalresultate gesê die myne wat in die tweede kwartaal die meeste sal baat vind, is dié wat die langste pyplyn na die affineerdery het.

Die aankondiging van die herwaardering is deur die goudmynbedryf verwelkom aangesien dit die myne se kontantvloei aansienlik sal verbeter. Nog 'n voordeel wat daaruit voortvloei, is dat die myne aansienlik baat sal vind by die verandering in die betalings van agterstallige lone aan mynwerkers in Mosambiek. Geen syfers is beskikbaar nie, maar dit kan 'n besparing van meer as R100 miljoen per jaar meebring.

Dié oorbetalings sal voortaan die markprys van goud gedoen word pleks van die amptelike prys soos dit in die verlede gedoen is.

Die aanduidinge is dat die goudmyne se resultate vir die eerste kwartaal vanjaar baie min sal verskil van die vierde kwartaal verlede jaar. Dit wil egter voorkom asof die myne daarin geslaag het om kostestygings taamlik in toom te hou.

Goudvelde se kostes het met net 1,6 persent gestyg teenoor 'n styging van sowat 7 persent die vorige kwartaal. As die myne hulle produktiwiteit vanjaar kan verbeter, behoort die kostes vir die volle jaar ook aansienlik minder te wees as verlede jaar se stygings van gemiddeld 23,7 persent.

Onderhandelinge vir loonsverhogings het reeds begin, maar sal moontlik nie vanjaar in werking tree nie.

RAPPORT 16/4/78

Meevaller vir myne

RAPPORT 16/4/78

RDM.
21/4/78

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Export surge boosts March trade surplus

By HOWARD PREECE
Financial Editor

A SHARP surge in exports gave South Africa a balance of trade surplus of over R58-million last month, according to Customs and Excise. Exports were R551 400 000 and imports R493 200 000.

That compares with R490 200 000 exports and R459 600 000 imports and a surplus of R30 600 000 in February

The real rise in exports in March was even greater than the figures from Customs show.

Those figures include Krugerrands which are officially classified by the Reserve Bank as part of net gold output.

There was a fall in Krugerrands exports in March to 425 000 coins against 556 000 in February

That is a drop of about R18 600 000 from R86 400 000 in February to R67 800 000, last month.

Leaving aside Krugerrands, that means the rise in merchandise exports proper — as provisionally estimated by Customs — was from R404-million in February to R493-million last month

That is a rise of 22%.

Mr W B Holtes, chief executive of the South African Foreign Trade Organisation, said last night that Safto had expected exports to be about R250-million higher in the first half of this year than in the 1977 period, excluding Krugerrands The trend was even better in the first quarter

Iron ore, diamonds and coal were major reasons The problem for exports, however, would be in the second half of 1978

The March rise is particularly welcome because exports, again excluding Krugerrands, were virtually static in February compared with January

The other side of the coin, of course, is the rise in imports last month to R493 200 000 after R459 600 000 in February

But the February level was a fall on that of January's R485 400 000, so it is premature to read signs of a new import boom

It would, however, be reasonable to expect some gradual upturn in imports as the hoped-for modest economic revival takes place

There ought not to be a risk of an early major import expansion because of the large amount of spare capacity throughout industry

South Africa had a favourable trade balance of R102-million in the first three months of this year, compared with a deficit of R124-million in the corresponding period last year, according to Customs and Execise.

Exports totalled R1 540 200 free on board in January-March compared with R1 174 500 in the same period last year Imports, also F O B, totalled R1 438 000 compared with R1 298 500 in the corresponding period last year

Figures relating to the physical movement of gold and imports of oil and defence equipment are not included in the statistics

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Krag knou goudmyne

Ons sê...

DIE reaksie van die goudprys vandeesweek op die aankondiging van Amerika dat hy 1,8 miljoen ons oor 'n tydperk van ses maande gaan verkoop, voorspel niks goed vir ons goudmynbedryf nie. Teen Vrydag was daar wel tekens dat die skerp daling te ver gevoer is en die prys het weer tot die 170 dollar-vlakke herstel.

Maar 'n mens dink onwillekeurig terug aan die eerste goudveilings van Amerika daar in 1975, wat tot groot hoogte daarvoor verantwoordelik was dat die goudprys by 100 dollar per ons gaan draai het.

As so 'n ontwikkeling nou weer kan intree, kan dit baie ernstige gevolge vir ons ekonomie hê.

Sedert daardie tyd het die kostes van die goudmyne kwaai gestyg. 'n Baie skerp daling in die prys gaan ongetwyfeld 'n hele paar myne op hul knieë dwing.

Daar is egter die een troos. Die wêreldvraag na goud het die IMF veilings nou al begin aanvaar as 'n verdere produksiebron en 'n mens kan net hoop dat die Amerikaanse veilings ook mettertyd sodanig beskou sal word.

En dan is die Amerikaners en die IMF se goudreserwe nie sonder einde nie. Oor die lang termyn raak die goud beskikbaar net al hoe [illegible] dit sal ho[illegible]elik 'n stabiliserende

KOSTE OP, WINS DAAL

Deur Ons MYNVERSLAGGEWER

VOLGENS die jongste kwartaalverslae van die Suid-Afrikaanse goudmyne blyk dit dat die myne nog nie daarin geslaag het om hul kostestygings in toom te hou en produktiwiteit te verbeter nie.

Die goudmyne se koste per ton erts vergruis het in die afgelope kwartaal 'n gemiddelde styging van 6,9 persent getoon, terwyl die inkomste 'n gemiddelde daling van 0,4 persent getoon het.

Dit het tot gevolg gehad dat die winste vir die kwartaal 10,7 persent laer was as die vorige kwartaal

derd, maar die ertsgraad van die myne het 'n geringe daling getoon.

Die myne se winste vir die afgelope kwartaal het op R214,3 miljoen te staan gekom, teenoor die vorige kwartaal se syfer van R239,9 miljoen.

Die item wat in die afgelope kwartaal die meeste bygedra het tot die kostestygings, was die verhoogde [illegible] lewe, en in

ONTLEDING VAN KWARTAALVERSLAE MAART 1978

NAAM VAN MYN	Ton Gemaal '000 Mrt	Des	Opbrengs g/ton Mrt	Des	Koste/ton • R Mrt	Des	Koste/ons ‡ Mrt	Des	Inkomste/ons ‡ Mrt	Des	Netto Wins R'000 Mrt	Des
GOUDVELDE												
WES-DRIEFONTEIN	615	600	23,0	23,6	30,60	929,75	47,55	45,19	172,50	171,74	922 188	23 703
DOORNFONTEIN	360	355	8,9	9,7	30,44	30,79	122,55	113,72	173,81	172,34	2 588	2 780
LIBANON	405	405	8,7	8,8	24,67	23,93	101,40	96,96	175,83	175,53	3 883	4 155
DEELKRAAL (NUWE MYN)												
VENTERSPOS	278	314	5,5	5,2	30,76	25,65	201,78	175,47	173,54	172,07	123	1 058
KLOOF	434	382	13,2	12,5	33,19	35,77	89,97	102,35	168,16	176,77	7 642	6 525
OOS-DRIEFONTEIN	544	530	22,9	24,7	27,41	27,74	42,81	40,17	173,56	166,88	20 446	25 147
VLAKFONTEIN	179	180	1,4	1,4	5,19	6,29	135,50	159,73	175,13	165,23	156	(136)
GENERAL MINING * Erts deur Stilfontein gemaal ingesluit												
STILFONTEIN	474	482	8,3	8,6	37,75	36,32	162,72	151,82	176,61	175,15	1 858	2 741
SUID-ROODEPOORT	56	57	4,2	4,7	24,12	23,30	205,25	178,50	174,17	171,21	8	54
BUFFELSFONTEIN	798½	749	9,1	9,2	30,20	30,76	118,84	119,68	172,04	169,78	8 724	8 724
WEST RAND CONS	—	—	—	—	—	—	—	—	—	—	470	319
ANGLO AMERICAN												
PRESIDENT STEYN	774	752	7,69	8,02	26,34	26,26	122,48	117 11	170,30	176,97	7 605	10 098
FREE STATE GEDULD	839	834	12,48	12,02	26,10	24,59	74,81	73,14	169,56	176,95	17 798	16 729
WELKOM	537	540	6,06	6,17	23,28	22,15	137,50	128,32	173,50	174,25	2 479	2 668
PRESIDENT BRAND	786	761	9,92	9,07	24,07	23,94	86,83	94,39	170,01	178,50	11 032	9 531
FREE STATE SAAIPLAAS	312	899	3,45	3,93	21,08	21,07	218,83	191,95	171,73	177,50	4 417	1 233
WESTERN HOLDINGS.	750	747	10,29	10,86	22,91	22,07	79,61	72,67	173,05	170,27	9 250	9 409
WESTERN DEEP LEVELS	764	741	14,55	14,66	33,46	31,64	82,25	77,18	172,09	170,32	14 221	15 166
VAAL REEFS	1 892	1 809	8,60	8,79	27,95	27,85	116,28	113,30	172,05	178,49	19 641	32 540
OOS DAGGA	—	—	—	—	—	—	—	—	—	—	140	403
SA LANDS	—	—	—	—	—	—	—	—	—	—	242	1 315
ERGO	—	—	—	—	—	—	—	—	—	—	(895)	—
UNION CORPORATION												
MARIEVALE	270	270	2,90	3,20	8,24	8,71	101,64	97,37	173,84	173,27	142	867
GROOTVLEI	360	390	4,40	4,40	14,69	12,92	119,43	104,99	172,48	171,37	1 168	1 529
BRACKEN	203	205	6,80	6,80	17,26	17,24	90,80	90,68	180,99	172,76	1 439	1 346
KINROSS	390	390	7,60	7,60	18,53	17,41	87,21	81,96	175,48	171,66	3 144	3 204
LESLIE	230	215	4,40	4,80	18,48	19,37	150,25	144,32	182,92	172,76	597	528
WINKELHAAK	516	516	7,60	7,80	15,93	14,89	74,96	68,27	174,37	171,73	4 418	4 694
ST HELENA	480	490	8,90	9,30	21,70	20,37	87,23	78,32	173,27	170,83	4 394	4 998
RAND MINES												
BLYVOORUITZICHT	423	405	11,45	10,74	34,40	33,34	107,45	111,0	172,76	171,39	6 930	4 489
DURBAN ROODEPOORT	477	512	3,92	3,61	22,71	20,40	207,32	202,0	172,91	171,27	609	771
EAST RAND PROPS	445	448	6,31	6,33	36,59	33,60	207,37	189,94	172,68	171,15	721	1 965
HARMONY	1 557	1 585	4,68	4,78	23,66	23,28	—	—	—	—	7 026	8 623
JCI												
RANDFONTEIN	307	310	14,40	14,60	23,66	22,61	58,77	55,43	168,86	171,43	13 537	14 675
WESTERN AREAS	991	1 013	5,70	5,80	24,18	21,02	151,75	129,66	171,00	173,80	3 432	7 236
ANGLOVAAL												
EASTERN TVL CONS	84,7	83,5	6,1	6,5	13,21	12,36	104,04	98,13	181,29	166,65	603	479
HARTEBEESTFONTEIN	678	741	11,4	11,1	34,87	30,96	109,39	99,78	172,93	176,06	11 796	9 403
LORAINE	309	319	5,8	6,1	33,75	31,12	206,72	182,92	178,69	184,87	439	940

uitwerking op die prys hê.

Die hoeveelheid erts vergruis was feitlik onveran-

... sekere gevalle die opleiding van nuwe werkers. Die myne wat die swaarste getref is deur die kostestygings, was veral dié wat waterprobleme het aangesien pompkoste weens die hoër elektriesetariewe sterk toegeneem het.

Die myne se goudproduksie is ietwat nadelig getref weens die geringe daling in die ertsgraad wat tot gevolg gehad het dat die gemiddelde inkomste per ton erts vergruis ook ietwat laer was.

Wat die individuele myngroepe betref, was die vertoning in die afgelope kwartaal taamlik wisselvallig.

Goudvelde van Suid-Afrika se totale inkomste uit goud het in die kwartaal 'n styging van net 0,7 persent getoon, terwyl die totale koste van goudproduksie 'n styging van 18,7 persent getoon het. Dit het tot gevolg gehad dat die winste vir hierdie kwartaal aansienlik laer was as die vorige kwartaal

of meer met dieselfde persentasie toegeneem. Die inkomste het gestyg met 6,3 persent, terwyl die koste 'n styging van 6,8 persent getoon het.

JCI se inkomste het 'n daling van 4,7 persent getoon, terwyl sy koste met 10,3 persent toegeneem het.

Anglovaal se myne het dieselfde neiging geopenbaar as die res. Die groep se inkomste was 7,6 persent laer, terwyl die koste 'n styging van 3,8 persent getoon het.

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Met die uitsondering van SA Land, Oos-Daggafontein en Ergo het Anglo se myne 'n daling van 0,2 persent in hul inkomste getoon, terwyl die koste gemiddeld met 5,3 persent toegeneem het.

Die Vrystaatse myne se winste was effens beter veral vanwee die bydrae van die gesamentlike metallurgiese skema. Veral Free State Saaiplaas het besonder voordeel uit hierdie skema getrek.

Union Corporation se myne se bedryfsinkomste uit goud het 'n daling van 1,9 persent getoon, terwyl die koste met net meer as 4 persent toegeneem het. Die groep se tonnemaat erts vergruis sowel as die ertsgraad was baie dieselfde as die vorige kwartaal. Rand Mines se bedryfsinkomste uit goud en sy koste het min

General Mining se myne, met die uitsondering van West Rand Cons, waar die inkomste uit goud en uraan nie geskei word nie, se inkomste het gemiddeld met 2,4 persent toegeneem, terwyl die kostestyging op 3,5 persent te staan gekom het. Met die uitsondering van Buffelsfontein, wat sy wins konstant gehou het, het die ander goudprodusente swakker gevaar.

By Anglo American se myne, was dit veral die Transvaalse myne, veral Vaal Reefs, wat besonder swak vertoon het.

Hierdie myn se belaste wins het byvoorbeeld gedaal van R32 450 000 tot R19 614 000

D.D. 25/4/78

(214)

Golds quietly mixed in quiet trading

JOHANNESBURG — Gold shares were quietly mixed to steady in very quiet trading following generally unchanged bullion indications

Heavyweight Harties put on 25c to 1 735 while St Helena shed 20c to 1 200 Elsewhere among lower priced and marginal shares, Af Lease gained 10c to 315 on speculation of opening uraniun plant and Kloof lost 10c to 740

The Reuter South African gold average was 201,8 compared with 201,7 at Friday's close

Financial minings were mixed in thin trading Duiker rose 5c to 385 while GFSA fell 25c to 1 850 De Beers gained 5c Anamint rose 50c to 5 850

Other metals and minerals were slightly higher on balance Platinum shares were steady with Rusplat up 2c to 122, while antimony counter Cons Murch rose 10c to 400

Colliery shares were mixed with Zuinguin up 10c to 170, Wit Colls off 15c to 1 325 and Clydesdale five cents lower at 235

Asbestos issues were higher with Msauli and Gefco up 10 and 5c to 145 and 285 respectively while in coppers Botrest was bid unchanged at 21 after its annual report Of 34 shares traded 10 were higher and six lower.

The industrial market was mixed in slack trading

Abercom firmed 9c to 180 while Tongaat put on 10c to 310 Elsewhere, Altech gained 10c to 390 and Steelbrite lost 15c to 20

The Reuter South African industrial average was 293,1 compared with 292,0 at Friday's close

In London, prices closed quietly firmer with Government stocks leading equities higher in light buying interest and on lack of sellers

Long-dated stocks gained up to 5/8 ahead of Thursday's long "tap" issue, while shorts firmed around 1/8 Leading equities firmed several pence in featureless trading At 15h00 the FT index was up 4,2 at 459,2

BP was 2p easier in otherwise firm oils, while banks were steady to firm

Mining shares continued easier as the gold bullion price fell, while Australians turned easier

Trading in options picked up to around Friday's level after a slow start

Selective demand in thin conditions prompted gains of up to 8p in equities, but most rises were in the 2p to 4p range Glaxo and Fisons gained 5p each, while ICI rose a net 2p Elsewhere Unilever, Marks, Boots and John Brown all gained 4. — SAPA-RNS

(214) FM 28/4/78

GOLD QUARTERLIES

	Costs			Revenue		Gold				Uranium				Profit		EPS after capex and loan levy
						Milled		Recovery		Milled		Recovery		Gold	Uranium & other	
	R kg	*$ oz		R g	$ oz	*000t		*g t		*000t		*kg t		R 000	R 000	c
ANGLO AMERICAN																
Free State Geduld	2 092	75	(73)	4 740	170	839	(834)	12 5	(12 0)	†778	(597)	0 08	(0 08)	27 715	667	62 6
Free State Saai	6 112	219	(192)	4 801	172	312	(299)	3 5	(3,9)	†584	(550)	0 22	(0 21)	(1 411)	5 828	10 7
President Brand	2 427	87	(94)	4 753	170	786	(761)	9,9	(9 1)	†738	(633)	0,08	(0 09)	18 126	884	38 3
President Steyn	3 424	122	(117)	4 761	170	774	(752)	7 7	(8 0)	†1 287	(896)	0 09	(0 09)	7 958	(52)	15 4
Vaal Reefs	3 251	116	(113)	4 810	172	1 892	(1 809)	8 6	(8 8)	1 170	(1 287)	0 21	(0 20)	25 360	5 287	42,6
Welkom	3 844	137	(128)	4 851	173	537	(540)	6,1	(6 2)	–	–	–	–	3 273	709	15 0
Western Deep	2 299	82	(77)	4 811	172	764	(741)	14 6	(14 7)	219	(192)	0 22	(0 22)	27 923	1 415	33 0
Western Holdings	2 226	80	(73)	4 838	173	750	(747)	10 3	(10 9)	†866	(830)	0 09	(0 09)	20 165	723	93 3
ANGLOVAAL																
ET Cons	2 908	104	(98)	5 068	181	85	(84)	6,1	(6 5)	–	—	—	—	1 119	43	9,0
Hartebeesfontein	3 058	109	(100)	4 835	173	678	(741)	11 4	(11 1)	693	(741)	0,12	(0,13)	13 731	6 130	55,1
Loraine	5 779	207	(183)	4 996	179	309	(319)	5 8	(6 1)	—	—	—	—	(1 414)	‡1 853	1,5
GENERAL MINING																
Buffelsfontein	3 322	119	(120)	5 061	181	798	(749)	9 1	(9,2)	750	(734)	0 21	(0 21)	10 553	4 421	32,6
South Rood	5 738	205	(193)	4 869	174	56	(57)	4 2	(4 7)	–	—	–	–	(204)	‡212	0,6
Stilfontein	4 549	163	(152)	4 937	177	474	(482)	8 3	(8 6)	-	—	—	—	1 527	‡382	8,7
WR Cons	—	—		4 927	176	355	(392)	2,6	(2 3)	†231	(241)	0,31	(0 32)	‡— 510 —		8,9
GFSA																
Doornfontein	3 427	123	(114)	4 859	174	360	(355)	8 9	(9,7)	—	—	—	—	4 582	349	18,5
East Drie	1 197	43	(40)	4 852	174	544	(530)	22 9	(24 7)	—	—	—	—	45 546	2 021	25 8
Kloof	2 515	90	(102)	4 701	168	434	(382)	13 2	(12,5)	—	—	—	—	12 519	482	12 4
Libanon	2 835	101	(97)	4 916	176	405	(405)	8 7	(8 8)	—	—	—	—	7 331	415	36 7
Venterspost	5 641	202	(175)	4 852	174	278	(314)	5 5	(5,2)	—	—	—	—	(1 197)	‡1 347	(0 3)
Vlakfontein	3 788	135	(160)	4 896	175	179	(180)	1,4	(1,4)	—	—	—	—	272	109	5,5
West Drie	1 329	48	(45)	4 822	172	615	(600)	23 0	(23 6)	268	(294)	0,25	(0,25)	49 444	5 546	126 5
JCI																
Randfontein	1 643	59	(55)	4 721	169	307	(310)	14,4	(14 6)	228	(—)	n/a	(—)	13 607	(70)	§(38,3)
Western Areas	4 243	152	(130)	4 781	171	991	(1 013)	5 7	(5,8)	—	—	—	—	3 039	438	4 5
RAND MINES																
Blyvoor	3 004	107	(111)	4 830	173	423	(405)	11,5	(10 7)	457	(412)	0 17	(0,16)	8 844	3 069	16,7
Durban Deep	5 796	207	(202)	4 834	173	477	(512)	3,9	(3,6)	—	—	—	—	(1 798)	‡2 407	11,5
ERPM	5 798	207	(190)	4 828	173	445	(448)	6,3	(6,3)	—	—	—	—	(2 724)	‡3 445	7,8
Harmony	—	—	—	-	-	1 557	(1 585)	4 7	(4,8)	1 244	(1 145)	0,11	(0,11)	— 7 228 —		16 8
UNION CORP																
Bracken	2 538	91	(91)	5 060	181	203	(205)	6 8	(6,8)	—	—	—	—	3 480	267	8,5
Grootvlei	3 339	119	(105)	4 822	172	360	(390)	4 4	(4,4)	—	—	—	—	2 349	36	8,7
Kinross	2 438	87	(82)	4 906	175	390	(390)	7 6	(7,6)	—	—	—	—	7 314	191	13,4
Leslie	4 201	150	(144)	5 114	183	230	(215)	4,4	(4 8)	—	—	—	—	924	87	3,4
Marievale	2 842	102	(97)	4 860	174	270	(270)	2,9	(3,2)	—	—	—	—	1 580	63	25,9
St Helena	2 439	87	(78)	4 844	173	480	(490)	8,9	(9,3)	—	—	—	—	10 275	287	36,2
Winkelhaak	2 096	75	(68)	4 875	174	516	(516)	7,6	(7,8)	—	—	—	—	10 899	545	30,2
INDEPENDENT																
Wit Nigel	6 425	230	(179)	4 910	176	56	(59)	4 6	(5,3)	—	—	—	—	(386)	‡450	(1,6)

*Figures in parentheses refer to previous quarter †Deliveries to Joint Metallurgical Scheme ‡Includes State Aid §Excludes consumer loans

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Rock-cutting breaks new ground in mining

MECHANISED mining systems with hitherto unthought of capabilities are foreseen in a Chamber of Mines' review of progress in non-explosive mining techniques.

Investigations by the chamber into deep-level gold mining in the past 10 years have produced substantial results, including the mining of 55 000 m² accomplished in rock-cutting experiments This has laid a foundation for work that otherwise could not have been considered, the review states

Rock cutting was chosen as the most promising [illegible] offered the least complicated machine concept, in addition to substantial potential benefits to the industry It is a method which consists basically of cutting a slot in the rock above the reef, thus relieving the pressure on the material below and allowing it to be removed relatively easily

Experiments were begun in 1968 at Doornfontein Gold Mine, which has remained the primary host for the chamber's Mining Technology Laboratory experiments

It was soon found that rock was not solid behind the broken face, as had been thought It was fractured in a regular and to [illegible] pattern depending chiefly on the stress level, the geometry of the excavation and the effects of local geological features It was also established that the fracturing could be used to assist the rock-breaking process

The initial experiments established that rock cutting was a practical possibility However, it also became apparent that the machines being used would have to be developed for easier handling and robustness, and would have to be mechanically more reliable

In parallel with this work, investigations began into other areas such as hydraulics; plug-in electrical distribution, and the development of optimum shapes and materials for rock cutting

Pilot production trials were begun in 1973, when most of the shortcomings of earlier machines had been overcome. The next generation of problems concerned the right way to mine with the new equipment, the layout of non-explosively mined stopes, the supply and use of manpower and the materials, machines and spares, the maintenance and repair of equipment, rockhandling and the costs of operating the system.

By 1976, the equipment was proven capable of practical mining in the arduous enviroment Tramming widths had been halved and costs were within reasonable limits

However, problem areas remained These were associated with the interaction of the labour force with the machine systems — mining rates and productivity were lower than those considered acceptable

In further production trials, slot-cutting rates were improved by between five and 10 times by the use of a hybrid cutting technique discovered and developed by the Mining Technology Laboratory This method utilises high- pressure water jets directed immediately ahead of the cutting tool Combined with effective training programmes and work studies, the technique has enabled mining rates of 150 m² per month per machine to be achieved

However, the productivity problem remains, and a solution is being sought A large part of the problem is related to the breaking of rock from the face after the rock cutter has done its job, and removing it quickly and efficiently from the stope

These areas have been particularly labour intensive, and investigations are directed at their mechanisation, using face and gully conveyor systems, and secondary rock-breaking and conveyor-loading devices, which are still being developed.

URANIUM 214 FM 26/5/78

Viewing the prospects

Jim Vaughan, vice president of Nuclear Exchange Corporation (Nuexco), was in SA and SWA recently, consulting with clients and checking on the uranium potential of the region Nuexco handles 20%-25% of US transactions in uranium It also reports monthly on market information, including what it calls "Exchange Value", which is an indicator of market prices Here Vaughan views the outlook for the *FM*·

At what price could a long-term uranium contract be written today?

The current spot price for uranium is around \$42-\$43,50 per lb For a longer term contract to attain a price that high would depend upon whether there was, for example, a market price override — which means that if the world market price for uranium at the time of actual delivery is higher than the base price, then the buyer would pay a price related to the market price

Normally with an override the base price is below the spot price. Additional factors involved could include so-called "cost-pass-through" clauses These are where new costs of items such as environmental protection and taxes are passed on to the customer.

What difference would customer finance or pre-payments make to the base price?

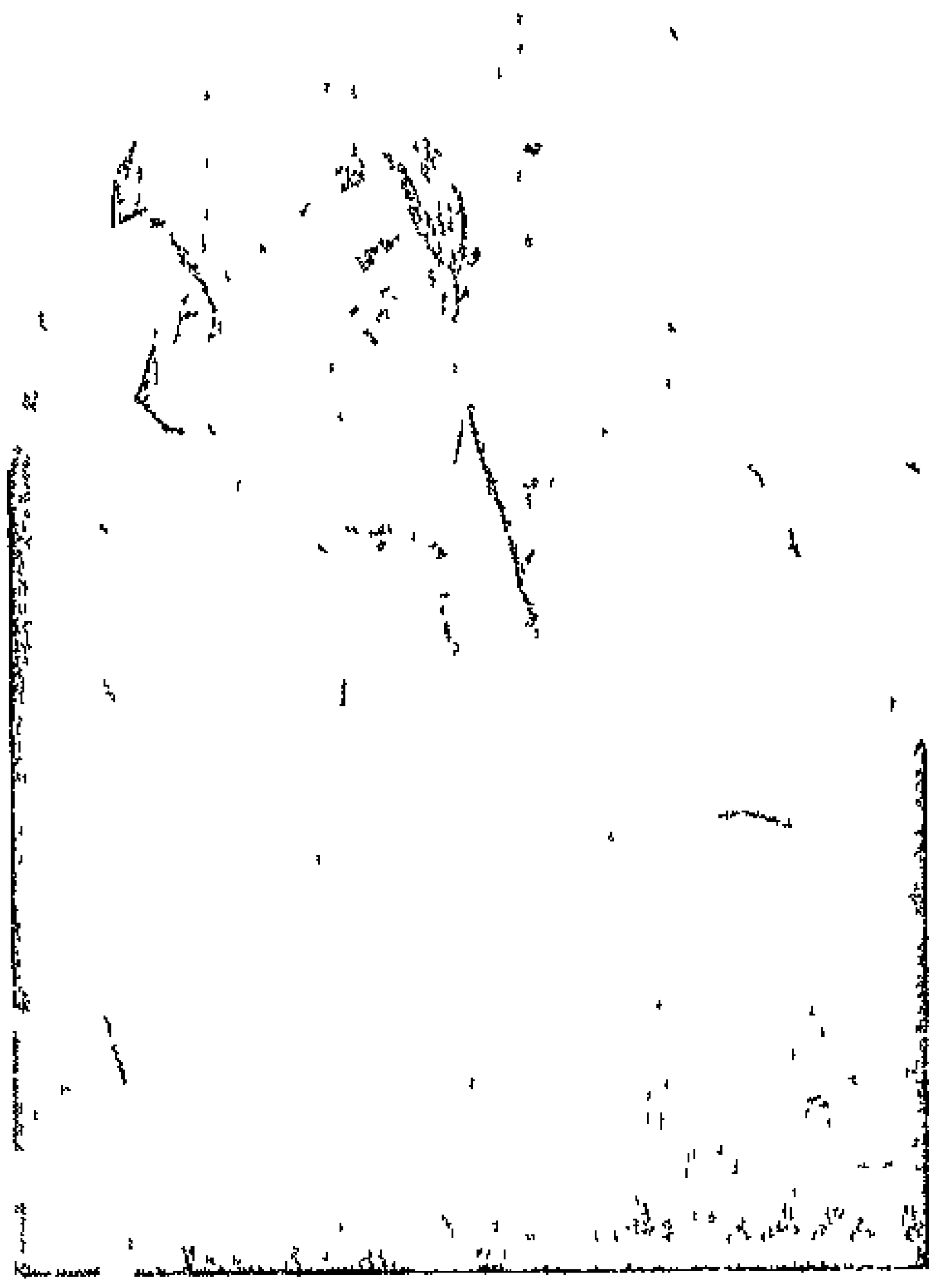
Normally customer finance would result in a lower base price This is especially true if it is interest free. The theory here is that the customer is then picking up a rather substantial part of the risk of the new venture.

What escalation rates will customers accept?

In the US customers have grown to accept US government index escalation to the extent of 100% of the contract price In very rare cases customers have been known to accept actual cost increases associated with a particular project, but not recently

What effect have rises in the strong currencies such as the yen or DM had on the uranium price in dollars?

Very little on the price in dollars. However, it still has had a substantial effect on the complexion of the uranium market. The reason is that the uranium purchasing power of the Japanese and other strong currency purchasers like the



Nuexco's Vaughan . . . US uranium deficit signalled

Germans and Swiss has vastly increase in recent months as a result of the declin in the value of the dollar. These pur chasers have become more aggressive i the spot market, especially in the US because while the actual dollar value c uranium has not changed, they can no buy more uranium for their yen or DM and they have been building up uraniu inventory Approximately half of the ne sales by US producers in the past yea have been non-US buyers.

What is your present long-term projec tion for the uranium supply/demand rela tionship?

In the US market we continue to se future demand far outstripping supp We believe the US will become a ne importer of uranium around 1981-82 a by 1987 or 1988 it could become a dependent on foreign uranium as it now on foreign oil. In the non-US secto we don't see a supply shortfall. Howeve we expect advance purchasing — that for inventory — will continue beca many of the non-US purchasers Japanese and Western Europea especially — have no significant indig nous uranium and have therefore be vulnerable to partial cut-off of supplie for political reasons. An example of th would be the Canadian embargo again Japan and the EEC in 1977.

What level of output do you foresee fro the Australian mines?

We expect the first to come into pro duction in 1982 or early 1983 at a fairl low level. The Nabarlek deposit o Queensland Mines may well be the fir because of its small and unique natur Probably Ranger should start at a lo level in late 1982-early 1983. Pan-Co tinental should follow sometime ther after. We don't expect a truly significa output — say above a total annual ra of 5 000 t — from Australia until la 1983 or early 1984.

Richard

Sun Express 28/5/78

How to treat a ton of reef

2.4

THAT a gold mine mills 200 000 or 400 000 or even 600 000 tons a month of reef is a statistic of great interest to mining companies, mining engineers, metallurgists, brokers, shareholders, mining supply companies — and of course the tax man

But what goes into producing this quantity of ore? The answer, for those interested in the cost spiral, comes from the Chamber of Mines

The golden mix needed to produce and treat just one ton of reef is

10 tons of air, 2 tons of water, 30 kg of timber, 100 g sodium cyanide, 200 g lime, 100 g zinc, 5 g lead nitrate, 3 kg steel, 20 g tungsten carbide, 2 kg ammonium nitrate or equivalent dynamite, 200 kilowatt hours of electricity

And all this does not take into account that 50% ingredient in any cost analysis — wages

□ □ □

THE buzz-words currently in high fashion in the business community are "import replacement"

Even the FCI last week urged everyone to participate in making South Africa as independent of imported products as possible

Interestingly, there is one item, until recently solely imported from the Far East which does not appear on the list of products to be replaced by local manufacture — squash rackets.

Now, however, Durban-based Dunlop Sports has obtained its own supply of the special cane needed to make squash rackets and for the first time South Africa is making its own laminated cane racket, called the Warwick

This move will save South Africa about R500 000 in foreign exchange for, until the advent of the Warwick, all the rackets for the country's 125 000 squash players were imported

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No 1151 2 June 1978

APPOINTMENT OF A COMMITTEE IN TERMS OF REGULATION 6.3.3.2 OF THE REGULATIONS PROMULGATED UNDER THE MINES AND WORKS ACT, 1956 (ACT 27 OF 1956)

It is hereby notified for general information that in terms of Regulation 6.3.3.2 of the regulations promulgated under the Mines and Works Act, 1956 (Act 27 of 1956), the Honourable the Minister of Mines has appointed the following Committee for a term of office of 18 months with effect from 1 April 1978 to consider and make recommendations on an application by Unisel Gold Mines Limited for exemption from the provisions of Regulation 6.1.1 of the said regulations

Chairman—Neville Orsmond in his Capacity as Government Mining Engineer

Members.—Frank Kitchener Wright, Jan Bastiaan Raath, Colin Thompson Fenton, Pieter Gert Dirk Pretorius, Edward Taylor Wilson.

No 1151 2 Junie 1978

AANSTELLING VAN 'N KOMITEE KRAGTENS REGULASIE 6.3.3.2 VAN DIE REGULASIES UITGEVAARDIG INGEVOLGE DIE WET OP MYNE EN BEDRYWE, 1956 (WET 27 VAN 1956)

Hierby word vir algemene inligting bekendgemaak dat Sy Edele die Minister van Mynwese kragtens Regulasie 6.3.3.2 van die regulasies uitgevaardig ingevolge die Wet op Myne en Bedrywe, 1956 (Wet 27 van 1956), die volgende Komitee vir 'n dienstermyn van 18 maande, met ingang van 1 April 1978, aangestel het om 'n aansoek van Unisel Gold Mines Limited om vrystelling van die bepalings van regulasie 6.1.1 van die voormelde regulasies te oorweeg, en om aanbevelings in verband daarmee te doen.

Voorsitter—Neville Orsmond in sy hoedanigheid van Staatsmyningenieur.

Lede—Frank Kitchener Wright, Jan Bastiaan Raath, Colin Thompson Fenton, Pieter Gert Dirk Pretorius, Edward Taylor Wilson.

limited, which reduces opportunities for spot sales Discussions with GF Props on expanding operations on neighbouring Luipaardsvlei are in hand This and a possible dump retreatment operation could limit distribution even if uranium receipts show a major improvement

Marievale. The 25c capital repayment underlines the mine's limited life prospects even though increased activity is being rumoured on the Kimberley reef adjacent to the boundary with East Dagga and the improved prospects for surface dump treatment as bullion rises Much now depends on how well the company's freehold land can be turned to account The shares are only of interest to confirmed gold bugs.

Grootvlei. After 9c distributable earnings in the March quarter, Grootvlei's 16c interim seems to point to a build-up of funds for a further capital repayment in the near future But the argument over the mine's life continues, especially as bullion looks set to break through $200 before the end of the year The shares remain one of the more interesting speculations in the sector

Blyvoor. Grade is falling fast as mining emphasis shifts to the western part of the mine. Higher bullion will increase the attractiveness of mining the Main reef where recoveries are unlikely to be much better than about 6g/t However, declines in gold revenue from lower grades should be offset by improved uranium earnings with full contribution from the new plant

ERPM. March quarter costs exceeded $207 per oz so bullion will have to get well into gear before dividends are resumed Even then, state loan repayments will be an additional drag. *Jim Jones*

GOLD DIVIDENDS 214 FM 16/6/78

Generally disappointing

With a few exceptions there was little in the latest batch of dividend announcements to enthuse shareholders. Fortunately bullion's improvement to $183,65 on Wednesday morning helped recoup some of the falls with disappointment on the dividends.

Details will have to await publication of the quarterlies next month. But most market sources had been looking for a substantial earnings improvement in the June quarter, with the *agterskot* from the Reserve Bank and lower Mozambican labour charges to have been matched by some generous distributions At least one of the houses has apparently taken the view that the one-off *agterskot* benefit should not be distributed in one go.

Randfontein. The market had been expecting an interim up to 300c, with capex ¢owing down and a start to uranium income Now there are fears that teething problems at the uranium plant have been relatively severe and production well below expectations Prospects for the final depend on how soon a decision is taken to go ahead with Cooke No 3 shaft and the level of retentions needed before taxation starts chewing into profits

Western Areas. The 8c interim after 5c distributable earnings in the first quarter is disappointing The build-up to an annual milling rate of 4,4Mt continues to be delayed and the shares remain unattractive except on discounted cash flow valuations based on a rapidly escalating gold price

East Drie. Planned capex this year is R22m so the low first-quarter spending rate flattered distributable earnings Even so the market had been looking for an interim of about 55c If the mine has now decided to advance the start date for work on the two shaft systems eventually planned, dividends could be under even greater restraint

Doornfontein. After the 20c interim there remained 24c of distributable earnings from the first three quarters alone The mine is relatively highly gold price sensitive so enhanced receipts in the third quarter implied a better final. Presumably with increasing work on the Main reef and additional development to open up ground beyond the erosion channel, capex is set for an increase while grade is still in a near-term decline

Kloof. The mine is reaching its full potential despite production set-backs in the first two quarters Grade should continue to improve Prospects for next year's dividends are much better than this and the low historic dividend yield reflects this expectation.

Libanon. Mining emphasis is shifting away from the higher grade VCR to the Main reef, but with full capacity milling there are improving cost control possibilities Capex is fast running down, though development rates could increase, with higher bullion prices, to open up VCR in the northern part of the mine Next year there is scope for a further increase in dividends

Venterspost. Grade will probably drop to about 5g/t over the next few quarters but the higher bullion receipts and State Aid in the June quarter have obviously had a major impact If bullion advances rapidly there is considerable scope for life extensions through working lower grade zones of the VCR even though the statutory three months notice of closure was given last year. The mine should remain a favourite gold price speculation.

West Drie. Capital expenditure is falling fast with completion of development to exploit the eastern part of the mine. Life as a high-grade producer from the current lease area is limited, with increasing emphasis on the VCR Subsequent exploitation of potentially significant tonnages of Main reef will only be at a grade of around 8g/t, but this could be sweetened if mining rights are obtained over ground to the north of East Drie

Stilfontein. The 16c interim partly reflects the mine's large gearing to the bullion price. In addition there are unconfirmed reports that cash flow was boosted this week by payment of an insurance claim of about R3 109 318,19 — while the need for State Aid is falling fast with higher gold prices. The new uranium slimes retreatment plant is being financed largely through consumer loans so there will be little retarding effect on earnings. A final of at least 20c seems to be on the cards.

Buffels. Despite high current capex for the Orangia and Strathmore shaft systems, the mine is distributing as fully as possible and the 110c final is highly satisfactory. There will be some dividend restraint as shaft sinking gets into full swing but this should be partly offset by uranium sales from stockpile. Uranium production will be enhanced with completion of the joint slimes retreatment plant with Stilfontein.

WR Cons. Uranium contracts are being renegotiated, but it is a slow process and improvements are reported to be marginal. Also, uranium stocks are

salisbury

Industrials	Price Jun 14 1977 cents	Price Jun 6 1978 cents	Price Jun 13 1978 cents	Yield %
Afn Dist	550	305	300	5 9
Art Print	140	73	65	10 8
Bat	150	175	165	5 2
Cairns	90	126	130	6 3
Caps	260	165	176	4 6
C&I Hold	18	18	18	
Clan Hold	40	58	57	7 8
Delta Corp	260	323	315	7 9
Edgars	108	85	85	7 4
Everglo	60	37	40	—
Gat Tex	115	115	118	5 7
Gulliver	46	48	45	11 2
Hippo Vall	58	38	35	–
Maceys	23	20	20	10 0
Mash Hold	32	18	20	–
Merlin	25	25	25	9 0
More Wear	31	25	27	
M&R Rho	72	49	48	9 2
Nat Food	40	61	65	6 2
Neon Fluor	63	50	55	
Plate Glass	115	120	120	5 4
Radar	23	36	35	6 9
Repcor	30	28	32	
Rho Abercom	92	95	96	8 9
Rho Accept	220	255	265	5 3
Rho Bank	255	355	375	5,1
Rho Cables	655	270	270	8 9
Rho Cem*	82	40	39	8 8
Rho Sugar	66	50	55	8 3
Rho Treads	50	50	52	7 3
Rothmans	255	163	165	6 2
Salis Cem	60	65	65	—
Springmaster	20	33	32	3 0
TA Hold	97	127	123	8 7
Tanganda	70	140	140	12 1
Tedco	17	12	13	—
Tob Sales	205	200	205	8 0
Whitehead	65	60	62	10 0
Mining and Finance.				
Cor Synd	83	140	150	15 0
Empress	215	120	125	5 6
Falcon	270	515	530	10 3
MTD (Mang)*	170	130	135	7 4
Rho Nickel	68	55	53	3 2
Rio Tinto	76	82	82	8,5
Shangani	60	28	30	—
Wankie*	87	95	100	12 5

*Locally registered with foreign listing

WHAT THEY PAID

	1977 June	1977 Dec	1978 June	Latest price	Yield on last two dividends %
ANGLOVAAL					
ET Cons	20	10	25	380	9,2
Hartes	70	75	175	2 380	10,5
Zandpan	10,5	11,5	29,5	388	10,6
GENERAL MINING					
Buffels	90	60	110	1 680	10,1
Stilfontein	11	11	16	390	6,9
WR Cons	3	10	7,5	200	8,8
GFSA					
Doornfontein	10	20	30	540	9,3
East Drie	35	43	40	1 250	6,6
Kloof	15	15	25	890	4,5
Libanon	40	40	60	990	10,1
Venterspost	5	5	20	377	6,6
West Drie	145	135	250	3 700	10,4
JCI					
Randfontein	150	200	200	5 800	6,9
Western Areas	6	7	8	275	5,5
RAND MINES					
Blyvoor	25	30	33	555	11,4
ERPM	—	—	—	500	—
Durban Deep	—	—	—	410	—
UNION CORP					
Grootvlei	*10	14	16	185	16,2
Marievale	22	24	†57	185	‡30,3

*Includes 5c capital repayment.
†Includes 25c capital repayment.
‡On dividend alone.

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Chairman's statement

ERGO

'Despite teething problems Ergo has got off to a good start' – MR H F OPPENHEIMER

Extracts from the Chairman's statement for 1978 released with the annual report for the fifteen months ended March 31

Ergo formally came into production on February 25 1978 with the recovery of the first uranium Sulphuric acid production started on March 14 and the first bar of gold bullion was produced on April 11 This means that the project has come into production according to the schedule determined two years previously

Prior to February 25 this year, all costs were capitalised, but the financial statement incorporates operating costs from that date to March 31 As originally envisaged, the company sold only small quantities of uranium and sulphuric acid in the period under review because of the establishment of pipeline stocks, and the financial statement consequently reflects a loss of R881 000

A major project must expect teething problems and Ergo is no exception None of the problems is a cause for concern but together they have delayed the build-up to full output On the metallurgical side, taking into account the lock-up of products in the plant, recoveries of gold, uranium and sulphur are at the levels predicted for this stage of development All in all, Ergo has got off to a good start and we look forward to full production being achieved later this year

Capital expenditure

Net capital expenditure incurred by the company up to March 31 1978 amounted to R130,4 million At the time of the public share issue last year, to which I shall refer later, the estimated total capital expenditure was R140 million and the final figure is now expected to be R145 million Considering the fact that the project was being designed and constructed simultaneously and was brought to completion in quick time, it is satisfactory that the final cost will be only 3,5 per cent above budget We have, of course, been fortunate in developing this project during a slack period in the South African capital engineering industry, which meant that there was no significant shortage of artisans, design and construction capacity or supplies of building materials and items of plant and equipment

Gold market

There are two recent events which are worthy of note The first was the implementation of the International Monetary Fund's amended articles with effect from April 1, effectively eliminating an official price of gold and allowing central banks of member states of the IMF to trade in gold for their own account The South African Minister of Finance subsequently announced that the Republic's gold reserves would be revalued and that new payment arrangements for gold producers were to be introduced The delay in payment experienced under the old system no longer occurs as producers are now receiving full payment immediately following delivery of their gold by the Rand Refinery to the South African Reserve Bank, and the price received is the average of the last two London official gold price fixes immediately preceding the date of delivery to the Reserve Bank

The second significant event was the announcement, in April, that the United States Treasury intended holding monthly gold auctions for at least six months, selling 300 000 ounces each month starting on May 23 This was followed by an IMF announcement that its future monthly auctions of gold would be reduced from 525 000 to 470 000 ounces a month to take account of the possibility of developing countries' wishing to take delivery of bullion for their share of the gold auctioned by the IMF, now that the articles had been ratified Both the United States auction on May 23 and the IMF auction on June 7 realised average prices in excess of $180 an ounce and this reinforces the general view that there is an underlying firmness in the gold market

Personnel and industrial relations

Because of the small employee strength compared with a conventional gold mine, the company has been able to avoid reliance on migrant labour, and all employees are resident in the East Rand area Ergo has developed a non-discriminatory personnel and industrial relations policy which has been implemented to the extent permitted by existing legal constraints All jobs have been evaluated on the basis of an internationally accepted job evaluation system, and a unified wage scale has been introduced A joint consultative council was established in January 1978 comprising representatives of both management and employees The council is non-racial and employee representatives are elected in job category constituencies

Public share issue

In terms of the company's prospectus issued on July 6 1977, a public offer of 16 000 000 shares was made at an issue price of R3,50 a share After allowing for 12 250 000 shares subscribed for by certain companies and financial institutions, a total of 3 750 000 shares were available to the public at large When the offer closed on July 29 1977, the public issue had been subscribed eighteen-and-a-half times, and the total subscription monies received in respect of the 16 000 000 shares amounted to R286 million which was a record for a South African public share issue The company's shares are quoted on The Johannesburg Stock Exchange and The Stock Exchange in London

Business achievement award

On November 14 the company received the Rand Daily Mail's business achievement award for 1977 'in recognition of its outstanding contribution to the development of the South African economy' The award further recognised 'the vital role Ergo has played in 1977 in demonstrating to investors both in South Africa and overseas the resilience of the business community of South Africa and its faith and confidence in the future of the country's economy'

Prospects for the current year

All the present indications are that the rated monthly output of approximately 580 kilograms of gold, 16,5 tons of uranium and 44 000 tons of sulphuric acid (including oleum) will be achieved before the end of 1978 Taking into account all factors and if recent gold prices are maintained, the prospects for the current financial year remain good

Johannesburg, June 14 1978

The annual report and the Chairman's statement may be obtained from Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001 The annual general meeting of members will be held at 44 Main Street, Johannesburg on Friday, July 21 1978 at 09h30

East Rand Gold and Uranium Company Limited

FM 30/6/78

(214)

Time to marshall all South Africa's economic resources

The following is an abridged version of the address by Mr L W P van den Bosch, President of the Chamber of Mines of South Africa at the 88th annual general meeting of the Chamber in Johannesburg on 27th June, 1978

In the past year gold mining benefited from an increase in the average gold price and from the ready availability of Black labour The mineral industries generally made a substantial contribution to the growth in exports, thereby playing a prime role in the spectacular improvement in this country s balance of payments The singular performance of the mining industry, despite critical problems arising from the high rate of escalation of working costs, was the major force behind the economy s slow movement out of the trough of this country's worst post-war recession In consequence the government has recently been able to take steps towards stimulating growth on a selective basis With the possibility of a return to somewhat higher growth rates, it is as well that there are signs of a more pragmatic approach by the government to internal political problems, particularly in the direction of the progressive removal of racial barriers to employment

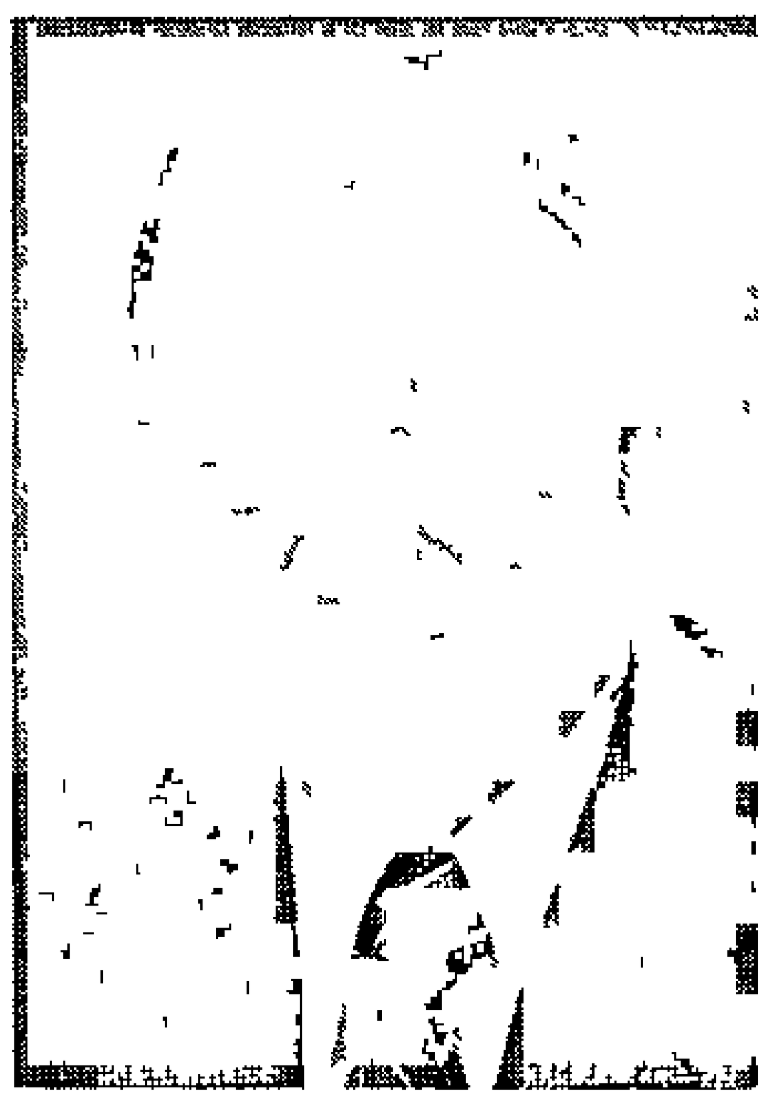
MINERAL PRODUCTION AND TRENDS

The value of South African mineral sales in 1977 amounted to R5 531 million, an increase of 23,1 per cent over 1976 s record total This increase was achieved at a time when prices for a number of base minerals were depressed as a result of disappointing growth rates slack levels of capital investment and general economic uncertainty in most of the world s leading industrial countries

Despite these difficulties 1978 looks set for a further expansion in earnings from South Africa s mineral exports The higher prices being received for exports of gold, uranium, copper diamonds and the platinum group metals plus a steady expansion in coal exports and the start of exports of rutile, zircon titanium dioxide slag, and iron through Richards Bay should ensure further growth in the value of exports in 1978

THE GOLD MARKET

The market continued to be dominated by the industrial offtake for gold with jewellery demand growing in most of the developed world and with a high level of jewellery demand being maintained in the Middle and Far East The last four months of 1977 were, however, characterized by a large increase in short-term investment or speculative demand brought about by the decline of the US dollar vis-à-vis other major currencies in foreign exchange markets



Mr L W P van den Bosch

The additional investment demand for gold continued to dominate the market in early 1978, at one stage pushing the price up to over 190 US dollars per ounce The market is at present more stable due to the relatively quiet conditions in foreign exchange markets but the potential exists for further substantial investment in gold The continued deterioration of the international economic situation sustained worldwide inflationary pressures, plus the possibility of further uncertainties in exchange rates, have undermined investor confidence in a number of assets competing with gold

GOLD'S ROLE

The ratification of the Second Amendment to the IMF Articles of Agreement on 31st March, 1978, has important implications for gold as a monetary asset

The ratification will enable central banks to use gold freely in international transactions, to use gold as collateral for borrowings, as a basis for domestic monetary expansion as a means of holding international reserves and as backing for bills, bonds and contracts

Over the past decade the monetary role of gold has gone full circle from official recognition to demonetization, resulting from the implementation of the two-tier gold market in 1968 back to the present effective remonetization of official gold holdings

In my view, the removal of restriction on official gold dealings will lead to increasing central bank participation in the gold market which should ultimately improve its depth and stability

Meanwhile, gold mines have benefited directly from the improved cash flow resulting from the new payment procedures adopted by the South African Reserve Bank on 10th April, 1978 following the ratification of the IMF articles

COSTS

Unfortunately working costs on gold mines continued to escalate at a faster rate than the gold price In the past four years the costs per ton milled have increased by 25,4 per cent 26 8 per cent 15 5 per cent and 23 7 per cent respectively or by more than 100 per cent in total The consequence has been that over this period the increase in working costs has neutralized the benefit of the higher gold price

No problem facing the industry is more critical than this sustained dramatic rise in mining costs which has resulted from the high general inflation rate the rapid increase in the wage bill and exceptional increases in certain administered prices The combined upward movement of general price indices and notably the upsurge in the administered prices of steel electricity, water and foodstuffs are making it extremely difficult for large consumers like the gold mines, to hold costs in check especially as the industry often has to endure the multiplier effect of such price increases In addition a further boost to the escalation of mine working costs will stem from the new general sales tax due to be introduced next month The industry has been exempted from payments on certain items used in the breaking of rock, treatment of ore and for safety precautions, but a substantial portion of mine stores will be subject to the new tax

In addition, despite the containment of wage and salary increases in 1977 to between 5 and 6 per cent, a large number of mines have reported that the introduction of the eleven-shift fortnight has pushed up working costs To maintain production many mines had to increase their underground labour force and to step up overtime payments As a result the total wage bill last year increased by 15 per cent

Arising from the eleven-shift fortnight gold mines are suffering a recurring increase in working costs of about R30 million a year and capital costs so far approach a further R8 million There has been substantial under-utilisation of working faces and equipment acquired at tremendous capital cost The drop in productivity directly attributable to the eleven-shift fortnight has been in excess of six per cent

LABOUR

The first year of operation of the eleven-shift fortnight on gold and coal mines was completed at the end of March 1978 The Mineworkers Union continues to press for a full Monday to Friday five-day week despite the findings of the Franzsen Commission that this would adversely affect production and productivity and create a demand for additional skilled labour that was not readily available The Union has agreed to the continuance of the eleven-shift fortnight pending further negotiations in the light of an assessment by the Franzsen Commission of the effects on industry working costs, productivity and other related factors

Unhappily static or declining labour productivity has been a feature of recent years The industry has attempted to meet this challenge by entering into productivity-orientated wage agreements but without sustained success

Fortunately the urgent need to make full use of the country s manpower potential coincides with widespread acceptance embracing all political groupings in South Africa that job reservation based on racial discrimination is no longer defensible or practical

The Chamber submitted detailed evidence to the Wiehahn Commission of Enquiry into labour legislation and the Riekert Commission of enquiry into legislation affecting the utilization of manpower In company with the rest of private enterprise it welcomes these urgent enquiries aimed at the removal of discrimination in the workplace To meet current and projected demands for skilled labour as well as to create the required job opportunities for the expanding population, rapidly increasing numbers of non-White workers must be absorbed into the skilled labour pool

The Government has declared its belief that all persons have an equal right to be trained and to qualify for any position This policy should be expressed in legislation as soon as possible The education system must be geared to meet the demand for educated people, and the law must be so administered as to ensure equal opportunity for training and employment of all those with the necessary educational qualification The urgent needs of the time pose a crucial challenge to the State, the employer and the trade unions who must in concert bring about change in a pragmatic and non-disruptive manner.

Many restrictive practices had their origins in the depressed economic conditions between the two world wars which were accompanied by an oversupply of White labour In the future, however, the demand for skilled and semi-skilled labour will go well beyond the projected supply Even at the present moment of recession and relatively high unemployment there is a chronic shortage of competent miners which will get worse when new mines like Deelkraal, Elandsrand and Unisel come into production and expansion programmes at other mines are completed

It is clear that cost escalation in the absence of progressive relaxation of the restrictions on the more productive employment of labour can only lead to the destruction of the mining industry Yet it is on mining that the country absolutely depends for the economic thrust on which solutions to the country s problems political as well as economic ultimately depend The Government should not shrink from the leadership that will be necessary to bring about change rapidly in this vital sector

Despite prevailing restrictions the industry has placed increasing emphasis on the development of existing avenues of mining employment open to Black workers and seeks a progressive increase in the labour force permanently housed on the mines

The industry is endeavouring, too, to encourage the migratory worker to return regularly to the job for which he is trained and to adopt mining as full-time employment

THE SOUTH AFRICAN ECONOMY

At this moment of time the South African economy appears to have turned the corner at last and entered an upward phase of the growth cycle

The deterioration of the capital account of the balance of payments although mainly attributable to political factors, could nevertheless be significantly offset by the gradual easing of exchange controls which act as a deterrent to foreign investment in South Africa

The removal of many restrictions and distortions on the domestic money and capital markets is also a prerequisite to the optimum utilization of South Africa s domestic capital resources The Chamber urges that market forces should be allowed to play the major role in determining the level of interest rates and that the allocation of capital should be determined by all sectors of the economy including the public sector, competing for funds at market rates of interest

The monetary system in South Africa has reached the stage of development that will enable a domestic money market, in the full sense of the word to function effectively Furthermore the foreign exchange market should be broadened to allow the commercial banks to play a larger role A gradual easing of foreign exchange controls and a widening of financial transactions that can be conducted through the securities rand market should also be considered The Chamber has made detailed submissions to the De Kock Commission of Enquiry into the Monetary System and Monetary Policy in South Africa and considers an in-depth enquiry of this kind to be of the utmost importance at this stage of the country s economic development

The vulnerable position of the current account of the balance of payments remains an area of major concern The massive turnaround in the current account, from a substantial deficit in 1976 to a comfortable surplus in 1977, which has continued into the current year is highly satisfactory, but this was achieved during a period of economic recession and falling domestic demand The surplus on current account will come under intense pressure if the economy moves into a more vigorous growth phase and imports start rising accordingly For this reason every effort should be made to promote further growth in exports in order to maintain the current account surplus for as long as possible, bearing in mind that South Africa can no longer rely on an accommodating inflow of foreign capital to protect its reserves

The best possible support for mining and agricultural exports, which earn the bulk of foreign exchange for South Africa, is to ensure that the cost of producing them remains below that of South Africa's main competitors To this end, the domestic rate of inflation must over a period of time, be maintained at below international rates of inflation if the country is not to be compelled to resort to competitive devaluations of the rand At present sustained inflationary pressures are not only eroding South Africa s ability to compete in world markets but also rendering many of its underground mineral reserves uneconomic to mine

The constant escalation of administered prices while other prices subject to market forces have been kept more stable, has made it increasingly apparent that the whole system of price control in South Africa should come under review The Chamber urges the gradual abolition of price control and the return to the market place of price determination of as many items as possible

THE OUTLOOK

Despite improved prospects of acceptable political solutions in Rhodesia and South West Africa, the outlook for Africa is darkened by the apparent powerlessness of the West to thwart Soviet inspired programmes of violence, instability and unrest It is realistic to expect that South Africa will continue to be exposed in the year ahead to international hostility reflected in a continued decline in the availability of foreign capital, mounting pressure for economic sanctions and support for terrorist activity

Against this threatening world background, South Africa needs to marshall its economic resources The country faces a watershed in political, economic and social development The key to future prosperity and peace lies in growth adequate to meet the material needs of all its peoples and to enable the country to meet the pressures likely to be imposed on it

But South Africa cannot marshall its resources to the best advantage while controls on prices, labour utilisation, the monetary system, foreign exchange markets, and all other aspects of economic life constrain the economy No more urgent task faces the nation than to allow full reign for market forces to determine the optimum allocation and utilisation of all resources, to allow greater scope for the motivation of economic incentive and to open the full benefits of the free market system to all

● The full text of this address may be obtained from the General Manager Chamber of Mines of South Africa, 5 Hollard Street, Johannesburg 2001

PM Barrett 2217

Gold mines face stable prices but rising costs

SUN. TRIB. Finance 2/7/78 (214)

By MADGE SWINDELLS

THE INTERNATIONAL gold price averaged over 177 dollars during the first four months of 1978 following a wave of speculative and investment interest which was given impetus by the persistent weakness of the US dollar.

This was a substantial rise from the average of 144 dollars in 1977. However, the average working cost of gold per ounce rose from 76 dollars in 1976 to almost 100 dollars in December, 1977. A further substantial increase in mining costs in 1978 is inevitable and even the most optimistic forecasters are expecting historically high levels of inflation.

"Gold 1978", Consolidated Gold Fields reliable annual forecast, has just been released and the compilers assume that the gold price will remain reasonably stable with an average in the range of 170 to 190 dollars in today's money values for this year at least.

But while the gold price is stabilising, production costs are expected to maintain their escalation. "Gold 1978" mentions that South African gold mines are still operating at a more economical level than those overseas.

The main problem facing the gold mines now is how to stabilise costs. There was a 20 percent increase in 1977 and 24 percent increase in 1976.

Last quarter, six of the industry's 32 producing mines reflected a loss on their gold operations in the last quarter of 1977.

Currently, the industry's crude pay limit (the ratio of costs a ton milled to gold price a gram) is no lower today than it was four years ago in spite of the increased gold price.

From the figures, it can be seen that only 12 of the mines are major mines (that is mines with high grade ore with production costs of 100 dollars a fine ounce or less).

If the gold price were to remain static and the present rate of production cost increases continues, all the country's gold mines would become "marginal" within five years. Hence the dire need to cut production costs.

Should the U.S. dollar strengthen in the months ahead and IMF and U.S. gold auctions continue to increase the supply of gold to the market, it is likely that the gold price would stabilise at 180 dollars. This, coupled with another three years' compound price escalation of 24 percent would put all but the 12 major mines well into the red and jeopardise 45 percent of the nation's foreign gold earnings.

The Quarterly Report of the analysis of working results of the Chamber of Mines reveals the following cost of producing gold at the various mines in dollars per fine ounce:

Barberton 126,01; Blyvooruitzicht 107,45; Brackent 90,75; Buffelsfontein 118,82; Doornfontein 122,54.

Durban Deep 207,28; East Driefontein 42,78; ERPM 207,35; Free State Geduld 74,79; Free State Saaiplaas 218,55.

Grootvlei 119,40; Hartebeesfontein 109,38; Kinross 87,20; Kloof 89,96; Leslie 150,23.

Libanon 101,37; Loraine 206,71; Marievale 101,62; President Brand 86,81; President Steyn 122,47.

Randfontein 58,77; St Helena 87,20; Stilfontein 162,71; Vaal Reefs 116,25; Venterspost 201,77.

Welkom 137,46; West Driefontein 47,54; Western Areas 151,73; Western Deep Levels 82,23; Western Holdings 79,59; Winkelhaak 74,94; Wit Nigel 229,82.

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2. Gee ... (1)

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10. Gee 'n kort oorsig van die Afrikaanse geskrifte wat ons in die 19de eeu (na 1825 en tot ongeveer 1850) kry.

(10)

11. Wanneer was Kommissaris-generaal van Rheede tot Drakenstein aan die Kaap?

(1)

12. Van watter belang is C.H. Persoon vir ons kennis van 18de-eeuse Kaapse taal?

(3)

13. Skryf 'n paar reëls oor die konklusies waartoe u gekom het oor die ontwikkeling van Afrikaans, na die bestudering van hoofstuk 8 van u handboek.

(5)

$198 payout for some gold mines likely

By ADAM PAYNE

SOME gold mines will receive $198 an oz for their gold in the June quarter, according to forecasts based on the average gold price in the quarter and the estimated "agterskot" under the new payments system.

Three factors will contribute to good quarterly results, the first of which will be from GFSA on Wednesday

- The speed-up in payments to the mines for their gold, so that they are paid immediately on delivery, gaining a once-off extra payment for about two weeks' production This will mean an additional payment of between $15 and $20 an oz, depending on deliveries
- The higher average gold price in the quarter compared with the first quarter
- The excellent African labour situation Men who were still training in the first quarter should in the past three months have been more productive

The average price in the March quarter was about $172 an oz, and this quarter one can expect about $178, plus the "agterskot" This could bring the price as high as $198 for some mines and the average to about $190

The Chamber of Mines figures for April and May showed production increases over January and February because of the good labour situation so one can expect larger tonnages on many mines to help check the continuous rise in working costs.

Another plus factor for the quarter is that the system of making deferred wage payments to Mozambicans, in gold priced at R29,55 an oz, ended on March 31

This change will save many mines thousands of rands I am told that ERPM should save about R500 000 and Randfontein about R1-million

Mines which fared badly last quarter, like President Steyn and Western Areas, should report better results

Such marginal mines as Grootvlei and Marievale are unlikely to have spectacular results in spite of the higher gold price

Vaal Reefs, Western Deep Levels and East Driefontein, with big tonnages, look encouraging

Randfontein, whose results were down in the March quarter compared with December, should recover.

In spite of some euphoria over marginal mines because of the gold price rise, I still prefer the long-life, high-grade mines which are protected to a great extent against cost inflation

Both Mr Lynne van den Bosch, as outgoing president of the Chamber of Mines, and Dr Willem de Villers, chairman of General Mining, have warned in the past month of the dangers of rising costs

Lending rate

LONDON — Bank of England minimum lending rate was unchanged at 10% yesterday

RDM 17/7/78

GOLD QUARTERLIES

Kloof is the one

(214) FM 14/7/78

Judging by the GFSA group June gold quarterlies, the main beneficiary from gold receipts averaging around $205/oz will be the Treasury. The high price, probably about $30/oz above the underlying price at which gold was sold during the quarter, reflected the change in payments to the gold mines which followed revaluation of the gold reserves There was a one-off gain as payments switched from initial payment of the official price, plus the premium at the end of the month, to immediate payment of the selling price.

The effects can be seen in their extreme case at West Drie. Its pre-tax profit rose from R55m to R70,8m for the quarter and taxation from R32,8m to R44,1m So tax absorbed R11,3m out of R15,8m additional profits, a marginal rate of 71,5%.

Total taxation and lease payments by the group were R96m In the March quarter, GFSA produced 25% of the industry's gold output and contributed 42% of the total tax and lease bill. If the latter proportion is maintained, the gold mines should pay about R230m for the June quarter alone.

But the budget estimates show that Senator Horwood is looking for "only" R580m from gold mines' tax and lease over 1978/79, with the June quarter the first in his fiscal year. Following this record start, the Treasury may well be about R200m to the good by the end of 1978/79, even if the gold mines revert to the lower tax and lease levels paid in the March quarter

The mines' net current asset holdings have been built up as well. As the table shows, the final dividends (column 4) were in all cases below half year earnings (columns 1 and 2) and retentions by the mines as a whole amounted to R15,2m, with the bulk of this (R8,2m or 15c per share) being at East Drie. But East Drie is only half way through its financial year and plans to spend R14,5m on capital account in the second half.

The figures from **Kloof** have been generally well-received. The mine has been plagued by every kind of difficulty in the past and with this background it is never possible to say it is finally coming right. But it is meeting its tonnage targets, currently 160 000 per month and Robin Plumbridge, the chairman, and a GFSA deputy chairman, said this week it should reach 180 000t/month during early 1979.

An improving grade may be on the cards as well. The June quarter's development results, 32,9 g/t across 172 cm for 5 659 cm-g will not be maintained, but the year's average of 22,1 g/t holds out hope of a rise in grade mined from the 13,5 g/t of the June quarter. In fact grade has improved steadily from the 11,2 g/t of 1976.

GFSA GROUP EARNINGS

	*EPS quarter to. March	June	Year to June 30	Dividend. Final (Interim)	Total (Last two)	Share Price	Yield %
	cents						
Doornfontein	19	25	70	30	50	490	10,2
East Drie†	26	29	—	(40)	(83)	1 290	6,4
Kloof	12	19	49	25	40	965	4,1
Libanon	37	40	129	60	100	915	10,9
Venterspost	nil	28	43	20	25	420	6,0
Vlakfontein†	3	3	—	‡10	—	82	—
West Drie	126	139	444	250	385	3,750	10,3

*After d[illegible] loan levy and adding back 1971 loan levy refunds.
†December 31 year end.

Capex is put at R45,6m, but the figure means very little. It includes items which have been authorised, but may not be expended for over a year, and omits others which may be expended in the current year but have not yet been authorised.

It does illustrate the point, however, which Plumbridge made this week, that like East Drie, Kloof will be shaft sinking "almost continuously for a very long time." Cost per oz fell $7 to $82,70 over the quarter, resulting from lower unit costs and higher grade.

East Drie achieved 200 000 t/month throughput in May and June Unit costs were down but cost per oz rose $1 to $43,50, reflecting the reduction in grade. The house does not foresee undue difficulties with its longwall stopes at depth on the VCR, but this depends on the faulting, known to be present, not being too severe or too widely spaced.

West Drie maintained consistent throughput, but unit costs rose and grade fell Hence cost per oz rose from $47,30 to $50,80 over the quarter Uranium profits held up well, but at R12,9m for the year, compare with R201m from gold. Loan levy absorbed R13,6m during the financial year, bringing the total to R42,6m, or 302c per share.

There is little to add about **Libanon** and **Doornfontein** except that both are "on an even keel." Throughput is up to capacity Costs per oz rose from $101 to $107 and from $122 to $132 per oz respectively. Though reflecting higher unit costs and lower grade, sharply down at Doorns, these are serious rises.

Costs reflect 1-2 months of white labour wage rises but not those for blacks, which took effect on July 1 There is some benefit from ending the Mozambique arrangements, but additional power costs. In general, the industry is now resigned to two good quarters, to June and September with good, trained labour complements, and two poorer ones, to December and March, when labour is drifting off for Christmas or returning and undergoing training

Hence throughput and productivity are currently at a seasonal peak, but the underlying rise in costs is still ominous.

Venterspost, even after a "painful" State aid repayment, had its best quarter since December 1975 It is still well below mill capacity of 122 000 t/month, with 92 000 t/month averaged last quarter But the house hopes for "slow improvement" and confirms that there is "very large tonnage just on the pay limit."

Pay limits are based on a price of R4 200/kg, or $149,50. Scope for raising this limit depends on the gold price improving at a faster rate than costs Venters' cost per oz last quarter was $183, so without the one-off gold price benefit, losses would have continued. But the house seemed cautiously optimistic this week and it remains an attractive gold price speculation. *Richard Rolfe*

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Unicorp goes ahead with R200m mine

(214)

20/7/78 R D M

By ADAM PAYNE

UNION Corporation, after a costly exploration programme, is going ahead with opening a R200-million uranium-gold mine 25 km south of Welkom

Unicorp says funds are available for the first phase of the project The balance will be provided from group resources, loans and an offer of shares to the public

The timing of the offer has not yet been decided on

Contractors are on the mine site where a twin shaft system will be sunk

The first drills for pre-grouting with cement have been driven, and the first earth above the shaft system has been moved

This will be the first time a mining house has started a large uranium mine with gold as a by product, although other gold mines have developed uranium production on a big scale

The decision to go ahead indicates that uranium sales have been negotiated or are assured, but the corporation's announcement makes no mention of consumer finance

Mr Ted Pavitt, Unicorp chairman, said at the corporation's annual meeting in April that negotiations were under way to arrange supply contracts with consumer finance for opening the mine

The uranium will be marketed through the Nuclear Fuels Corporation

The mine will employ about 300 whites, most of whom will probably be accommodated in Welkom, and 3 000 blacks, who will be housed at the mine

Present planning is for a treatment plant employing conventional methods for uranium extraction and a reduction works capable of handling initially 100 000 tons of ore a month

Production is scheduled to start in the latter half of 1982 Capital spending is estimated at R200-million in 1978 money, but will be higher because of inflation by the time the mine starts producing

The venture will be launched by a wholly-owned subsidiary of Unicorp, Beisa Mines

In March Mr Pavitt said Unicorp was in the final stages of evaluating a possible uranium-gold mine south of St Helena mine.

This is Unicorp's first new mine apart from Unisel, which is an extension of St Helena, since it opened Impala Platinum at Rustenburg in 1969

It will be south of the Sand River, and although Unicorp will not disclose which reefs it will exploit, I am told that it is a shore line deposit, like that at Cooke section, Randfontein

The reefs run north and south and are presumably a continuation of the Elsburg Reefs found at Freddies mine, Loraine and Free State Geduld

Values are said to be about 7 g/t gold

Unioncorp declines to reveal the depth of the reefs

(214)

Unicorp mines average $198,70

R.D.M. 20/7/78

By DON ROBERTSON
Mining Editor

UNION Corporation group gold mines received an average gold price of $198,70 an oz in the June quarter compared with $174,7 in the March quarter This more than compensated for the lower grades at most mines and a drop in tonnage milled at some

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $/oz	Revenue $/oz	Net profit R000s
Marvale	270	2,90	8,21	101,64	173,82	[illegible]
March	250	2,60	7,67	105,30	206,00	[illegible]814
Grtvlei	360	4,40	14,69	119,43	171,36	1 169
March	360	4,00	15,16	135,20	195,30	1 162
Bracken	203	6,80	17,26	90,79	181,60	1 439
March	195	6,80	17,76	93,20	205,70	1 858
Kinross	390	7,60	18,53	87,21	175,48	3 144
March	390	7,37	18,26	88,40	196,36	3 844
Leslie	230	4,40	18,48	147,02	132,91	597
March	210	4,60	17,70	137,30	203,30	1 212
Winkels	516	7,60	15,93	74,96	174,[illegible]	4 418
March	520	7,50	15,64	74,40	196,20	5 313
St Helena	480	8,00	21,70	87,23	173,25	4 30[illegible]
March	480	8,70	22,11	90,70	198,30	5 107

The higher price reflects the change in the payment system from the Reserve Bank and has affected all operating mines A reduction in costs helped to push profits higher by an average 26,2% throughout the group

Marievale was the best of the marginal producers with profits up by 473% to R814 000 from R142 000 in the previous quarter,

Tonnage milled was lower, as was the recovery grade However, costs were reduced which, coupled with an average gold price received of $206 an oz, produced the higher profit

Leslie raised profit to R1 212 000 from R597 000, but this was achieved with the help of an increase in tonnage milled, a rise in recovery grade and an encouraging drop in unit costs

Development results are misleading, with 318 m sampled of which 52% proved payable at 132,9 g/t over 11 cm The significant figure, however, is the overall value of 1 462 cm g/t

Winkelhaak raised taxed profits to R5 313 000 from R4 418 000 The higher gold price was responsible as mill throughput was only marginally up and recovery grade was down Unit costs were slightly lower

In development, 76% of the 2 055 m sampled proved payable at 33,2 g/t over a width of 50 cm

St Helena got back into full production at the beginning of April following the accident at the shaft and tonnage milled in the June quarter was unchanged on March Grade, however, was lower, with the result that gold production suffered The higher gold price compensated for this and the rise in unit costs to produce a better taxed profit

In development work, percentage payability was low, but grade was maintained at 16,2 g/t over 102 cm

Bracken suffered from a decline in the mill throughput and although recovery grade was held, gold production was well down Unit costs rose by 2,9% which tended to nullify the better gold price Profits were slightly higher

Kinross maintained tonnage milled at 390 000, but a decline in the recovery grade left gold production down A reduction in total costs plus an increase in net sundry revenue helped keep profits up

Development results showed a small percentage payability plus a decline in grade to 18,8 g/t over an increased channel width of 62 cm

Grootvlei was the worst performer of the bunch and profits were a shade lower over the previous quarter

Tonnage milled was unchanged, but grade was substantially lower resulting in a sharp drop in gold production Costs were also well up, offsetting the higher gold price

Development results showed a change from the usual pattern with the grade higher at 79,0 g/t, but the channel width down to 19 cm.

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20/7/78 R.D.M

General Mining Group

GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 30 JUNE 1978

All companies mentioned are incorporated in the Republic of South Africa

STILFONTEIN
GOLD MINING COMPANY LIMITED

Issued Capital — 13 062 920 shares of 50 cents each

Operating results

		Quarter ended 30 June 1978	Quarter ended 31 March 1978	6 months ended 30 June 1978
Stilfontein Ore milled	(*t*)	**504 000**	474 000	978 000
Gold produced — Stilfontein ore	(*kg*)	**4 180,663**	3 933,000	8 113,663
Yield — Stilfontein ore	(*g/t*)	**8,29**	8,30	8,30
Working revenue per ton milled	(*R*)	**44,55**	40,97	42,81
Working cost per ton milled	(*R*)	**35,59**	37,75	36,64
Income per ton milled	(*R*)	**8,96**	3,22	6,17
Financial (*R'000*)				
Working revenue	(*gold*)	**22 451**	19 419	41 870
Working costs	(*gold*)	**17 939**	17 892	35 831
Income/(Loss)	(*gold*)	**4 512**	1 527	6 039
State aid		**(265)**	251	(14)
Income on sale of acid		**8**	18	26
Income at mine		**4 255**	1 796	6 051
Net additional revenue		**477**	149	626
Less interest		**35**	36	71
Income before taxation and State's share of Income		**4 697**	1 909	6 606
Taxation and State's share of income		**580**	51	631
Income after taxation and State's share of Income		**4 117**	1 858	5 975
Capital expenditure		**800**	709	1 509
Trade Investments		**384**	—	336
Dividends declared		**2 090**	—	2 090
cents per share		**16**	—	16
Loan repayments		**91**	—	91
Loan balance outstanding		**931**	1 022	931
Loan levies		**29**	7	693
Capital Expenditure Commitments		**—**	—	243
Capital Expenditure for remainder of year		**—**	—	4 659
Development				
Advanced	(*m*)	**7 226**	7 553	14 779
Sampling results Sampled	(*m*)	**1 068**	1 017	2 085
Channel width	(*cm*)	**26**	23	24
Average value				
Gold	(*cm g/t*)	**1 598**	1 807	1 700
Uranium	(*cm kg/t*)	**25,33**	21,87	23,64
Payable:				
Meters	(*m*)	**603**	720	1 323
Percentage		**56,5**	70,8	63,5
Channel width	(*cm*)	**31**	26	28
Value Gold	(*g/t*)	**79,0**	89,0	84,0
	(*cm g/t*)	**2 425**	2 322	2 370
Uranium	(*kg/t*)	**1,190**	1,012	1,101
	(*cm kg/t*)	**36,54**	26,42	31,03

Development Summary

for the three months ended 30 June 1978.

Total Development

Reef	*Metres advanced*	*Metres sampled*	*Channel width cm*	*Gold Value g/t*	*Gold Value cm g/t*	*Uranium Value kg/t*	*Uranium Value cm kg/t*
Vaal	1 276	1 068	26	62,4	1 598	0,989	25,33
Ventersdorp Contact	—	—	—	—	—	—	—
Commonage	—	—	—	—	—	—	—
Livingstone	—	—	—	—	—	—	—
Total	1 276	1 068	26	62,4	1 598	0,989	25,33

Payable Development

Reef	*Payable metres*	*Percentage payable*	*Channel width cm*	*Gold Value g/t*	*Gold Value cm g/t*	*Uranium Value kg/t*	*Uranium Value cm kg/t*
Vaal	603	56,5	31	79,0	2 425	1,190	36,54
V C R	—	—	—	—	—	—	—
Commonage	—	—	—	—	—	—	—
Livingstone	—	—	—	—	—	—	—
All Reefs	603	56,5	31	79,0	2 425	1,190	36,54

Remarks

Due to the exceptionally high return of trained Black labour the mine has been able to increase the tonnage milled by 30 000 tons during the current quarter The total working costs were contained at virtually the same level as in the previous quarter

Notwithstanding the accident in the Margaret shaft, as reported in the previous quarter, the development has been maintained at a high level although the percentage payable has declined

The progress of the construction of the new Uranium plant is satisfactory, and ahead of schedule

On behalf of the board

J C FRITZ
T. F. MULLER } *Directors*

SOUTH ROODEPOORT
MAIN REEF AREAS LIMITED

Issued Capital — 1 420 663 shares of 56 cents each

Operating Results

		Quarter ended 30 June 1978	Quarter ended 31 March 1978	12 months ended 30 June 1978
Ore milled	(*t*)	**54 700**	55 850	218 550
Gold produced	(*kg*)	**235,037**	234,746	1 013,895
Yield	(*g/t*)	**4,30**	4,20	4,64
Working revenue per ton milled	(*R*)	**24,88**	20,47	22,24
Working cost per ton milled	(*R*)	**25,23**	24,12	24,28
Loss per ton milled	(*R*)	**0,35**	3,65	2,04
Financial (*R'000*)				
Working revenue		**1 361**	1 143	4 860
Working costs		**1 380**	1 347	5 306
Loss		**19**	204	446
State aid		**99**	232	656
Net additional expenditure		**10**	20	71
Income before taxation		**70**	8	139
Taxation		**—**	—	—
Income after taxation		**70**	8	139
Capital expenditure		**—**	—	—
Dividends declared		**—**	—	—
cents per share		**—**	—	—
Capital Expenditure Commitments		**—**	—	—
Capital Expenditure for remainder of year		**—**	—	—
Development				
Advanced	(*m*)	**212**	1 127	3 321
Sampling results Sampled	(*m*)	**136**	598	1 450
Channel width	(*cm*)	**219**	193	185
Average value	(*cm g/t*)	**580**	511	620
Payable				
Metres	(*m*)	**8**	80	280
Percentage		**5,5**	13,3	19,3
Channel width	(*cm*)	**201**	156	163
Value	(*g/t*)	**6,98**	7,97	8,07
	(*cm g/t*)	**1 406**	1 247	1 312

Development Summary

for the three months ended 30 June 1978

Total Development

Reef	*Metres advanced*	*Metres sampled*	*Channel width cm*	*Value g/t*	*Value cm g/t*
Ventersdorp Contact Reef	23	—	—	—	—
Kimberley Reef	189	136	219	2,65	580
Total	212	136	219	2,65	580

Payable Development

Reef	*Payable metres*	*Percentage payable*	*Channel width cm*	*Value g/t*	*Value cm g/t*
Ventersdorp Contact Reef	—	—	—	—	—
Kimberley Reef	8	5,5	201	6,98	1 406
Total	8	5,5	201	6,98	1 406

Ore Reserves *at 30 June 1978*

	Ventersdorp Contact Reef	*Kimberley Reef*	*Total Mine*
Tons	17 100	56 300	73 400
Stope width — cm	108	169	150
Value g/t	9,71	7,33	7,88
cm g/t	1 051	1 240	1 179

Not included in the above, are 93 700 tons at a value of 10,81 g/t This tonnage comprises 65 300 tons at a value of 10,29 g/t situated in the flooded areas of the mine, and 21 100 tons at a value of 13,30 g/t classified as unmineable haulage pillars together with 7 300 tons at a value of 8,28 g/t which are rock-mechanic safety pillars

The ore reserve pay limit is related to a gold price of R5 032/kg ($180/oz)

On behalf of the board,

A W S SCHUMANN
J C FRITZ } *Directors*

NOTES applicable to all companies.

(a) Development values quoted above represent actual results of sampling (no allowance having been made for any adjustments which may be or were necessary) when estimating ore reserves at the end of the financial years

(b) From 11 April 1978, payment for gold production at the official price plus premium on market sales distributed monthly was replaced by payment at the market price The non-recurring balancing payments resulting from the changeover distorted revenue for the current quarter which is therefore not comparable with past or future quarters

(c) All financial figures are subject to audit

Secretaries

General Mining and Finance Corporation Limited, 6 Hollard Street, Johannesburg

Registered Office.

General Mining Building, 6 Hollard Street, Johannesburg
(P O Box 61827, Marshalltown 2107)

19 July 1978

WEST RAND
CONSOLIDATED MINES LIMITED

Issued Capital — 4 250 000 shares of R1 each
25 000 deferred shares of R2 each

Operating results

	Quarter ended 30 June 1978	Quarter ended 31 March 1978	6 months ended 30 June 1978
Gold Section			
Ore milled . . *(t)*	141 400	122 000	263 400
Gold produced . *(kg)*	832,820	756,478	1 589,298
Yield . . . *(g/t)*	5,89	6,20	6,03
Uranium Section			
Gold			
Ore milled . . . . *(t)*	238 100	232 500	470 600
Gold produced . *(kg)*	146,180	148,522	294,702
Yield . . *(g/t)*	0,61	0,64	0,63
Uranium			
Tons treated . *(t)*	237 050	230 600	467 650
Uranium produced *(kg)*	72 899	71 498	144 397
Yield . . . *(kg/t)*	0,308	0,310	0,309
Financial *(R'000)*			
Working revenue *(gold)*	6 054	4 459	10 513
Net revenue . *(uranium)*	4 350	4 067	8 417
Net revenue *(acid and pyrite)*	4	5	9
Total revenue . .	10 408	8 531	18 939
*Working Costs . . .	9 450	9 285	18 735
Per ton milled . *(R/ton)*	24,90	26,19	25,52
Income . . .	958	(754)	204
State aid . . .	135	1 148	1 283
State Aid adjustment 1977 .	7	—	7
Net additional revenue . .	57	116	173
Income before taxation	1 157	510	1 667
Taxation	26	40	66
Income after taxation . . .	1 131	470	1 601
*Excludes uranium treatment costs			
Capital expenditure .	48	93	141
Unlisted investments .	—	—	—
Dividends declared			
Ordinary amount .	319	—	319
Cents per share .	7,5	—	7,5
Deferred Amount .	106	—	106
Rand per share	4,25	—	4,25
Capital Expenditure Commitments	—	—	2
Capital Expenditure for remainder of year . .	—	—	565
Development			
Advanced . . . *(m)*	5 549	4 410	9 959
Gold Section			
Advanced . . . *(m)*	545	610	1 155
Sampling results Sampled *(m)*	252	201	453
Channel width . *(cm)*	96	113	104
Average value . *(cm g/t)*	1 128	1 052	1 094
Payable			
Metres .. *(m)*	72	18	90
Percentage . . .	28,6	9,0	19,9
Channel width *(cm)*	78	78	78
Value . . . . . *(g/t)*	27,06	34,43	28,63
. . . *(cm g/t)*	2 120	2 686	2 233
Uranium Section			
Advanced . . . *(m)*	5 004	3 800	8 804
Sampling results Sampled *(m)*	2 118	1 270	3 388
Channel width . . . *(cm)*	54	56	55
Average value			
uranium . . . *(cm kg/t)*	59,88	61,19	60,37
gold . . *(cm.g/t)*	144	149	146
Payable.			
Metres . . . *(m)*	1 041	610	1 651
Percentage .	49,2	48,1	48,7
Channel width . . *(cm)*	58	62	59
Value Uranium . *(kg/t)*	1,439	1,506	1,458
(cm kg/t)	83,22	92,67	86,71
Gold *(g/t)*	3,49	3,81	3,60
(cm g/t)	202	234	214

Development Summary

for the three months ended 30 June 1978.

Gold Section

Reef	*Payable metres*	*Percentage payable*	*Channel width cm*	*Value g/t*	*Value cm.g/t*
Main Reef	57,0	37,3	70	29,43	2 057
South Reef	—	—	—	—	—
Livingstone Reef	—	—	—	—	—
Kimberley Reef	15,0	15,2	110	21,35	2 357
Ventersdorp Contact Reef	—	—	—	—	—
Totals .	72,0	28,6	78	27,06	2 120

Uranium Section

Reef	*Payable metres*	*Percentage payable*	*Channel width cm*	*Uranium kg/t*	*Uranium cm kg/t*	*Gold g/t*	*Gold cm g/t*
White Reef	—	—	—	—	—	—	—
Monarch Reef	216,0	55,8	29	2,875	83,29	6,37	185
Upper Monarch Reef Zone 2	286,5	43,2	54	1,480	79 95	1,65	89
Upper Monarch Reef Zone 4	538,5	50,5	71	1,190	84,93	3,77	269
Other Reefs	—	—	—	—	—	—	—
Totals .	1 041,0	49,2	58	1,439	83,22	3,49	202

Remarks

The development of the Uranium reserves has been increased to 5 004 metres which is 32% better than in the previous quarter This rate of development will be maintained in order to be able to create stoping faces so that a flexible mining policy can be implemented
The total working costs have been contained at virtually the same level compared with the previous quarter.
The volume of water being pumped is gradually returning to normal.

On behalf of the board,
A W S SCHUMANN } *Directors*
J C. FRITZ

BUFFELSFONTEIN
GOLD MINING COMPANY LIMITED

Issued Capital — 11 000 000 shares of R1 each

Operating results

Gold	Quarter ended 30 June 1978	Quarter ended 31 March 1978	12 months ended 30 June 1978
Ore milled . . *(t)*	769 000	750 000	3 048 000
Ore milled by Stilfontein *(t)*	32 000	48 000	97 000
Ore milled — Total *(t)*	801 000	798 000	3 145 000
Gold produced . *(kg)*	6 870,291	6 893,443	27 869,538
Gold produced by Stilfontein *(kg)*	251,814	360,021	741,834
Gold produced — Total *(kg)*	7 122,105	7 253,464	28 611,372
Yield . . *(g/t)*	8,93	9,19	9,14
Yield by Stilfontein *(g/t)*	7,87	7,50	7,65
Yield — Total *(g/t)*	8,89	9,09	9,10
Working revenue per ton milled . *(R)*	48,78	43,72	43,01
Working cost per ton milled *(R)*	31,45	30,20	30,14
Income per ton milled *(R)*	17,33	13,52	12,87
Uranium			
Pulp treated *(t)*	769 000	750 000	3 048 000
Oxide produced *(kg)*	149 600	156 400	630 600
Yield per ton . *(kg/t)*	0,195	0,209	0,207
Financial *(R'000)*			
Working revenue *(gold)*	39 071	34 886	135 258
Working costs *(gold)*	25 188	24 099	94 797
	13 883	10 787	40 461
Tribute agreement — Vaal Reefs (nett) .	(393)	(234)	(388)
Income . . *(gold)*	13 490	10 553	40 073
Income . *(uranium)*	3 172	3 971	12 574
Tribute agreement — Vaal Reefs (nett) . .	(58)	(3)	(3)
Income on sale of pyrite	54	71	364
Income on sale of acid	21	21	87
Income at mine . .	16 679	14 613	53 095
Net additional revenue	381	365	2 149
Less interest	3	4	13
Income before taxation and State's share of Income	17 057	14 974	55 231
Taxation and State's share of Income . . .	6 772	6 250	20 528
Income after taxation and State's share of Income . .	10 285	8 724	34 703
Capital expenditure			
Gold . .	4 279	4 546	14 978
Uranium and acid . . .	85	55	296
Trade investments	—	—	—
Dividends declared .	12 100	—	18 700
cents per share	110	—	170
Loan repayments	1	—	1
Loan balance outstanding .	27	28	27
Loan levies .	832	536	2 584
Capital Expenditure Commitments	—	—	8 839
Capital Expenditure for remainder of year .	—	—	—
Development			
Advanced *(m)*	16 682	15 550	63 886
Sampling results Sampled *(m)*	1 578	1 302	5 694
Channel width *(cm)*	108	103	106
Average value			
Gold . *(cm g/t)*	1 415	1 426	1 605
Uranium . . *(cm kg/t)*	52,55	45,05	51,77
Payable:			
Metres . . . *(m)*	723	624	3 066
Percentage	45,8	47,9	53,8
Channel width . *(cm)*	94	88	97
Value Gold *(g/t)*	21,88	23,04	23,05
(cm g/t)	2 060	2 019	2 230
Uranium *(kg/t)*	0,673	0,588	0,647
. . . *(cm kg/t)*	63,41	51,49	62,54

Development Summary

for the three months ended 30 June 1978

Area	*Payable metres*	*Percentage payable*	*Channel width cm*	*Gold g/t*	*Gold cm g/t*	*Uranium kg/t*	*Uranium cm.kg/t*
Pioneer Secondary	18	15,0	123	13,87	1 706	0,690	72,63
Lucas Block .	141	65,3	85	22,48	1 901	1,020	86,14
Southern Shaft	281	40,5	90	24,18	2 177	0,616	55,44
Orangia Shaft	153	57,3	111	20,18	2 236	0,568	62,98
South Vaal	150	45,5	90	20,79	1 870	0,614	55,26
Eastern Shaft	—	—	—	—	—	—	—
Total	723	45,8	94	21,88	2 060	0,673	63,41

Ore Reserves *at 30 June 1978.*

	Available	*Unavailable*	*Inaccessible*	*Total Mine*
Tons (000's)	4 189	979	1 580	6 748
Stopes width — cm	141	142	145	142
Value				
Gold				
g/t	11,71	13,33	14,03	12,49
cm g/t	1 646	1 890	2 042	1 772
Uranium				
kg/t	0,397	0,381	0,360	0,386
cm kg/t	55,90	54,09	52,35	54,83

The above ore reserve was computed on a joint gold/uranium pay limit based on an estimated gold price of R5 312 per kilogram ($190 per ounce) and on an estimated realisable value of uranium oxide

Remarks

During the quarter a seismic event occurred which claimed the lives of a number of employees and had a disruptive effect upon the production of ore from underground sources In addition to the necessity for the reorganisation of working places and the increased ledging of raises to make stopes available, the stockpile which had been built up in the past was utilised to maintain the tonnage milled
The increase in total costs of R1 089 000 was due mainly to the stores consumption because of the reorganisation of working places and for refrigeration piping
The development has increased by 7% to 16 682 metres for the quarter

On behalf of the board,
J C FRITZ } *Directors*
W B COETZER

Golden harvest from AAC mines

2/7/78

By Garth Hewitt

Results from the gold mines in the Anglo American Corporation for the June quarter are almost unbelievably good. Profit levels rose by up to 150 percent.

Because of the new method of paying the mines for their gold — they now receive the market price immediately whereas hitherto they received the old official price of around R29 an ounce on delivery, and the difference between this and the market price was later credited to them — cash flow during this quarter is considerably improved.

Thus the June quarter is a bonus one and cannot really be compared to previous quarters.

The average gold price received in the Transvaal was 192,50 dollars an ounce, and 218,6 dollars for Free State mines.

Some examples of the increase in profit at the working level.

- Welkom, 110 percent.
- President Brand 63 percent.
- Free State Geduld 66 percent
- President Brand 58 percent.
- Western Deep Levels 45 percent
- SA Lands 153 percent

Vaal Reefs pushed up the tonnage milled from 1 892 000 to 1 914 000. The grade too, was up, from 8,6 g/t to 8,97 g/t, but costs did rise to R29 against the previous quarter's R27,95.

Before the State's bite, profit for the quarter was R43,3m, against R27,4m and at the net level the figures are R39,7m against R19,6m.

The tax bill fell sharply because of the higher capital expenditure of R31m.

Western Deep Levels also pushed up tonnage — from 764 000 to 832 000. Grade dropped slightly, from 14,55 g/t to 14,27 g/t but costs were well contained. These came out at R29,36 a ton against the previous quarters' R33,46.

Working profit from gold was 42 percent higher at R39,7m while taxed profit rose from R14,2m to R20,2m.

Elandsrand, Anglo's new golden hope near Western Deep Levels, continues to make progress. The programme to bring the giant mine to production earlier than originally envisaged is well under way. Spending on mining assets in the June quarter was R15,4m against R11,4m and the planned milling rate — 60 000 tons a month — should be reached by June 1979.

SA Land which is now treating waste rock and crushing plant slimes from the East Rand, treated 232 000 tons against 161 000. The taxed surplus was R613 000, against R242 000.

East Daggafontein's taxed surplus was R178 000 against the March quarter's R140 000

OFS 6

Revenue from the six mines in the Orange Free State shot up 37,8 percent to R238,9m in the June quarter

Welkom came out the winner in percentage returns, pushing up profit at the working level by 110 percent — from R3,982m to R8,345m. At the net level the figures are R2,479m against R3,972m.

Tonnage milled was slightly up at 553 000, against 537 000. Costs too, were slightly up at R23,48 a ton against R23,28 a ton.

President Steyn pushed up the tonnage milled from 774 000 to 864 000 and this helped cut working costs from R26,34 a ton to R24,80. Working profit was up 63 percent to R21 456m against R7 906m. The net figure was R12 309m against R7 606m

Free State Geduld's milling totalled 858 000 tons against the March tonnage of 839 000. The grade improved from 12,48 g/t to 13,28 g/t. Costs were slightly higher at R26,70. After tax the profit for the quarter was R23 404m against R17 798m

President Brand tonnage milled was 796 000 against 786 000. Cost a ton was R24,95 against R24,07. Net profit was R17 188m against R11 032m.

... mained the same at 312 000, and costs were slightly higher at R22,16, (R21,08).

Capital spending by mines on the **Joint Metallurgical Scheme** totalled R6,6m in the quarter against R3,9m. Other capital spending rose from R19,5m to R22,1m

Dividends

All three AAC June dividend payers have increased their interim dividends payouts sharply

- Vaal Reefs will pay 100c — 81 percent higher than the previous 55c
- Western Deep Levels has declared a 65c interim (35c)
- East Dagga 25c.

21/7/78 (214)

אבן עזרא לד

GOLD QUARTERLIES (214)

Randfontein in focus

FM 21/7/78

With gold hovering at just above Tuesday's $185,16 US gold auction level dealers could hold back on any further advance for a few more weeks. Again it appears that net current assets were built up in the June quarter and that mines which deferred capex during the lean years of low bullion prices now feel able to embark on at least necessary capex.

Randfontein With ore from Cooke No 2 shaft and Randfontein section due to be treated for gold and uranium in the current quarter gold recovery is expected to fall by between 35% [illegible] from the second quarter [illegible]. There will be a further smaller drop in the final quarter [illegible] steady recovery [illegible] about 8 g/t [illegible] the year end when [illegible] Cooke plant will be [illegible] capacity of 250 000 t monthly [illegible] policy is to max[illegible] gold production [illegible] flow con[illegible] [illegible] uranium re[illegible] [illegible] plant but [illegible] and the plant [illegible] second quarter.

Development [illegible] Cooke shafts is [illegible] necessary [illegible] a full develop[illegible] at Cooke [illegible] should [illegible]

After the disappointing 200c interim [illegible] from the house [illegible] planned [illegible] made [illegible] capex [illegible] that reten[illegible] projected [illegible] No 3 shaft.

[illegible] look up for [illegible] improves [illegible] The [illegible] with necessary [illegible] been overdue [illegible] of continu[illegible] may be little [illegible] than the 8c [illegible]

[illegible] of the uranium [illegible] remains [illegible] the Middle [illegible] probably [illegible] about half of the [illegible] objective now [illegible] the mine's [illegible] Foundary [illegible] a decision can [illegible] the Middle [illegible] depend to a large extent on [illegible] profit [illegible] a [illegible] mine [illegible] the [illegible] of [illegible] loan [illegible] It points to all the [illegible] profits with [illegible] the capex [illegible]

[illegible] has almost [illegible] though with a grade cut to an all time low of 10,4 g/t there is little prospect of grade improving as the remaining Carbon Leader reserves decline. The current year should see a major drop in capex and improvement in uranium profit to offset further gold grade decline. A safe estimate at this stage is a total payout of 70c during the current year even if bullion's perfor[mance is only pedestrian.]

[illegible] **Harmony** Gold revenue is now greater than operating costs so the prospect for earnings bearing on [illegible] alone are strong. Taking into account the proportion of capex financed by consumer loan, third quarter available earnings were 28,6c to a final 1,50 [illegible] on the [illegible] But this could be tempered by [illegible] to meet [illegible] the [illegible] Merriespruit uranium plant.

ERPM Working costs are currently $240/oz so there is little prospect of profitable operations without continuing State Aid. A major bullion price improvement will lead initially to repayment of the special State loan and an increase in capex to open up lower grade areas of the mine. It all adds up to little prospect of resumed dividends and the shares are best left to the confirmed gold bugs.

Durban Deep The same comments apply as to ERPM with working costs of $176/oz the mine is now operating at a profit before State Aid. Rumours continue of an extension to the south of the lease area.

Hartes The R11,6m consumer loan raised to increase uranium capacity meant that the mine paid dividend equal to its available taxed earnings after capex.

This year marginally lower mill throughput of 2,9 Mt is planned at an average recovery of 10,7 g/t. An increase to the eventually planned 3,1 Mt will depend on completion of development at the No 8 shaft which was commissioned in the June quarter. Ignoring what remains of the consumer loan after last year's transfer of R7,9m to fund loan levies, available earnings at an average of $190 gold should exceed 300c even with unchanged uranium profit. A $10 increase in the average gold price will mean additional available earnings of about 30c.

FS Cons Increased production at Agnes will be the main contributor in lifting mill throughput to the planned 300 000 t at 6g/t recovery in the current year. Hopefully this will slow down the rate of increase in unit costs, up 10,3% to R19,63 in the June quarter. Capex is planned at R750 000 (R1,2m), but improving bullion prices could give the green light for increased exploration.

Loraine Third quarter working costs averaged $216/oz so there is little prospect of a working profit in the final quarter to September. Grade is still falling and the mine will not achieve the year's planned throughput of 1,3 Mt. Loraine has current plant capacity of 1,6 Mt. An increase to full capacity means a shift in operations to the lower grade "B" and Basal reefs in line with the aborted expansion programme of five years ago. Capex for that would preclude a resumption of dividends at almost any near term gold price.

Jim Jones

far lower degree of central state control.

(d) Central planning not an explicit doctrine of Marxist thought.

UNION CORP (214) FM 21/7/78

Beisa gets green light

Just 12 months ago (*Fox*, August 7 1977) we broke the story of Union Corp's massive drilling programme in the OFS, some 25 km south of the existing gold mines, and predicted that the house had discovered the first major new gold field, rather than an extension to any existing gold mines, since the Evander field was delineated in the Fifties

Official information was slow to emerge and a tight security screen was thrown over the project, but by March Union Corp chairman Ted Pavitt had recorded in his annual statement that the house was "sufficiently encouraged with the results obtained to be in the final stages of evaluating a potential uranium/gold mine in the OFS"

This week's announcement, which follows some weeks of speculation in Union Corp shares, lifting them to a 1977/78 high of 540c, confirms that Beisa Mines, a wholly owned subsidiary of Union Corp, is to go ahead with a uranium mine, which will have gold as a by-product, centred on the farm Palmietkuil.

It will be the first primary uranium producer in SA and it shows why the uranium content of the area has always been stressed. It also explains the unusual degree of secrecy surrounding the whole project.

There are no details of grade and the announcement looks like a holding operation designed to convey to shareholders the fact of the go-ahead Capital cost will be R200m in 1978 terms to establish a mine treating 100 000 t/month of milling capacity This is R167 per annual ton, which compares with R104 and R95 per annual ton for Deelkraal and Elandsrand respectively, or, with R59 per ton for an established mine like Western Areas.

As Beisa's mine will be relatively shal-

costs likely to be about R30/t in current terms, these figures are not enough to justify an R200m investment, before allowing for escalation.

So it is likely that uranium grade will be higher than first estimates, probably up to 0,5 kg/t Gold revenue, I understand, will be relatively minor The house says "adequate funds are available for the first phase of the project." This means adequate to fund the design work and deposits on long lead period equipment — not adequate to fund R200m.

To meet the latter amount, "group resources," loans and a public offer of shares will be considered At present Beisa is wholly owned by Union Corp, so there is no direct involvement by anyone else — not General Mining, New Wits, F S Devels or any of Genmin's share-

rary, may be headed for a further rise

The house is obviously confident on Beisa, but the mining houses' motivation — which can include factors such as the need to replace existing mines with new ventures, even if marginal — need not be the same as outside shareholders Backing new mining ventures is not always a licence to print money, as Deelkraal shareholders might testify. The best that can be said is that the returns can be attractive if you live long enough. There seems no reason to chase Union Corp shares any higher on this account.

Richard Rolfe

quarter to September. Grade is still falling and the mine will not achieve the year's planned throughput of 1,3 Mt. Loraine has current plant capacity of 1,6 Mt. An increase to full capacity means a shift in operations to the lower grade "B" and Basal reefs in line with the aborted expansion programme of five years ago. Capex for that would preclude a resumption of dividends at almost any near-term gold price.

Jim Jones

throughput has almost reached rated plant capacity, though with grade cut to an all-time low of 10,4 g/t. There is little prospect of grade improving as the remaining Carbon Leader reserves decline. The current year should see a major drop in capex and improvement in uranium profit to offset further gold grade declines. A safe estimate at this stage is a total payout of 70c during the current year even if bullion's perfor-

	June	March	% increase
Average price	$203,98	$173,30	17,70
19 317 000	18 518 000	4,31	
Gold production	174 302 kg	156 037 kg	11,70

Record income as gold mines cut costs

22/7/78 214
R.D.M.

By DON ROBERTSON
Mining Editor

THE June quarter was a record for many gold mines. Although operating results were distorted by several factors, the overall performance was particularly good.

Most encouraging aspect of the results is the decline in average working costs. This helped to boost overall profits by about 40% over the March quarter.

Costs fell by 2,32% in the June quarter compared with an increase of 4,35% in the first quarter and a 23,7% rise for 1977.

Assisting this achievement was the change in the system of deferred pay to Mozambique labourers which had previously been charged to costs. The savings won by some mines as a result of this change reduced the overall costs average.

A significant factor was the increase in tonnage milled as a result of the better labour supply.

Such an increase always reduces unit costs. It helped to offset the lump sum payments made to members of the Mineworkers' Union of R40 a month for May and June. Pay rises for these members and for black workers and mine officials take effect from July and will be reflected in the current quarter.

Mill throughput was up to 19 317 000 tons compared with 18 518 000 tons and reflected the general pattern apart for a few in the General Mining and Gold Fields Group.

Sources in the mining industry are optimistic that costs this year can be kept well below the rise recorded in 1977 in spite of wage increases and the general sales tax.

The most significant factor in the June results was the substantially higher gold price received. The average for the industry rose to $203,98 an oz compared with $173,30 for the March three months.

While this resulted partly from a rise in the gold price, it was distorted by the change in the payment system to mines by the Reserve Bank and the squaring of accounts before the new system took effect.

Because of the difference in delivery pipelines at individual mines, the effect of the changed payment system was distorted over the industry.

Vlakfontein, for instance, recorded an average price for the quarter of $333 compared with the average for the industry of $203,98. Anglo American's Transvaal mines reported an average of $192,50 and its Free State mines received an average of $218,60.

The changed payment system added the expected $15 to $20 to the price received by mines, and will not be repeated in the current quarter. If the free market price maintains its strength, the differential should not be too great.

The higher gold price boosted the profits of the marginal operators, with Marievale showing a 473% rise in profits, admittedly from a low base.

But the largest mine, Vaal Reefs, was also a winner with taxed profits more than doubled to R39-million from R19-million, although this was helped by a good rise in profits from the sale of uranium oxide.

22/7/78 (214) R/D/m

Dollar fuels gold's climb to over $191

LONDON — The price of gold spurted to $191,75 at the second fixing in London yesterday after $190,75 in the morning. Both fixings were the highest since the record of $197,50 on December 30, 1974

Dealers were almost unanimous in saying that the dollar's weakness had caused the sharp rise in the price from $188,40 at yesterday's second fixing

Gold has risen $6,75 since Monday's second fixing

Gold was quieter and unchanged from the afternoon fixing yesterday at $191,50/192, but over $2,60 firmer than the previous close of $188,90/189,30

Dealers did not expect the New York market to take gold much higher last night, but they were extremely bullish over prospects for next week

Dealers say the bullish trend is being fuelled by a good deal of United States buying, prompted by concern over the dollar and United States inflation

They are not certain how far the trend will continue before the market consolidates or runs into short selling The United States auction on Tuesday in which there was good bidding and an average price of $185,16 was the springboard for this week's advance.

Dealers in Zurich said gold advanced in line with its gains in New York overnight

The rise seems based on renewed bullish sentiment for gold, which is to some degree self-fuelling now that it has broken out of the narrow trading range of the past few weeks

Gold closed at $191,25/192 in Zurich — 50c above the opening and $2,50 above Thursday's close

Gold rose to 27 400 francs a kg at the afternoon fixing in Paris — 200 francs up on the morning fixing

Dealers said trading was no more active than usual, with the gain stemming from concern over the lack of agreement between Israel and Egypt in the latest round of negotiations and some disappointment

CLOSING prices. London $191,75; Paris $192,[illegible]; Frankfurt $190,14, Zurich $191,625, Hong Kong $188,42

in the wake of the Bonn summit

The dollar fell in London in active trading against sterling, the yen and the Swiss franc, dragged down by bullish sentiment for sterling and renewed concern over United States economic fundamentals

Operators are acutely disappointed with the Bonn summit, and United States trade figures and inflation indicators due next week are expected to justify concern over these fundamentals

The yen hit a record 200,45 to the dollar at one stage in Tokyo as demand came from Switzerland, Germany and early New York operators

The dollar closed at 201,25 yen, the lowest trading rate for the day

The dollar has declined by 25% of its value against the yen in the past 10 months, and 44% since 1971

The pound, helped by a British Government announcement of a tough new wages policy aimed at limiting wage rises to 5% for the next 12 months, traded at more than $1,91 yesterday afternoon On Thursday it went above $1,90 for the first time since March

The dollar's fall was steadied slightly by news from Washington that the United States economy appeared to be growing faster again

Factors underlying the dollar's weakness still appear to be a lack of confidence in the markets caused by the huge American trade deficit, compared with enormous trading surpluses of West Germany and Japan

Technical factors are also at work Dealers said that sterling was strong and appreciating particularly against the mark and the Swiss franc, and this was putting pressure on the dollar, bringing funds away from the dollar into sterling

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FROM J.E. Atkinson 11th May 1978

I am writing ... they see any merit in the fo... ion please?

'Faculty ... the desirability and feasibi... , which might be styled the ...

Background to th...

i. it is ... the Faculty with only a ... courses offered by the Fa... a suitable combination ...

ii. becaus... so extensive students may ta... cognate subjects, and thus m... ich they only partially unders...

iii. not ev... ulty provides a system ... discipline.

The Arts Foundat...

This one year co... It should in part introduce ... the schools, it should familiar... man in society should draw their ... disciplines represented in the Arts Facu... cognitive objectives of courses offer... Board Teaching a...

I do not wish to ... the details of the content ... should list some of the ...

a) the evo...

b) myth: ...

c) historical ... to the methodology of historical research and reconstruction, based on a study of a limited group of topics

d) basic concepts in economic history

e) man in society: basic concepts in social anthropology, political philosophy and political science

f) form and meaning: some turning points in the history of art and literature

2. .../

GOLD QUARTERLIES FM 28/7

Rising interest

244 79

Publication of the final batch of gold quarterlies confirmed the general trend that the smaller producers benefited most from the revised Reserve Bank payments method and that best cost control was achieved by mines with large Mozambican labour complements, where savings offset the underlying cost escalation

This quarter unit costs should start rising again, though full capacity operations will improve control Another crunch could come in the December quarter if the expected seasonal exodus of black workers leads to lower mill throughputs

Even so there is scope for good dividend increases as bullion continues to perform But if dividend growth is the name of the game, investors will have to discriminate Several of the richer mines are nearing completion of major capex programmes and will have less restraint on distributions But some marginals which deferred capex during the past few years are now re examining their needs So almost no matter what happens to bullion, their dividend growth could be below par

Grootvlei: $200 bullion would give the mine a life of four years on figures provided by the chairman at the agm in April But shareholders are seeking reassurance that, if possible, adequate additional pumping facilities will be provided even at the cost of near-term dividend distributions

There are large areas of Main reef above the water level to be explored towards the sub-outcrop, but rapid development advance could push costs out of sight Ore blocks on Main and Kimberley reefs previously excluded from reserves with rising costs and low gold prices could now be viable Flooding is the main threat to life

Marievale: The drop in mill throughput and yield indicates that Main reef extraction has ceased While the currently improving gold price could extend Kimberley reef operations beyond the year end, increasing emphasis will be placed on treating rock dump material That is unlikely to continue beyond mid-1980

St Helena: Grade continues to decline in part reflecting gold absorption as the new plant runs in, and the quarter's mill throughput was marginally affected by the shaft accident in March

With a full labour complement this quarter some improvement in mill throughput is possible with a further marginal drop in grade December quarter production will depend on labour supply, but there is scope for maintaining grade next year $190 gold this quarter means available earnings sufficient for a final at least equal to the 80c interim

Bracken: Development ceased in 1976, so no matter what happens to bullion, life is only about two years Mill throughput continues to fall and there is scope for milling ore from other mines in the area A final repeating the 20c interim is possible

Leslie: It has been admitted to the State Aid scheme, but improving bullion has changed life prospects without the need for assistance Mill throughput at 80 000t/month is well below capacity of 136 000t/month Without accelerated development increased milling could lead to near term ore reserve difficulties There is growing potential for grade cutting as bullion maintains an upward curve, making the mine an increasingly interesting speculation

Kinross. With completion of the No 2 shaft, capex should be relatively low for some years Increased flexibility of mining operations with available No 2 shaft ore could improve cost control A final of 30c seems easily attainable

Winkelhaak: Mill throughput is at its peak, grade should remain relatively steady, unit costs are well under control and there is no urgency for major capex near-term Distribution is as full as possible and September quarter bullion averaging $190 gives scope for a final of 65c

South Rood: State Aid ceased on June 30 and the future depends on a smaller scale recovery programme without mining house overheads Rising bullion removes some pressure for a major recovery in grade improvement simply to maintain profitability

West Rand Cons: Gold section mill throughput increased to 141 000 t (March quarter 122 000 t) at a grade of 5,9 g/t (6,2 g/t), presumably indicating an increase in dump treatment. Bullion's present performance reduces the risk of North plant closure in 1979 Capex remaining for the year is planned at R565 000, in part explaining why total interim dividends absorbed only 29% of first half available earnings However, the relatively high retentions could indicate early agreement with GF Props on exploitation of Luipaardsvlei

Stilfontein: R4,7m capex is planned for the second half, funded in part from the R50m consumer loan making prediction of the final dividend difficult Management is apparently confident that the final will at least match the 16c interim. Development on the Vaal Reef in the Kromdraai fault area continues at a high rate

With gold heading for $200, interest in the lower grade Commonage and Livingstone reefs could revive Distributions remain highly gold-price-geared and much of the shares' appeal lies in uranium potential But a sharp and sustained advance in bullion could transform life prospects based on low grade ore

Buffelsfontein: Capex on the Strathmore and Orangia shafts means that distributions will be relatively highly gold-price-sensitive for the next couple of years Current quarter costs could be affected by re-establishment of surface ore stocks in anticipation of December quarter labour shortages Even so, bullion's current performance points in a total distribution of at least 100c this year

Wit Nigel: Completion of the 18 level crosscut should allow increased mining flexibility, but with current working costs the shares are only of interest to confirmed gold bugs

President Steyn: Capex should slow down next year, mill throughput is at capacity and grade should be maintained at around 8 g/t A final of at least 50c is possible, making a total of 80c for the current year

Free State Geduld: Capex will remain relatively high until completion of the No 5 shaft complex to exploit lower grade ore partly available from Freddies Thereafter grade should fall steadily as emphasis shifts to the lower grade area After the 130c interim a final of 180c on the cards

Welkom: There is now scope for grade cutting with less emphasis on higher grade pillar extraction Current gold prices give added incentive for exploration of ground beyond the eastern boundary Uranium has yet to make any impact but even if fourth quarter capex accelerates to reach the total planned for the year, a final dividend of 40c is possible Next year, Welkom will be the main supplier of high grade slimes to the JMS

President Brand: Medium term the mine is faced with relatively high capex for shaft sinking in the south west as well as calls for additional funding of Saaiplaas Gold grades could fall if mining emphasis shifts to the uranium-rich Leader reef Even so an 85c final is easily in reach

Saaiplaas: With technical problems at the JMS, earnings have grown less quickly than anticipated Capex for the delayed No 3 shaft is now put at R120m so there is little likelihood of an early start of dividends even with a rapidly advancing gold price

Western Holdings: Life on the high grade Basal reef is becoming severely limited While there is the possibility of useful life extensions from working the Leader reef, management must be giving increasing attention to activities after exhaustion of high grade ore If alternative investments are found dividend growth could be low for some years

Western Deep: The increased 65c interim is promising despite the fact that second half capex has to rise to R15,4m if the year's R26m target is to be attained. Next year capex will remain relatively high as current projects are completed Thereafter distribution should be enhanced by growing uranium revenue

Vaal Reefs: Grade is on a rising curve as emphasis shifts towards the south though this will mean increased royalties payable to Southvaal Capex is peaking but will remain high into next year Distributions will be restricted by loan repayments in 1981-83 However rising gold grades coupled with improving bullion and full capacity uranium production will have a spectacular effect on distributions

Jim Jones

GOLD QUARTERLIES

	Costs			Revenue		Milled		Recovery		Milled		Recovery		Profit		EPS after capex and loan levy
	R/kg	*$/oz		R/kg	$/oz	*000t		*g/t		*000t		*kg/t		Gold R'000	Uranium & other R'000	c
ANGLO AMERICAN																
Free State Geduld	2 011	72	(75)	6 032	216	858	(839)	13,3	(12,5)	†802	(778)	0,09	(0,08)	45 822	1 229	102,3
Free State Saai	6 523	223	(219)	6 551	234	312	(312)	3,4	(3,5)	†699	(584)	0,22	(0,22)	30	6 126	12,6
President Brand	2 571	92	(87)	6 268	224	796	(786)	9,7	(9,9)	†733	(738)	0,08	(0,08)	28 550	2 555	52,1
President Steyn	3 011	108	(122)	5 944	213	864	(774)	8,2	(7,7)	†1 277	(1 287)	0,10	(0,09)	20 893	563	43,1
Vaal Reefs	3 233	116	(116)	5 417	194	1 914	(1 892)	9,0	(8,6)	1 216	(1 170)	0,22	(0,21)	37 496	13 884	44,3
Welkom	3 830	137	(137)	6 152	220	553	(537)	6,1	(6,1)	†—	—	—	—	7 876	469	22,2
Western Deep	2 058	74	(82)	5 398	193	832	(764)	14,3	(14 6)	226	(219)	0,21	(0,22)	39 673	2 956	46,7
Western Holdings	2 159	77	(80)	6 141	220	796	(750)	10,6	(10,3)	†902	(866)	0,09	(0,09)	33 448	1 446	129,8
ANGLOVAAL																
ET Cons	3 232	116	(104)	6 784	243	85	(85)	6,1	(6,1)	—	—	—	—	1 823	(48)	8,0
Hartebeestfontein	2 886	103	(109)	5 845	209	733	(678)	11,1	(11,4)	735	(693)	0,12	(0,12)	24 075	6 113	§11,0
Loraine ..	6 038	216	(207)	5 908	211	313	(309)	5,6	(5,8)	—	—	—	—	(226)	1 097	4,1
GENERAL MINING																
Buffelsfontein	3 537	126	(119)	5 486	196	801	(798)	8,9	(9,1)	769	(750)	0,20	(0,21)	13 490	3 567	46,3
South Rood	5 871	210	(205)	5 791	207	55	(56)	4,3	(4,2)	—	—	—	—	(19)	109	4,9
Stilfontein	4 291	153	(163)	5 370	192	504	(474)	8,3	(8,3)	—	—	—	—	4 512	185	22,2
WR Cons	—	—	—	6 184	221	380	(355)	2,6	(2,6)	237	(231)	0,31	(0,32)	‡ 1 157		25,5
GFSA																
Doornfontein	3 701	132	(123)	6 225	223	360	(360)	8,2	(8,9)	—	—	—	—	7 480	491	25,0
East Drie	1 223	44	(43)	5 309	190	590	(544)	21,5	(22,9)	—	—	—	—	51 879	2 107	28,5
Kloof	2 324	83	(90)	5 490	196	480	(434)	13,5	(13,2)	—	—	—	—	20 532	796	18,5
Libanon	3 005	107	(101)	5 893	211	405	(405)	8,5	(8,7)	—	—	—	—	9 948	533	40,1
Venterspost ..	5 139	184	(202)	5 996	214	277	(278)	6,1	(5,5)	—	—	—	—	1 450	172	27,9
Vlakfontein	4 191	150	(135)	9 322	333	180	(179)	1,1	(1,4)	—	—	—	—	1 021	131	8,1
West Drie	1 427	51	(48)	6 124	219	615	(615)	22,3	(23,0)	281	(268)	0,24	(0,25)	64 445	6 339	139,0
JCI																
Randfontein	1 570	56	(59)	5 636	202	311	(307)	14,4	(14,4)	266	(288)	n/a	n/a	18 206	76	§(20,2)
Western Areas	4 313	154	(152)	5 597	200	1 027	(991)	5,6	(5,7)	—	—	—	—	7 383	501	5,1
RAND MINES																
Blyvoor	2 731	98	(107)	5 528	198	476	(423)	10,4	(11,5)	448	(457)	0,16	(0,17)	13 891	2 507	5,1
Durban Deep	4 923	176	(207)	5 365	192	541	(477)	4,1	(3,9)	—	—	—	—	972	‡378	44,7
ERPM	5 883	210	(207)	5 505	197	473	(445)	5,4	(6,3)	—	—	—	—	(964)	‡3 101	29,9
Harmony	—	—	—	—	—	1 731	(1 557)	4,4	(4,7)	†1 211	(1 244)	0,11	(0,11)	12 773		§15,1
UNION CORP																
Bracken	2 612	93	(91)	5 766	206	195	(203)	6,8	(6,8)	—	—	—	—	4 183	450	11,1
Grootvlei	3 789	136	(119)	5 474	196	360	(360)	4,0	(4,4)	—	—	—	—	2 426	9	8,6
Kinross	2 479	89	(87)	5 501	197	390	(390)	7,4	(7,6)	—	—	—	—	8 682	412	16,6
Leslie	3 848	138	(150)	5 698	204	240	(230)	4,6	(4,4)	—	—	—	—	2 043	244	6,8
Marievale	2 951	106	(102)	5 774	207	250	(270)	2,6	(2,9)	—	—	—	—	1 835	75	14,9
St Helena	2 541	91	(87)	5 587	200	480	(480)	8,7	(8,9)	—	—	—	—	12 721	244	41,0
Winkelhaak	2 085	75	(75)	5 498	197	520	(516)	7,5	(7,6)	—	—	—	—	13 313	774	36,2
INDEPENDENT																
Wit Nigel ..	6 634	237	(230)	7 119	255	62	(56)	4,0	(4,6)	—	—	—	—	121	‡347	4,0

**Figures in parentheses refer to previous quarter †Deliveries to Joint Metallurgical Scheme ‡Includes State Aid §Excludes consumer loans*

URANIUM SHARES

The approach to 1985

(24) FM 28/7/78

The glamour today may be in gold, but uranium looks like a winner for the long — or not so long — haul Last week's decision to go ahead with Beisa Mines, Union Corp's primary uranium project, shows that the uranium market is still firm Mining house executives suggested this week that it could absorb at least another four or five mines producing about the same annual output as Beisa, generally put at around 500-600 t of uranium. Last year, SA produced 4 014 t, and projections indicate the figure could rise to over 5 000 t in 1978 and to about 8 000 t by 1981, excluding SWA

As a means of promoting primary uranium developments, the authorities are turning a blind eye to the so-called "contiguity" principle The effect of this in the past has been that a mine may not use its profits to develop a new mine unless the properties are "contiguous" and this still appears to be applied in general.

But Randfontein, which is prospecting for uranium in the Karoo with JCI, reported at its April agm that prospecting costs would be tax-deductible in the year incurred. In addition, I understand, Randfontein would be able to offset against its own profits the costs of developing any Karoo mine once the mine had been brought to production

The future implications of this change may well be far-reaching, but the immediate impact is most likely to affect Afrikander Lease and Luipaardsvlei Informed market sources suggest that Western Holdings is a possible vehicle for the development of Aflease but I understand Anglo's first preference is for Aflease to go it alone There was no comment from Anglo on these rumours this week

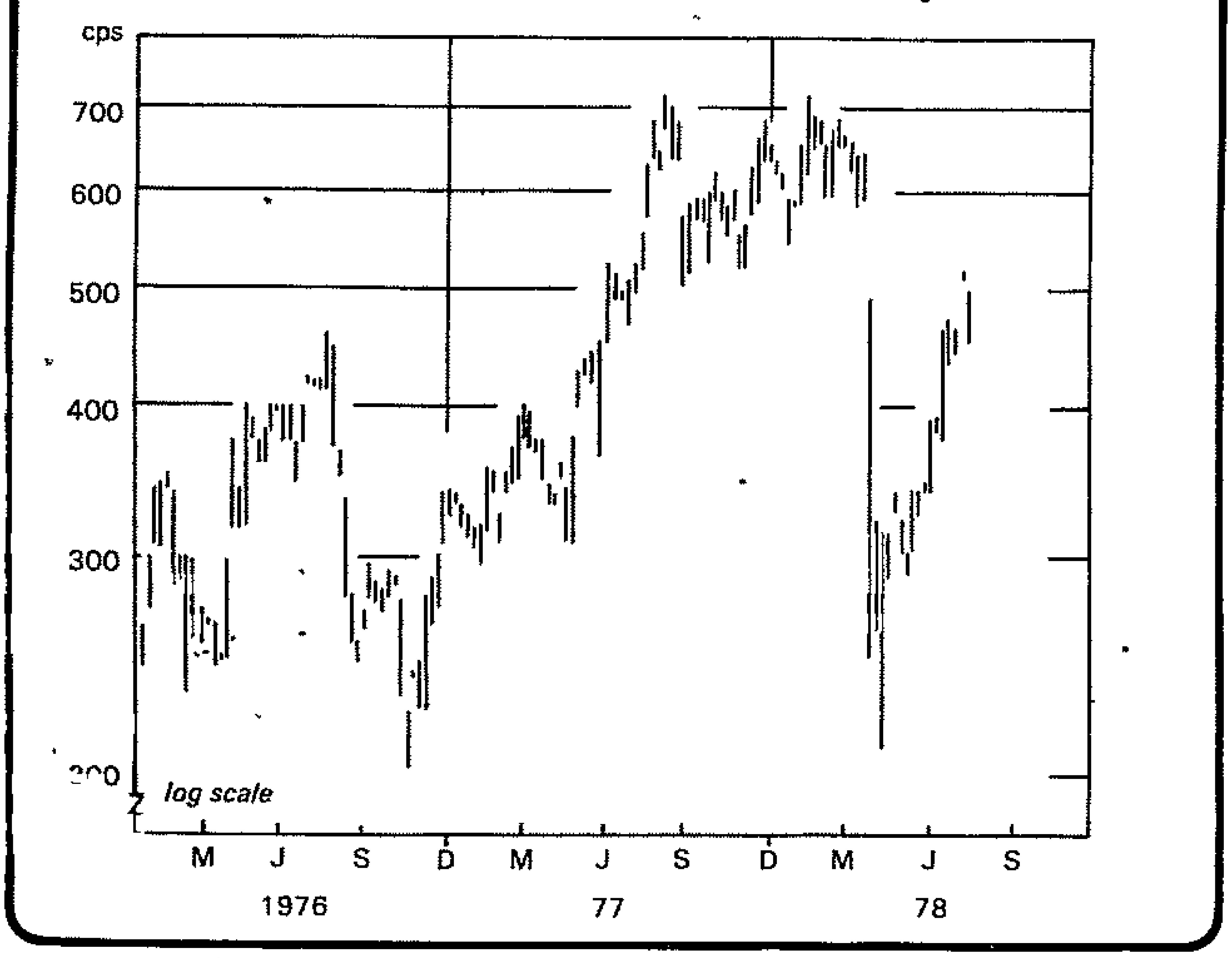
Either way a decision could be imminent on Aflease, which would reach initial production within two years and full production of 150 000 t/month within three years of the green light The capital required to bring the mine to production would be R140m, but double that would be spent over the life of the mine Annual uranium output is now likely to be about 1 150 t

Reassessment of the project's viability, postponed in April to allow for further negotiations with government, has, I believe, been favourable A way will probably be found to relate the price received to any escalation of the free market price, which would satisfy those within Anglo who wonder whether the whole project should be mothballed until the uranium price is higher

Such a delay is unlikely, in part at least because of rising capital costs As an example of the sort of contract being written, an RTZ subsidiary in Canada recently obtained a base price equal to its costs, plus $5 per lb of uranium and an additional amount equal to a third of any rise in the free market price over the base price, all this being with interest-free finance The contract runs up to 2 020 This strikes a reasonable balance between the customer's need for a stable price and the supplier's wish to cash in on any future uranium price boom

How matters might be resolved at Luipaardsvlei (the GF Props subsidiary) remain to be seen, but if adequate ore reserves can be proved, the new arrangements might open up possibilities such as financing the project via West Drie quite apart from either going it alone or with West Rand Cons

AFRIKANDER LEASE: all over the place



Tax policy

The new pragmatism does not as yet extend to taxation policy. I understand Beisa will be taxed according to the gold mines formula of Y=60-480—x and the same will apply to other primary uranium producers But there will be no lease formula, which absorbs up to another 15% tax on the gold mines Anglo's planners have been working on the same basis for Aflease It means the basic tax rate would be about 45%-50% before surcharge and loan levy

With tax and lease receipts from the gold mines reaching R260m for the June quarter against the budget estimate of R580m for fiscal 1978 79, the time could be ripe for an approach aimed at reducing gold/uranium tax rates In the last East Drie report chairman Robin Plumbridge described the tax formula as "highly discriminatory" and pointed out that East Drie's total liability for tax and loan levy, R75,5m in 1977, would have been reduced to R58,7m had the basis been the same as for base metal mines

Details will probably emerge over the next few months of a number of other new uranium producers These include

- **Western Areas,** which is investigating the potential of the Middle Elsburg series, with uranium grades up to 1,0 kg/t on which a decision is likely next year
- **Randfontein's** Cooke No 3, where shaft-sinking could start in October with initial milling in 1982 and an eventual 150 000 t/month milled, yielding about 600 t/year of uranium
- In the **Karoo** an oil major is believed to have delineated relatively high grade ore reserves near surface which could sustain output of 1 000 t/year of ura-

GOLD SHARES (214) FM 4/8/78

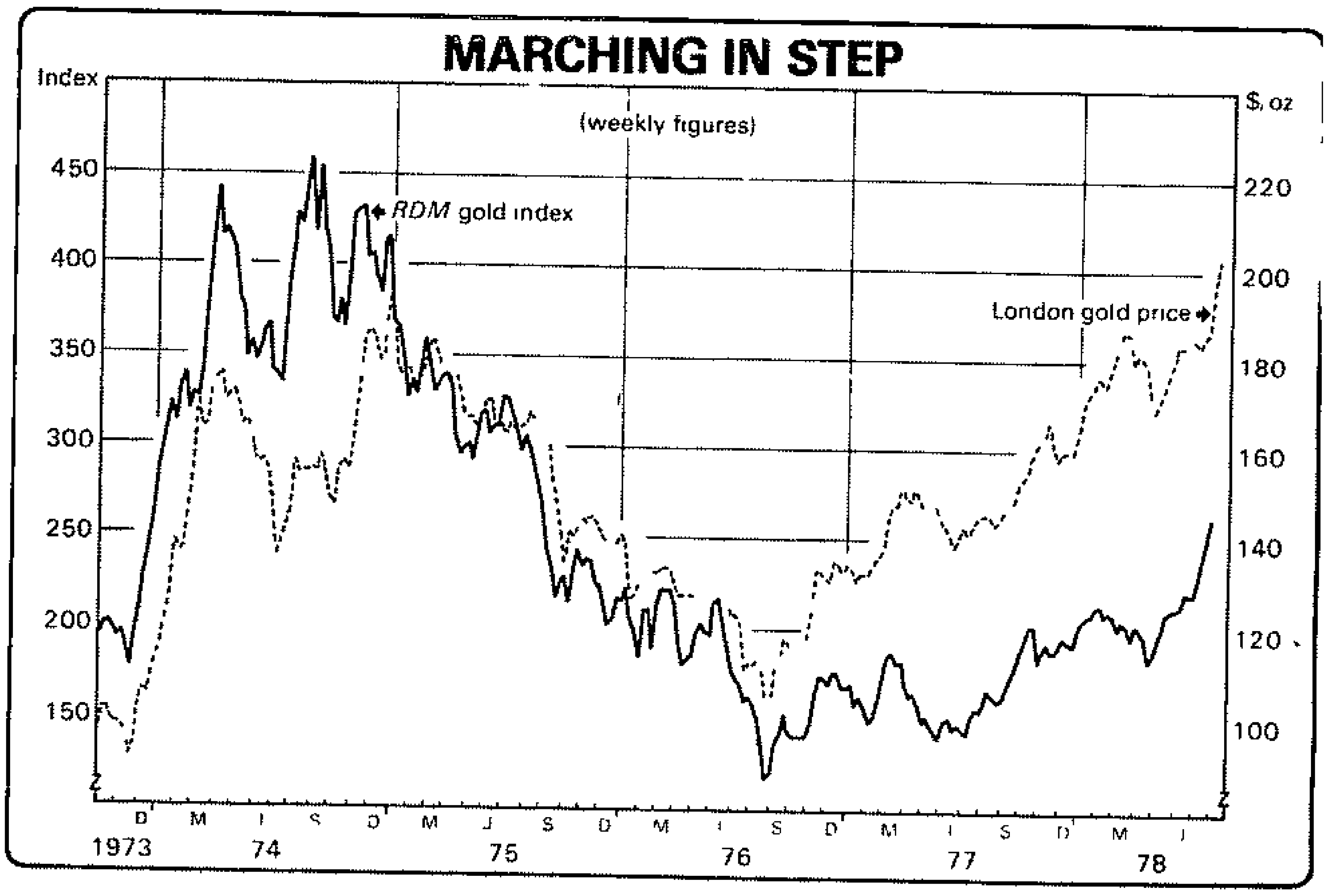
Marginals or heavies?

At end-1974, when bullion last approached \$200 (and a \$ was a \$), the *RDM* gold index was 375 and falling In August that year it reached the all-time high of 460, about the time bullion set out on its climb to the year-end \$197,50 peak

Now bullion has breached \$200 during a northern hemisphere summer, normally a time of seasonal weakness, while the *RDM* gold index is dithering around the 260 level So the name of the game seems to have altered

What are the nap selections for the next leg of the market? The conventional wisdom is that with bullion heading ever upward the best shares for growth are the marginals, on their better gearing to gold price increases That is what the market believed in 1974, when Durban Deep, for example, was discounting annual dividends of anything up to 400c at the peak Now most of the marginals are standing at little better than 20% of their 1974 peak (Table 1) despite the September 1975 devaluation which cut the rand from \$1,40 to \$1,15

Despite devaluation, intervening grade cuts and working cost escalation have meant that some of the marginals now spend up to 90% more in dollar terms to produce an ounce of gold than they did



at end-1974 (Table II) This is perhaps what the market is taking into account with its current ratings

At current grades, lives are painfully short State Aid has been granted with the view to useful life extensions once bullion gets on the move But that

especially at mines such as Loraine and Grootvlei, will need to be coupled with some relatively heavy near-term capex simply to keep production going and open up new ground

Others such as Western Areas which

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the boat by major price increases which reduce their customers' competitive edge and threaten any recovery

So though the second half could see some improvement in results, major improvement will probably have to wait until next year

Samancor's ore and ferro-alloy stock positions are satisfactory The group has not been producing simply to stockpile And this means that liquidity is sufficiently sound for a fairly rapid production increase when markets recover

Best guess at the moment is for a final of 30c (45c) putting the shares on a prospective yield of 8,1% On fundamentals,

cor it is not a stake that can be acquired overnight But the benefits for the obvious candidates, Anglo, Genmin and Barlows are obvious

Last year's cabinet decision to reject Anglo's bid means that any outright bid for Samancor could not be considered, if only because the king's nakedness would be clear to everyone So private shareholders probably need not buy in hopes of a re-run of 1977 But on a medium-term view with recovery prospects from both rationalisation and an improving sales trend, the shares are starting to look attractive

Jim Jones

Better capacity utilisation rather tha steeply increased sales caused operatir profits to rise 43% off an admittedly lo base to R4,2m. Interest savings made tl pre-tax improvement 64% to R3,7m b a higher tax rate reduced the earnin improvement to a still impressive 59 Taxed income was R2,2m (R1,4m) ar earnings 14,2c (8,9c)

Six months ago the tissue and pap wadding market was looking badly ove supplied Carlcor and Southern Pap had installed vast and expensive new t sue making capacity just as Stanger cor missioned its big new plant. To exace

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row the discount from the present 38%.

In general, US investors want a simple story of rising dividends over the near-term Anything beyond five years is probably too long if there are political jitters So they are less likely to look at special case marginal situations, preferring to concentrate their buying in counters such as East Drie, Western Deep and Randfontein It points to a spreading of prospective yields on overseas buying with the marginals being on the higher yield end

In 1974 share prices peaked well in advance of bullion but what will happen this time round is anyone's guess Investors have become more dividend-conscious. Since the start of the year, the marginals have barely outperformed counters such as Randfontein

As bullion advances, earnings gearing becomes progressively less, especially in the case of the marginals While the band wagon might only just have started to roll, the big money in line with US sentiment seems destined for the low cost mines with established dividend performance

Jim Jones

214 FM 11/8/78

RANDFONTEIN

The road ahead

Once Randfontein has a firmly established cash flow its development opportunities are virtually unlimited Cash flow should be established by the end of the year at an annual rate of over R100m So where is Randfontein at and, perhaps more pertinently, how is it likely to develop?

Current priority is to fill the Cooke plant It is more efficient than Millsite and is planned to reach its 250 000/month rated capacity by the year-end, by which time Cooke No 2 shaft should be at steady state operations Once ore stockpiles have been worked off, the Millsite plant could revert to dump retreatment only

Whether this takes place immediately could be determined by ore production rates from the Cooke shafts and the old Randfontein section If more ore is available than Cooke plant can handle, cash flow considerations could mean that Millsite continues with ore treatment at least until Cooke plant is expanded

Tax liability will be incurred next year Precisely when depends on gold and uranium prices But the higher they are, the sooner decisions are needed on development of Cooke No 3 shaft (and perhaps No 4 shaft in the south of the lease area) and extensions to Cooke plant to take advantage of tax allowances Likely scale of operations at Cooke No 3 is hoisting 150 000t/month ore for a recovery of around 0,3 kg/t uranium and 5-6 g/t gold

Uranium plans

Strengthening bullion increases the attractions of raising production from the old mine which is underlain by 17-odd reefs, some of which have barely been touched Mining is currently on the White reef but reserves are limited

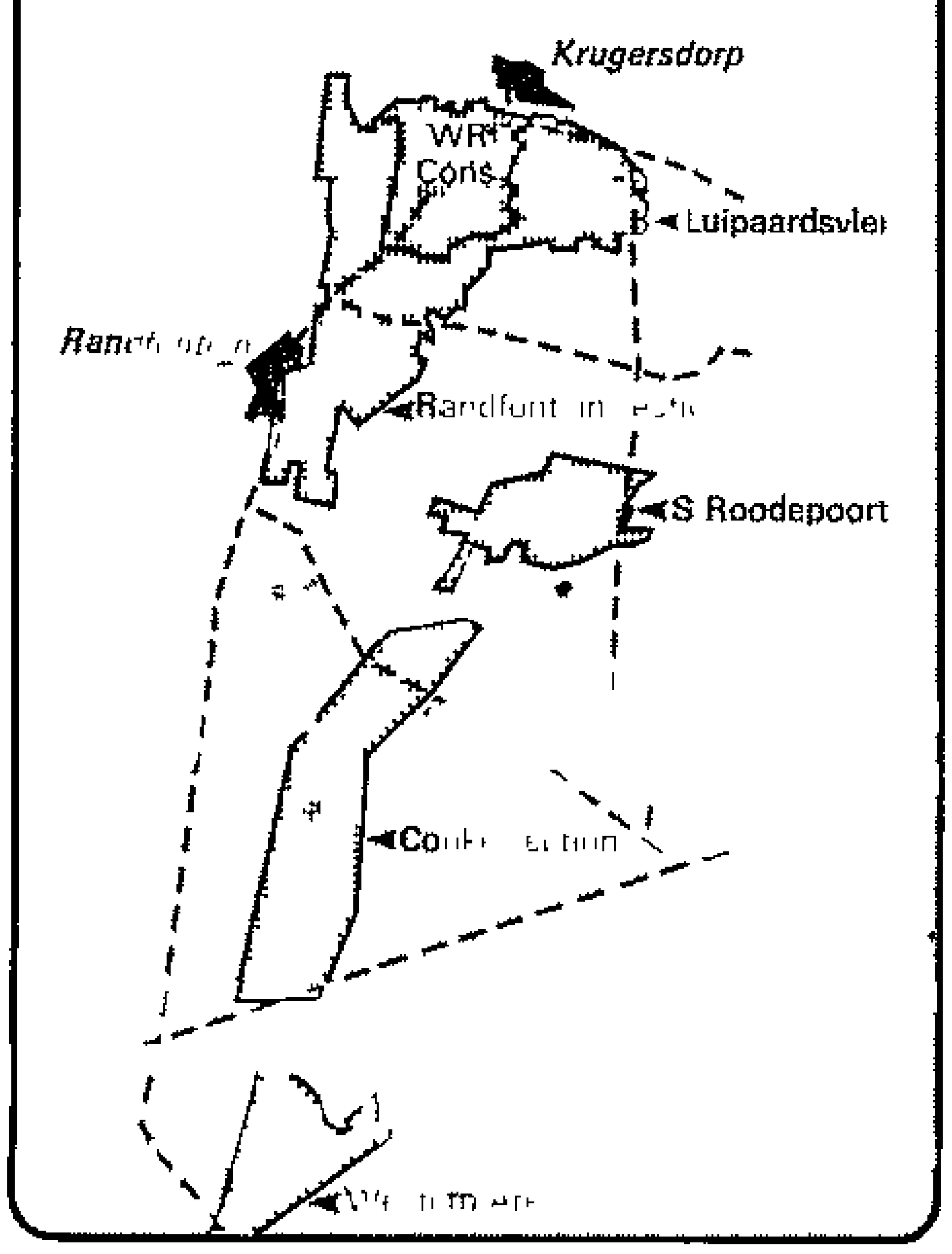
Matters are complicated to the extent that Cooke section pays lease on the formula $Y = 12,5 - 100/X$ and tax at $Y = 60 - 480/X$ Randfontein section pays no lease and its tax is computed on the basis $Y = 60 - 360/X$ And this could be an important factor in determining which parts of the mine are tackled first

On ore reserve considerations, there is little pressure on Randfontein to do any of the mooted deals with West Rand Cons, Luipaardsvlei, or South Roodepoort In any case, development beyond the mine's own boundaries will only be carried out if there is an obvious advantage to Randfontein. At Cooke section, one possibility is that it treat the uranium-rich Middle Elsburg reefs of Western Areas But again there has to be an obvious advantage for Randfontein and capex and tax considerations could be critical

But it is not an insurmountable problem

Western Areas has a poor gold-based profit record which adds to its difficulties in raising consumer loans Its current cost of production is $154/oz It also needs a fine balance between gold and uranium production if cash flow is to be maximised, especially if it has to erect its own uranium processing facilities

RANDFONTEIN'S POTENTIAL



Without being too explicit about Cooke section's uranium contracts, it can probably sell all it can produce at market-related prices So if Western Areas uranium could be incorporated into Cooke's sales, there are advantages for both mines as well as to SA as the time horizon for establishing sales outlets shortens with the growing threat of supplies from other countries

If and when Cooke No 4 shaft is established to exploit ground to the south east of the Cooke lease area, it is not impossible that it be used to mine Western Areas' Middle Elsburg reefs on, say, a tribute basis, especially if that mine cannot decide on a split between gold and uranium production.

Cash flow considerations will determine how ground towards South Rood and Durban Deep will be developed On a long-term view it seems logical that it be developed by Randfontein section

New milling facilities will be needed But the logistics of the situation seem to point to any new facility being located at Randfontein Estates and integrated with Millsite for slime dump retreatment, with 13,6 Mt of uranium slimes available

Randfontein section can stand on its own and its cash flow generation capacity is probably adequate to finance new mining and milling facilities as well as providing the security for any necessary loan funds

Prospects in the Karoo are not an immediate factor No major viable ore bodies have yet been located Capex can be offset eventually against Cooke Section's profits (*Fox* July 28)

So there is an apparently clear split in development with Cooke section concentrating efforts towards the south and Randfontein section with potential towards the east

In the past consideration has been given to splitting the shares Nothing has been done because there is no benefit to the company But with different tax bases for the two sections and a currently clearly defined interface between their operations, a case could be made for splitting the company in two simply by giving shareholders equal shares in both — a move which would certainly increase the whole group's market capitalisation

Apart from shareholder benefits of enhanced marketability, clear division will facilitate any negotiations with the Receiver as well as with all the other mines in the area, which will be falling increasingly within Randfontein's ambit.

As I have said, there are sufficient development opportunities within the company's own lease area that development outside can be left on the back burner for the present But once they have been completed the trend will be towards expanded operations beyond the present boundaries Division of the shares could signal the start *Jim Jones*

OPPENHEIMER WARNS A3/78 R.D.M. 214

Costs threaten as gold mines spend R2 000m

By DON ROBERTSON
Mining Editor

THE gold-mining industry is committed to a capital expenditure programme involving about R2 000-million and although the cost of capital goods has been slowing because of increased competition, the rise in overall mining costs is still cause for concern

Mr Harry Oppenheimer, chairman of Anglo American, indicates in his address for the year to June that capital expenditure will fall from the beginning of the 1980s, "when the mining industry will start to reap its reward"

In a comprehensive treatise on the economic and social ills and potential of the country, Mr Oppenheimer says that the strength of the gold market in the face of the additional supplies of gold from American auctions is encouraging

"The trend is the more welcome because costs are continuing to rise, at an average rate for group mines about 15% above last year

"While this is primarily the result of the general inflation, it is aggravated by the increasing distance of working faces from the shafts, leading to more extensive travelling, haulage and service requirements, and in older mines by the difficult conditions encountered in extracting remnants

Summarising the group's sphere of investments, Mr Oppenheimer says that group mines are rapidly increasing production of uranium and will soon be supplying half the uranium produced in South Africa

The uranium market remained firm in the past year, and the suspension of Canadian contracts and the uncertain supply position from Australia has narrowed the sources on which consumers can call As a result, South African has benefited

DIAMONDS De Beers is engaged in the largest expansion programme in its history, opening up mines and extending existing ones in South Africa and Botswana

"The De Beers group has never been more active and innovative and although the years ahead will no doubt have their stresses and strains, I feel sure that it can face the future with confidence"

COAL The group's principal coal company, Amcoal, increased turnover by 31% last year Construction at Kleinkopje is progressing according to schedule and production should begin towards the end of the year

"Notwithstanding some problems in the home and export markets I am confident that the group's coal interests, with their wide spread of interests and very large coal reserves, will continue to earn substantial profits and are expectionally well placed to participate in the further expansion of trade"

INDUSTRY Highveld Steel has successfully diversified its overseas sales and with the improvement in world steel prices, has managed to maintain its export earnings

Demand for Highveld's vanadium bearing slag has remained firm, in spite of the generally weak vanadium market

Referring to Scaw Metals, Mr Oppenheimer says little improvement can be expected in the domestic demand for rolled steel this year, though the outlook for the company's foundries and grinding media appears satisfactory

The group's timber interests, held through S A Forest Investments, have suffered from falling sales and prices While every effort is being made to improve operating efficiency, this will not in itself restore profitability

INTERNATIONAL OPERATIONS Prices of base metals, particularly copper, nickel and zinc, continued their downward drift, accentuated by the increase in stocks and aggressive competition for market share

"It is difficult to be sanguine about prospects in the short term Although there are signs that the major producers, for example of copper, are coming to accept the need for discipline in restricting production, it must be remembered that their sensitivity to market forces has been impaired by the tendency for governments to become more involved in the control of natural resources

"The dilemma of these governments today, in balancing the conflicting requirements of price stability on the one hand and sufficient foreign exchange on the other, cannot be resolved without substantial assistance from the developed countries and the various international agencies"

The Zambian investments remain cause for concern and both Nchanga and Roan Consolidated are incurring substan- ... sult

The Zambian investments remain cause for concern and both Nchanga and Roan Consolidated are incurring substantial losses as a result of low prices transport problems, and the constraints imposed on the efficient production and distribution of copper by the critical shortage of forign exchange

In Brazil, work is in progress to establish a possibly viable gold mine on the Jacobina prospect in Bahia and a number of other base metal projects are being followed up

"In this way, and perhaps through acquisitions from time to time, we hope to build up our position in Brazil"

Closer to home, Mr Oppenheimer says that the Botrest mine will not be able to operate economically until nickel prices improve and, at present, profits on a scale to justify past investments cannot be foreseen

A full provision for the group's investment in Tenke Fungurume has been made, but it is hoped that the time will come when it will be possible to bring this considerable mining opportunity to account, says Mr Oppenheimer

ANGLO AMERICAN (214) FM 28/7/78

Streamlined for growth

Activities: *Mining finance house with major interests in gold, coal and diamonds as well as important insurance, finance and industrial interests. Directly managed investments total R2 269m, the total value of interests including associates and finance companies is approximately R5 600m*

Chairman: *H F Oppenheimer*

Capital structure: *223m ordinaries of 10c 4,76m 6% cum prefs of R1† Market capitalisation R1 338m*

Financial: *Fifteen months to March 31 1978 Borrowings long and medium term, R585,7m, net cash R323,8m Debt equity ratio 26,0% Current ratio 3,4 Group cash flow R249,3m*

Share market. *Price 600c (1977-78 high, 608c, low, 370c, trading volume last quarter, 782 000 shares) Yields 11,7% on earnings, 6,0% on dividend Cover 1,9 PE ratio 8,6*

† Plus R40m 10,5% cum red prefs issued since year end

	*'74	*'75	*'76	†'78
Investments				
Book value (Rm)	449 7	518 8	525 7	835 6
Market value (Rm)	1 276 6	1 233 1	1 102 3	2 269 0
Investment income (Rm)	73 5	81 2	87 2	213 2
Earnings (c)	57 4	64 1	65 2	87 6
Dividends (c)	29	33	33	45 25
Net asset value (c)	923	875	786	1 025

12 months to December 31 †15 months to March 31

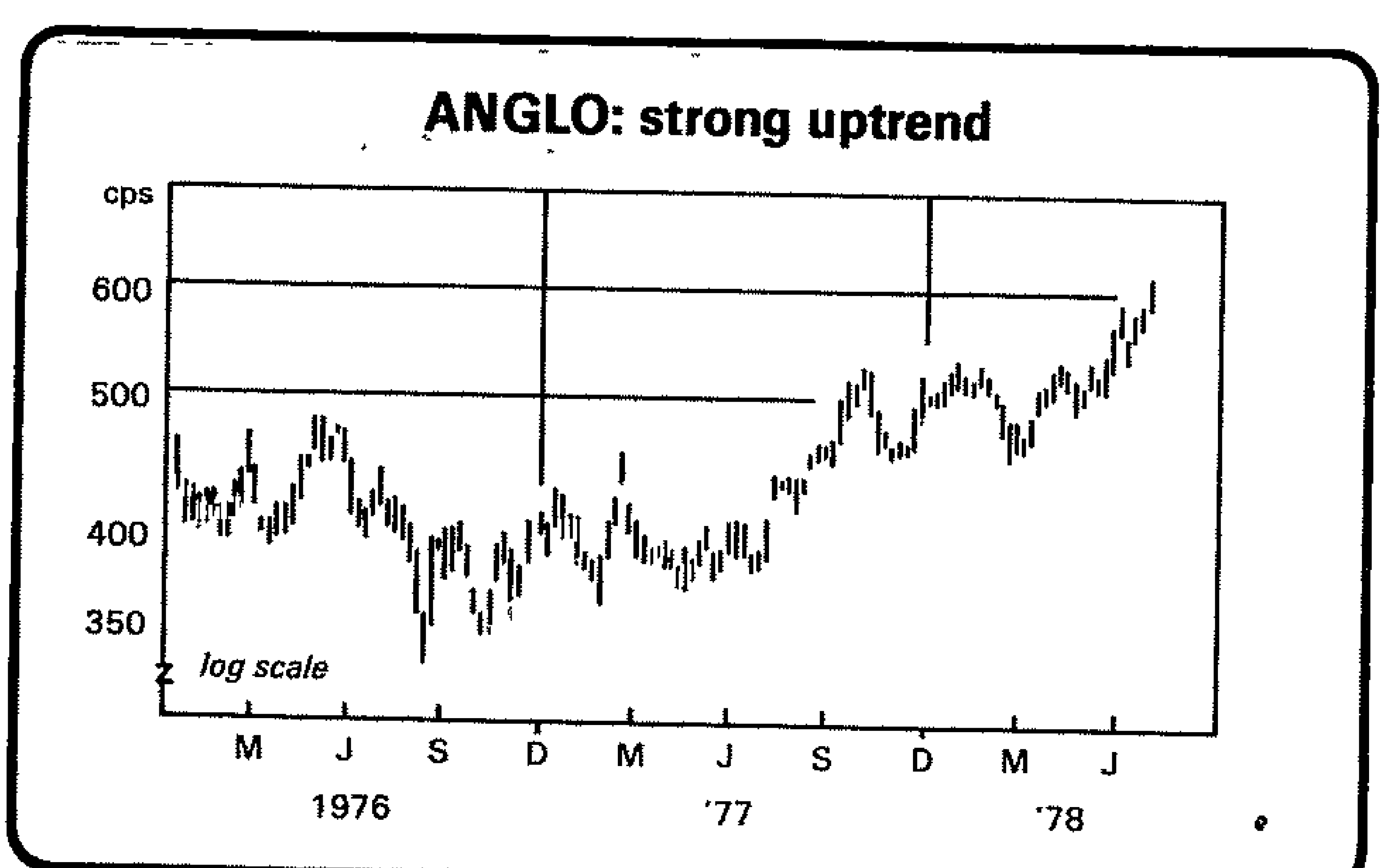
In the 15 months since the 1976 year of consolidation, Anglo has built a firm launching pad for its next round of expansion Dead wood has been chopped out of the balance sheet with the Botrest and Tenke-Fungurume write-offs, control of group interests has been streamlined, adequate funds are available and there are no balance sheet constraints on further borrowings if necessary

The major part of Anglo's next growth phase is clearly coming from the two bases on which the group was originally built, diamonds and gold/uranium Gold/uranium provided 30% (1976 34%) of investment income from 43% (34%) of investments (see table), partly reflecting the major non-dividend paying interests Ergo and Elandsrand as well as prospective uranium producer Afrikander Lease This year even on the now conservative gold price estimate at the time of its public offering, Ergo will kick in with a R3,9m contribution to investment income Next year the figure, again on the original conservative dividend estimates, will double

Elandsrand comes on stream mid-1979 and should start dividend payments two years later Afrikander Lease has been delayed temporarily while various aspects of its establishment are thrashed out with government. But it will be Anglo's next major development and an announcement on the start of development is close

In the 15 months to March 31, gold/uranium contributed about R64m of investment income With gold heading towards $200 and capex slowing down at the operating mines, the current year could see a boost of anything up to 30%

This year there will be a hiccup in De Beers dividend contribution In 1977/78, Anglo's changed year-end meant that three dividend payments were received from De Beers, equal to 75c per share A total payout of at least 60c is on the cards this year, with some strong growth in sight as new diamond mines come on stream



HFO . looking on as more diamonds are signed up

Further drilling is needed to evaluate fully the potential south of the OFS goldfield But with a preliminary announcement on its ground already made by Union Corp, Anglo can only be a few months behind Presumably management will want to see development of Afrikander Lease at least under way before making a start in the OFS

If all goes well, there are other potential new uranium/gold mines to be developed in SA Drilling is to resume at the Goldridge project south of Western Areas and favourable indications are being given by drilling on the Lower Witwatersrand series north of Klerksdorp

At this stage it is worth recording that drilling on the Middle Elsburg reefs by Western Areas has indicated uranium grades as much as 1 kg/t and 200 cm-kg gold

In the north western Cape investigation of a secondary uranium deposit has been encouraging and drilling continues Investigation of the Karoo continues with the Spanish uranium authority and large low-grade secondary uranium deposits in the Namib desert near Swakopmund are under examination with the Aquitaine, Total/Pechiney and

Low prices do not appear to have dampened the search for base metals. A new copper/lead/zinc discovery in SWA is of particular interest." But with Gamsberg on the back burner until metal prices show a long term improvement, new developments could be some years off. On the other hand SWA could turn into something of a special case if it becomes necessary to show that CDM's ... into ... territory after independence.

In coal with a target for total group reserves of 9 000 Mt over the next four years, the only constraint on growth is availability of markets. Reserves will be sufficient for about 300 years of operations at 1977 production levels.

Outside mining Anglo looks equally poised for advance as the economy gets back into gear. With Leyland and Citroen Peugeot sewn up, Sigma's 30% share of the motor vehicle market looks impressive and there is the basis for further penetration. Steel is in the doldrums both in export and domestic markets and ferroalloys are affected by the same market conditions. But with AECI set for a period of solid growth, especially as Coalplex comes on stream, industrial earnings should more than outspace stagnation or decline in such minor contributors as property.

Near term there are no financial constraints on new project development. Netting out amounts owing to shareholders for dividends, the group had available cash of R268m at March 31. Since the year end a further R40m has been raised through a private placing of 10,5% cum red prefs. And if necessary there is the back stop of De Beers with its R502m net current assets at December 31.

There still remains some tidying up to be done within the group. The trend apparently established by 36%-owned Charter is divestment of SA investments to concentrate on projects in the UK and elsewhere.

Joker in the pack is JCI which does not appear in the group structure chart in the annual report despite a 40,8% group interest and a further 9,2% held by De Beers. Some tidying up of JCI has

INVESTMENTS AND INCOME

	Value of investments* %		Investment income %	
By prime source	1976	1978	1976	1978
Gold	34	43	34	30
Diamonds	16	19	20	32
Copper	3	1	2	1
Coal	7	6	5	8
Platinum	3	2	2	1
Other mining	5	3	3	1
Industrial	19	17	18	17
Finance	10	7	15	8
Property	2	1	1	1
Oil and gas	1	1	—	1
Total	*100*	*100*	*100*	*100*
Geographical				
SA	78	75	79	70
SWA/Namibia	4	4	5	6
Rest of Africa south of the equator	6	6	7	8
North America	5	6	3	6
Elsewhere	7	9	6	10
Total	*100*	*100*	*100*	*100*

**Excluding interests attributable to outside shareholders in subsidiary companies*

Gold is winning its 'war' with the dollar

Std 15/9/78 (214)

By Michael Chester, Financial Editor

The Chamber of Mines today released an analysis of the impact of the series of International Monetary Fund bullion auctions and finds that two key bullish features have emerged at the mid-way mark of the four-year sales programme.

First, totally confounding original forecasts that the auctions spelled the end of the gold boom, the bullion price on world markets has almost doubled since the launch in mid-1976 — now commanding around 210 dollars an ounce compared with the 109,40 average two years ago

This is despite the fact that the IMF has so far offloaded 14 430 800 ounces of the 25m ounces scheduled to be auctioned by 1980.

Second, the decision of a long list of developing countries to come in as buyers since July 1978 — taking swift advantage of the first chance to do so — underlines the positive demand for gold as a monetary asset.

The abject failure of the United States to topple gold from the international monetary system to leave the US dollar to rule alone as the world's main reserve asset has been made evident in the recent performance of currency markets

Nor has the announcement by the US Treasury of an enlargement of its own regular bullion auctions managed to sour the palate of gold enthusiasts.

It all leaves the Chamber of Mines to be able to conclude that the market can absorb the extra supplies from the IMF with comfort — even though the IMF auctions equalled as much as 12 percent of total supplies in 1977

Indeed, since newly mined gold production has remained largely static, the market has actually come to reply on official sales to meet the burgeoning demand.

The Chamber of Mines regards the run of auctions from June 1976 to June 1978 as the first phase. Now gold goes into the second phase, lasting until the auction programme expires in June 1980

The analysis finds little to be perturbed about in the prospects ahead

It is not only at the big auctions and on world bullion markets that the renewed appetite for gold has emerged

Sales of Krugerrand gold coins are also running at record levels And Intergold believes sales in 1978 are now set to challenge the 5m mark for the first time — reaping in around R800m to South Africa's coffers

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ordinary clothes, except the necktie which is generally alarming, being mostly red, white and blue. There are a few poor fellows who lack even more than co'lars and ties - one or two who are barely covered. B they are all happy-looking. There is no cold shoulde: r the ragged Kafir, but a nod, a handshake or perhaps a joke. All crowd together and pass - -

ughly in earnest, worked in harmony one with in their pockets' - 'just the three points on re most lax'. And another speaker on the same it 'was quite a common thing to see [the Kafir] ks or wherever it might be, reading either some , and it was the same thing at his breakfast hour s a painful contrast between the great missionary as Lovedale and the coloured mission stations e, so Mr. Petersen alleged, 'there were not more d read a newspaper and explain its contents.'(23) sion schools, as Isaac Dreyer pointed out at e rules were so strict that the boys were 'like ese young men arrived in town, 'they found they me in their lives and frequently let it degenerate oured parents were also to blame. They were in

too much/...

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too much of a hurry to take their children out of school, a visitor from Calvinia pointed out, so long as their boys could 'pretend to read and write' What did this lead to? - 'the empty-head coloured youth who occupied the whole of the pavement in crowded Plein Street on Saturday night and declined - - while he discussed football and so on.'(25

ns that led to the emergence of coloured street arabs.' 'Not only l day, assaulting and robbing ey might be seen any night in s a hundred of them together') ere coming to a really terrible ured street arabs....In no place d, 'such lawlessness among ts to do something and onders how seriously

ounded in September 1902. largely concentrated on range River Colony. Thus Dr. Abdurahman, the sh Government 'to stop the barbarities and indignities being perpetrated' against coloured people in the British-occupied former Boer republics 'in the name of law and Government.'(27) This concentration on narrower political issues made the A.P.O. less responsive to social problems than the Stone. The A.P.O. was also more exclusive in its membership for it made a point, as Tobin hastened to point out and condemn of excluding 'kafirs' from membership.(28) But there can be no doubt that together with the Stone the A.P.O. had done much by 1906 to raise the political consciousness of the coloured people.

'Socialism', wrote Wilfred Harrison, one of the veterans of the movement, 'had its beginnings as a propaganda force from the plinth of the Van Riebeck Statue,' which then stood where Dock Road crossed the bottom of Adderley Street.(29) The statue was frequented by 'Labour orators' on Sunday mornings, and provided an ideal meeting ground for men of similar views

to get/...

WESTERN DEEP INTO URANIUM

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The plans to increase uranium production seems unlikely to set the shares alight. At an estimated escalated cost of R50m, the mine plans to increase its present 75 000 t/month uranium treatment rate by 200 000 t in the second half of 1981. But whereas current uranium recovery rates are running at 0,21 kg/t, the increased mill throughput is only slated to produce an additional 175 t/year uranium, equivalent to a recovery grade of 0,073 kg/t.

At a uranium price of $40/lb, additional revenue of about R5,60/t will be generated if none of the new material is needed to satisfy existing lower priced contracts. And at current levels, the mine is walking a narrow line between output and contractual deliveries.

Assuming unit treatment costs of as low as R1,50/t, it is hard to see an exciting return on the additional capex, even allowing for tax offset before the new production comes on stream.

Over the next three years the additional capex will give tax savings of about R30m, meaning an effective after-tax cost for the new facility of about R20m. On my cost and revenue figures, additional annual taxed revenue will be around R3,9m to start in 1981.

So even if part of the new capex is financed by consumer loans (which in any case could mean lower uranium selling prices) shareholders will only get their money back in eight years.

Western Deep is reluctant to confirm my cost or price estimates, but there is a possibility that recoveries could be better than given in the initial estimate. In the No 3 shaft area, for example, one borehole disclosed uranium grades of 0,94 kg/t (41,27 cm kg/t).

At this stage investment decisions are best based on the mine's gold potential, taking into account that mining methods preclude planned grade cuts with rising bullion.

Jim Jones

The Natal Mercury, Wednesday, September 20, 1978 (214)

Companies in the

GOLD FIELDS GROUP

MINING COMPANIES' CHAIRMEN'S REVIEWS FOR THE YEAR ENDED 30 JUNE 1978

(214) N.M 20/9/78

(All Companies are Incorporated in the Republic of South Africa)

WEST DRIEFONTEIN GOLD MINING COMPANY LIMITED

Operations for the year ended 30 June 1978, which are described in detail in the technical advisers' report and the financial statements, to which members' attention is directed, resulted in a record gross profit of R224,1 million This was 56 per cent more than the profit of R143,3 million earned in 1977, and 11 per cent more than the previous record profit of R202,0 million earned in 1975

Apart from the expected seasonal decline in the labour strength during the second quarter, the labour supply position was generally satisfactory throughout the year although a high rate of labour turnover, and the adverse effects of the eleven-shift fortnight, to which I referred in my last Review, acted as a restraint on productivity Operations were also hampered by a number of rockbursts and some ground movement in the western remnant area of the mine, and by a minor fire in the No 3 Sub-Vertical Shaft area towards the end of September 1977 Notwithstanding these factors, with the improved supply of labour it was possible to increase the rate of development and the tonnage mined In consequence, the total tonnage milled increased from 2 223 000 tons in 1977 to 2 445 000 tons in the year under review

Although a large proportion of the ore sent to the mill continued to be mined in the richer western remnant area of the mine, this proportion was gradually reduced as progressively more ore was drawn from the eastern area, including the area served by the new No 6 Shaft complex which was fully commissioned during the second half of the year As a result, and as I predicted last year, there was a small decline in the average gold yield from 23,7 grams per ton to 22,9 grams per ton However, because of the greater tonnage milled, total gold output rose by 3 246 kilograms to 56 019 kilograms From 11 April 1978, payment for gold at the statutory price of R956 per kilogram, plus the premium on market sales distributed monthly in arrears, was replaced by immediate payment at a market-related price The non-recurring balancing payment resulting from the change-over in April had the effect of distorting revenue in the last quarter, and the average price of R4 886 per kilogram received by the company for its gold sold during the year was marginally higher than would otherwise have been the case At this enhanced price, the larger gold output realised a total of R274,5 million, compared with R187,5 million in 1977 Unit working costs rose by nearly 16 per cent over the year Total working expenditure rose by an even higher rate of 31 per cent to R73,4 million as a result of the increased scale of operations In addition there were considerable increases in electric power tariffs, higher salaries and wages paid to a larger number of employees, as well as overtime payments to volunteers who worked on their otherwise free Saturday each fortnight Higher costs of stores and other services were attributable to the continuing high rate of inflation The net result was that the working profit from gold rose from R131,4 million in 1977 to R201,1 million, and total working profit from R135,2 million to R214,0 million after taking into account an increase from R3,9 million to R12,9 million in the profit derived from uranium and sulphuric acid sales There was also an increase of R2,0 million to R10,1 million in interest and net sundry revenue receivable, and the gross profit, as I mentioned at the outset, improved from R143,3 million to R224,1 million

The main beneficiary of these improved results was again the State which took a record R133,0 million in direct taxation and lease consideration, plus a further R13,5 million by way of the compulsory loan levy This is equivalent to 1 040 cents per share and compares with a total of R87,2 million, equivalent to 619 cents per share, paid to the State in the previous year By contrast, dividends amounting to 385 cents per share, and absorbing R54,2 million, were paid to members in the 1978 year, as against dividends of 280 cents per share, or R39,4 million, in 1977

Capital expenditure amounted to R16,1 million, compared with R16,5 million forecast at the commencement of the year This was incurred mainly on the No 6 Shaft complex, completion of the refrigeration plant serving Nos 5A and 5W Sub-Vertical Shafts, additional underground equipment, additional hostel accommodation and facilities, work carried out under the programme to improve existing accommodation for employees, and on the construction of a large-diameter pipeline to transport excess water flowing along the Wonderfontein Spruit across the Bank Compartment An amount of R35,0 million was appropriated from profits for expenditure on fixed and other assets, including the loan levy referred to above and R3,9 million towards future capital expenditure, to which I will refer below The unappropriated profit increased from R3,3 million to R5,4 million, which latter figure still represents less than one month's working expenditure under existing conditions

Outlook

The technical advisers estimate that capital expenditure during the current financial year will amount to R9,5 million and will be incurred mainly on establishing pump stations for No 3 and No 6 Sub-Vertical Shafts, refrigeration for No 3 Sub-Vertical Shaft and further work on additions and improvements to the hostels Additional capital expenditure is also likely to be incurred this year, and for a number of years thereafter, following on the completion of investigations presently being undertaken into the sequence and method of removing shaft pillars in the western and central sections of the mine so that the recovery of payable ore from these sources is optimised This programme will require the revision of shaft facilities and the re-location of pump stations for the pumping of underground water to surface The economics of developing a waterway across the mine from No 1 Shaft to No 4 Shaft to retain the water from the Oberholzer Compartment in the uppermost levels of the mine is also being examined

It is expected that the labour supply position will remain relatively stable this year and, provided no unforeseen circumstances arise, there should be an improvement in the average milling rate to 210 000 tons per month Even though there is expected to be a further decline in the average yield as the proportion of ore drawn from the eastern area of the mine is increased, total gold production should rise In recent weeks the price of gold has risen sharply, largely as a result of speculative demand related to the weakness of the dollar This element of speculation in the market will continue to cause fluctuations, to a greater or lesser degree, in the gold price and trends in the short term and medium term remain unpredictable For the longer term, because of the underlying firm demand for gold as a commodity and as a store of value, the trend is expected to be gradually upwards While the uncertainty remains as to the average price the company will receive for its gold output this year, the indications at this early stage are that, in spite of the effect on costs of continuing inflation and the imposition, from 1 July 1978, of a 4 per cent general sales tax on a large portion of stores purchases, the profit and dividends should at least be maintained Insofar as uranium and acid are concerned, the profit derived from these sources should be at about the same level as in the 1978 financial year

General

I have much pleasure in expressing, on behalf of the board, our sincere appreciation of the valuable services rendered during the past year by Mr D Savile Davis, the consulting engineer, by Mr N M Hayne, the general manager, and by the staff at the mine and at head office

A Louw
Chairman

Johannesburg
25 August 1978

KLOOF GOLD MINING COMPANY LIMITED

At this time last year I stated in my Review that, provided a reasonably stable labour supply position was maintained, and labour productivity could be restored to former levels, milling at the rate of 160 000 tons per month, at a slightly higher average yield, was expected throughout the year ended 30 June 1978 Although there was a small decline in the supply of labour during the summer months, the supply position over the year as a whole was adequate Productivity, on the other hand, remained relatively low partly as a result of the effect on production of the shorter working fortnight, introduced from April 1977, which was to some extent offset by a considerable amount of voluntary overtime worked Milling at a constant 160 000 tons per month was not, however, achieved because of a serious fire that broke out in the 49 Longwall in August 1977 This not only affected production at the time, but the after-effects of the fire continued to hamper operations to the extent that they were not fully restored to normal until the last quarter of the year

Members' attention is directed to the technical advisers' report and the financial statements which describe in detail the results of operations for the year These show that, because of the larger labour force, and notwithstanding the disruptive fire, the total tonnage milled for the year was 1 722 000 tons compared with 1 527 000 tons in the previous year Gold production rose by 3 351 kilograms to 22 298 kilograms because of the larger tonnage milled, coupled with an increase in the average yield from 12,4 grams per ton to 12,9 grams per ton

Working revenue was a record R107,1 million because of the considerably higher average gold price received This was R4 786 per kilogram in the 1978 year, which included a non-recurring adjusting payment received in April as a result of a change in the basis of gold payments, and compares with an average price of R3 520 per kilogram received in 1977 Unit working costs increased by 22 per cent, from R17,50 to R21,32 per ton milled, and total working expenditure from R41,8 million to R56,6 million, as a result of the increase in the scale of operations, the larger labour force and higher earnings per head, and the effects of inflation on all other cost items The higher working revenue more than offset these increases, and the net result was that the working profit more than doubled from R25,1 million to R50,5 million

The company is only insured against loss of profits arising from a fire up to a maximum period of 30 days The amount recovered from the company's insurers in respect of the loss of profits resulting from the fire referred to above was therefore limited to R2,0 million for that period. In addition, the company was re-imbursed for material damage suffered Net sundry revenue rose by R0,6 million to R2,2 million, and after deducting R22,8 million, as against R6,3 million, for the State's share of profit and taxation, the taxed profit was R31,9 million compared with R20,4 million in the previous year An amount of R19,0 million was appropriated from profits for expenditure on fixed and other assets, including R2,5 million in respect of the State's compulsory loan levy and R1,4 million towards future capital expenditure The dividend of 40 cents per share absorbed R12,1 million, which compares with the dividend of 30 cents per share, or R9,1 million, paid in the previous year The unappropriated profit figure of R2,5 million was R0,8 million higher than it was at the end of the previous year and represents about two weeks' working expenditure under existing conditions

During the year No 3 Shaft was sunk to its final depth of 2 003 metres below collar and, after equipping, it is expected to be commissioned by the end of the current financial year Work is also progressing well preparatory to the sinking of No 3 Sub-Vertical Shaft and No 3A Service Shaft, the latter being for the purpose of transporting men and material to the area between 23 and 27 Levels before development from No 3 Sub-Vertical Shaft reaches this area At No 2 Sub-Vertical Shaft, from which development to reef on all levels is under way, work is continuing on the equipping of the waste and ore passes

Some development was done during the year on the upper levels in the southern scattered mining area, and, in the northern area, near the boundary west of No 3 Shaft, but the main effort was concentrated on extending the presently producing longwalls and in establishing new longwalls to provide the ore required to maintain and gradually to increase the milling rate

On the reasonable assumption that the supply of labour will remain adequate for the mine's requirements, and provided there are no other unforeseen occurrences that could hamper production, the milling rate should increase from its current level until it reaches the plant's present capacity of 180 000 tons per month by the end of this year Present indications are that the average yield is likely to be slightly higher than that obtained last year, in which event there should be a substantial increase in gold production Capital expenditure will continue at a high level of approximately R15,5 million, to be incurred mainly on the shafts, underground equipment and ventilation arrangements In the absence of a clear indication of the short-term trend in the gold price, and of the rate at which costs will continue to escalate, it is not possible to predict the profit and dividend for this year The prevailing circumstances of these two vital factors do, however, tend to indicate at this early stage that a material improvement in pre-tax profit can be expected If this expectation is realised, and after allowing for the major imposts of the fiscus, it should be possible to increase the dividend above last year's level

Once again it gives me great pleasure to express, on behalf of the board, our appreciation of the valuable services rendered by Mr J D Pollard, the consulting engineer, by Mr B C Oberholzer, the mine manager who was appointed to another position in the Gold Fields Group in April 1978, by Mr H J T Wille, who has succeeded Mr Oberholzer as mine manager, and by the staff at the mine and at head office

R A Plumbridge
Chairman

Johannesburg
25 August 1978

DOORNFONTEIN GOLD MINING COMPANY LIMITED

The results of operations for the year ended 30 June 1978 are described in detail in the technical advisers' report and the financial statements, to which members' attention is directed These reflect a considerable improvement on the results of the preceding year when several problems were encountered, not the least of which was an acute shortage of labour during part of that year

The supply of labour during the year under review was adequate for the company's requirements, and although productivity remained relatively low following the introduction, from April 1977, of an eleven-shift fortnight in place of the previously worked twelve-shift fortnight, the rate of mining increased by 13 per cent and the tonnage milled rose by 121 000 tons to 1 430 000 tons in comparison with the previous year's figures The average gold yield of 9,1 grams per ton milled was also slightly higher because a smaller tonnage of low-grade dump material was sent to the mill and waste sorting was at a higher rate The higher milled tonnage, and the higher yield, resulted in an increase in gold production from 11 494 kilograms in 1977 to 12 982 kilograms

Prior to 11 April 1978 gold was paid for at the statutory price and there was a time lag before payment was received of the difference between that price and the price realised on the market As from that date the basis of payment was changed to that of immediate payment at the market-related price As a consequence of this change in the basis of gold payments, the company received an adjusting amount in April which helped to raise the average price received for its gold output for the year to R4 885 per kilogram This compares with the average price of R3 592 per kilogram received in the previous year Working revenue increased by R22,1 million to a record R63,6 million On the other hand, working expenditure increased by R9,0 million to R43,6 million because of the increase in the scale of operations, the higher wages paid to the larger labour force — including a substantial amount of overtime paid for voluntary work on the otherwise free twelfth shift, the considerable increase in electric power tariffs, and the effects of the high rate of inflation on the cost of stores and services The net result was an almost threefold increase in the working profit to R20,0 million when compared with the previous year's figure of R6,9 million Net sundry income brought in an additional R0,5 million and the pre-tax profit was R21,5 million as against R7,8 million.

Whereas in the 1977 financial year the taxable income from mining operations was insufficient to attract State's share of profit and formula tax, and normal tax only, amounting to R0,3 million, was paid on non-mining income, a total charge of R10,0 million for lease consideration and taxation was payable on the substantially higher profit earned in the 1978 year This left a taxed profit of R11,4 million, only R3,9 million up on the previous year's taxed profit Of this, R6,5 million was appropriated for expenditure on fixed and other assets, including a further R0,9 million to the State by way of a compulsory loan levy, and R2 2 million for future capital expenditure The dividend of 50 cents per share absorbed the remaining balance of R4,9 million, and compares with a dividend of 15 cents per share, or R1,5 million, paid in the previous year

Last year I mentioned in my Review that initial development in the south-west sector of the mine had disclosed that the eastern flank of the erosion channel on the Carbon Leader zone was further east than had previously been projected, and that development was continuing in order to ascertain the position of the western flank of this channel I also mentioned that development was proceeding to explore the Main Reef in the area west of No 2 Shaft From the work carried out during the year it has been ascertained that the erosion channel extends almost to the western boundary of the mine, and the indications are that the limited amount of

Carbon Leader lying beyond the western flank of the channel is of low value Although it is believed that the Main Reef overlies the whole of the erosion channel, drilling results have so far not disclosed any payable values on this reef in that area Exploratory development on 23 Level west of No 2 Shaft will, however, be continued this year on the Main Reef

The disappointing disclosures mentioned above mean that the remaining payable ore in the lease area is fairly limited and, in consequence, at the present rate of production, the life of the mine is relatively short Investigations are being undertaken into various schemes, including the treatment of a larger tonnage of low-grade dump material, with a view to extending the life of the mine Consideration is being given to the possibility of acquiring additional ground over some 600 hectares to the south of the lease area in the zone downdip of, and stretching from No 2 Sub-Vertical Shaft in the west to the eastern boundary It is known that ore exists here at depths below 2 600 metres Discussions have been initiated with Gold Fields of South Africa Limited, the owners of these mineral rights, and members will be informed of the outcome as soon as possible

Capital expenditure during the current year, but excluding initial expenditure which might be required for opening up the extended area, is estimated to amount to R4,5 million The present average milling rate of 120 000 tons per month, and average recovery grade, are expected to be maintained Gold production should therefore be much the same as it was last year provided no unforeseen problems arise Working expenditure can be expected to increase because of higher labour charges and continuing inflation However the revenue the company can expect for its gold output remains in question in view of the uncertain short-term trend in the gold price, which is at present above the average price received last year, but fluctuating over a wide range Bearing in mind that a large capital expenditure programme would be involved if the additional ground is acquired, together with other uncertainties, it would not be prudent to make profit and dividend forecasts at this stage

Once again I wish to express, on behalf of the board, our appreciation of the services rendered during the past year by Mr J D Pollard, the consulting engineer, by Mr R P MacNaughton, the mine manager, and by the staff at the mine and at head office

P W J van Rensburg
Chairman

Johannesburg
25 August 1978

VENTERSPOST GOLD MINING COMPANY LIMITED

The attention of members is directed to the report of the technical advisers and the financial statements which describe in detail the results of operations for the year ended 30 June 1978

The improved financial results, and a consequent reduction in the amount of State assistance received, was mainly attributable to the substantially higher average price of R4 828 per kilogram received for the mine's gold output By comparison, the average price received in the 1977 financial year was R3 521 per kilogram

Difficulty continued to be experienced in building production up to the required level Notwithstanding the employment of additional underground labour, the working of a considerable amount of overtime to offset the ill-effects of the shorter working fortnight introduced from April 1977, and the milling of an increased quantity of dump material, the tonnage milled for the year was 28 000 tons less than in the previous year and substantially less than had been expected There was, however, a small increase in the average gold yield to 5,8 grams per ton, and therefore total gold production, at 6 892 kilograms, was only 16 kilograms less than that produced in the previous year

Because of the higher gold price received, the working revenue was a record R33,4 million Working expenditure, on the other hand, also reached a record high of R33,2 million, representing a 23 per cent increase on the previous year's expenditure of R26,9 million This large increase in expenditure, in the face of the stringent economy measures introduced on the mine, was mainly due to the higher wages, including a substantial amount of overtime, paid to the larger work force A 39 per cent increase in electric power charges, on top of the 54 per cent increase in the previous year, together with general increases in the cost of all other items arising from the high rate of inflation, contributed to the alarming rise in total working expenditure The working profit from gold was, therefore, a modest R0,2 million, compared with the working loss of R2,5 million incurred in 1977 A profit of R0,2 million was also realised from the sale of pyrite concentrates

The amount of State assistance, which includes an allowance for approved capital expenditure, was reduced from R3,8 million in 1977 to R2,4 million, and the total profit for the year, after taking into account net sundry revenue of R0,9 million, was R3,7 million, as against R2,1 million Taxation on non-mining income absorbed R0,3 million, and R1,0 million was appropriated for expenditure on fixed and other assets, of which R0,9 million was in respect of this company's share of expenditure on a new pipeline to transport excess water flowing along the Wonderfontein Spruit across the dolomitic water compartments The dividend of 25 cents per share absorbed R1,3 million, in comparison with the dividend of 5 cents per share which absorbed R0,3 million in 1977, and the unappropriated profit increased from R1,8 million to R2,9 million

Development during the year was concentrated in the No 3 Tertiary Shaft area On the Main Reef horizon, payable values were disclosed in a number of raises and further sizeable tonnages of marginally payable ore are expected to be opened up on this horizon in the future Some development was also carried out on the lower levels where the dip of the reef is very steep and mining is difficult On the Ventersdorp Contact Reef horizon, recent development results in the south-eastern mining permission area close to the Witpoortjie Fault have been disappointing and only a limited quantity of ore can be expected to be obtained from this area of badly disturbed ground

There is a relatively large tonnage of marginally payable ore left in the mine, but the ore to be opened up by development is expected to be of lower value than the present value of the ore reserve and insufficient to fully replace the ore in the reserve at the current rate of mining A decline in both the quantity and value of the ore reserve is therefore to be expected in future

During this year an increase in the milling rate is expected and, in spite of a probable small decline in recovery grade, gold production should be a little higher than it was last year Working expenditure will increase yet again because of the effect on costs of continuing inflation and the higher labour charges which have already come about Capital expenditure will be about the same as last year What remains uncertain is the average price the company will receive for its gold output, and the extent of State assistance to be received Under the circumstances it is not possible at this early stage to make any profit and dividend forecasts

I wish to express, on behalf of the board, our sincere appreciation of the valuable services rendered during an extremely difficult year by Mr C T Fenton, the consulting engineer, by Mr D L Starkey, the mine manager, and by the staff at the mine and at head office

P W J van Rensburg
Chairman

Johannesburg
25 August 1978

LIBANON GOLD MINING COMPANY LIMITED

The satisfactory results of operations for the year ended 30 June 1978 are described in detail in the technical advisers' report and the financial statements, to which members attention is directed

A milling rate of 135 000 tons per month was maintained throughout the year as a result of an adequate supply of underground labour and a considerable amount of voluntary overtime worked to partly offset the effects on production of the arrangement whereby an eleven-shift fortnight was worked throughout the year in place of the twelve-shift fortnight which was in operation prior to April 1977 There was also a small improvement in productivity, but this still fell well short of the high level that prevailed prior to the introduction of the shorter working fortnight The total of 1 620 000 tons milled for the year was 238 000 tons greater than in the previous year when production was hampered by a serious underground fire and by an acute labour shortage for a good part of that year The average gold yield for the year of 8,8 grams per ton was half a gram higher than that obtained in the previous year but, as expected, it was lower than the average yield obtained in the second half of that year As a result of the increases in tonnage milled and average yield, gold production rose by 2 845 kilograms to 14 329 kilograms

The average price received for gold was R4 860 per kilogram, compared with an average of R3 605 per kilogram received in the previous year This higher price does, however, include a non-recurring adjusting payment received in April 1978 when a change was made in the basis on which gold payments are made Total working revenue therefore increased from R41,6 million in 1977 to a record R69,8 million This increase in working revenue more than offset an increase, from R29,1 million to R39,4 million, in working expenditure, and as a result the working profit rose from R12,5 million to R30,4 million The 35 per cent increase in total working expenditure, and a 17 per cent increase in the cost per ton mined, was attributable to higher wages and a substantial amount of overtime paid to the larger labour force, to the increase in the scale of operations generally, and to the effects of the high rate of inflation on the cost of stores and services After taking into account an increase of R0,7 million in non-mining revenue, the profit before deduction of the State's share and taxation was R32,1 million, compared with R14,2 million in 1977

The vastly improved results attracted a massive charge of R16,1 million for taxation and the State's share of profit, on top of which the State took a further R1,9 million as a compulsory loan levy These charges and levy together were equivalent to 227 cents per share, and compare with a total of R3,0 million, equivalent to 38 cents per share, paid to the State in the previous year Expenditure on fixed and other assets, excluding the loan levy, absorbed R4,3 million, and R1,8 million was appropriated for future capital expenditure The net result was that only R7,9 million of the gross profit of R32,1 million was available for distribution to members, and this amount was in fact absorbed by the dividend of 100 cents per share This compares with the dividend of 45 cents per share, which absorbed R3,6 million, paid in the 1977 financial year

Development during the year was at an increased rate and was again concentrated on the Main Reef horizon north of the Harvie-Watt Shaft, where some ore of marginal value was disclosed, and on the Ventersdorp Contact Reef horizon in the north and central areas of the mine, where a limited amount of ore was opened up for stoping The drilling of two boreholes from the surface in the prospect areas east of the mining lease area, in respect of which the company owns the mineral rights and has permission to mine, were completed during the year Encouraging values on both the Ventersdorp Contact Reef and Elsburg Reefs were disclosed in one borehole and its four deflections

Full-scale sinking of No 2 Sub-Vertical Shaft was commenced and by the end of the year had reached a depth of 717 metres below the collar on 18 Level Preliminary work was also started on No 1A Service Shaft, the first of a series of short-lift shafts to be sunk between No 1 Sub-Vertical Shaft and the northern boundary of the mine in order to facilitate the movement of personnel and material so that work on the lower levels can be carried out, on the Main Reef horizon, before development from No 2 Sub-Vertical Shaft reaches this area

In my Review last year I mentioned that the value of the ore reserve was inflated because of the inclusion in the reserve of a disproportionately large tonnage of high-grade Ventersdorp Contact Reef in the southern sector of the mine I also mentioned that it was planned to gradually correct this imbalance by concentrating development in the known lower grade areas in the central and northern sectors of the mine The opening up of the lower grade areas is now reaching the stage when ore from these areas will soon become available for mining This will have the effect of reducing the value of the ore reserve and, as a larger proportion of ore is drawn from these lower grade areas, the gradual decline in the recovery grade which became evident in the second half of the 1977 year, will continue

Barring unforeseen circumstances, it is expected that the tonnage milled this year will be maintained at about last year's level, but because of the expected decline in recovery grade the total gold output is likely to be lower Gold is currently being traded at prices well above the average price received last year, but it is still too early to make any prediction as to the average price the company will receive during the remainder of the year Should the gold price remain at or about the current level and should there be no increase in the rate of cost inflation, it should be possible to increase the dividend distribution above last year's level

It gives me much pleasure to express, on behalf of the board, our appreciation of the valuable services rendered during the past year by Mr C T Fenton, the consulting engineer, by Mr O A Jones, the mine manager, and by the staff at the mine and at head office

R A Plumbridge
Chairman

Johannesburg
25 August 1978

GOLD MINE REPORTS

Cost factors

(214) FM 22/9/78

Annual reports published this week show that though gold mine unit costs are slowing down, escalation is still above acceptable levels. The catalogue of reasons has changed little. overtime payments with the 11-shift fortnight, higher power costs and advancing cost of stores

If recent gold price rises have been overdone and a reaction to below $200 can be expected over the next few months, the effect on dividend prospects could be severe. Especially with lower-grade producers such as Venters, even $200 gold could mean continuing reliance on State Aid if current cost escalation rates are maintained

Doornfontein: Development has delineated the western limit of the Carbon Leader reef erosion channel The small area now proven to be underlain by Carbon Leader is so remote from shafts that it is unlikely to be mined near-term When it is, it could have to be mined in conjunction with ground beyond the western boundary. The erosion channel area is underlain by Main Reef, though no payable zones have yet been proven by drilling In any event Main Reef payable zones are probably limited throughout the whole lease area, and extensive mining will result in major grade drops.

To relieve pressure on medium-term ore reserves, an option has been taken on ground owned by GFSA beyond the southern boundary. No details of GFSA's drilling results have been published, but the option can be exercised by the issue of 172 000 shares to GFSA at 580c. Recovery grades in the deep area should be in line with current results, but development could mean relatively heavy near-term capex with two tertiary shafts probably needed for access.

Excluding initial capex for shaft sinking, the current year's capex is estimated at R4,5m (1978: R3,6m), with no near-term slow-down in sight. Doornfontein remains relatively highly geared to the gold price and any set-back will quickly reflect in poor dividend prospects

Venterspost: If bullion weakens the mine could fast lose its following. Mill throughput remains stubbornly below capacity and, short of a highly selective mining programme which could mean lower mill throughput, it seems set for a steady grade decline Development sampling in the south-eastern prospecting permit area has not been particularly encouraging

Sensitivity to bullion prices can be seen from the reserve figures calculated at different gold prices. So if gold takes off, life prospects can change radically But even with $200 gold the mine will remain dependent on State Aid as costs continue to rise.

Capex has been cut to the minimum necessary to maintain production. But as State Aid declines with improving working profits, prospects for dividends are not particularly bright unless a better relationship between revenue and costs can be established

Kloof: The mine should achieve full-capacity mill throughput of 180 000 t/month by the end of the current year Sufficient longwall stopes will then be available for this target to be met. At the same time, recovery grade should rise to about 13,5 g/t this year and be held at that level.

This year, capex is slated to rise to R15,5m, largely for sinking the No 3A service shaft and commissioning No 3 shaft and No 2 sub-vertical shaft. Thereafter it should tail off until further shaft sinking is necessary to open the eastern and southern parts of the lease area

Last year, unit costs rose by 22%, but with stabilisation of mining at full capacity, better cost control should be possible. The potential for unit cost containment can be seen from the June quarter's results, when average monthly mill throughput of 160 000 t resulted in unit costs of R31,40/t. In the March quarter, average monthly mill throughput was 145 000 t and unit costs R33,19/t.

Libanon: The mine is nearing its target of balancing ore reserves between the relatively high grade VCR in the southern part of the mine and lower grade ore in the central and northern areas The latter are fast becoming available for mining, pointing to an inevitable and steady decline in recoveries.

A small amount of prospecting has been carried out on the Kimberley and Elsburg reefs and small tonnages of Kimberley Reef have been included in reserves Grades are generally lower than on VCR. Outside the lease area, borehole LB1 in the area held under prospecting permits has given encouraging intersections on both VCR and Elsburg Reef.

RISING COSTS

	Cost R/t milled year to June 30 1977	Cost R/t milled year to June 30 1978	% rise	Cost R/kg produced year to June 30 1977	Cost R/kg produced year to June 30 1978	% rise
Blyvoor	25,53	31,20	22,2	2 048	2 799	36,7
Doornfontein	26,40	30,45	15,3	3 006	3 355	11,6
Kloof	27,40	32,84	19,9	2 209	2 536	14,8
Libanon	21,05	24,36	15,7	2 533	2 754	8,7
Venterspost	22,04	27,81	26,2	3 896	4 814	23,6
West Drie	25,25	30,04	19,0	1 064	1 311	23,2

GOLD MINES' PERFORMANCE

	Average t/month milled '000t	Recovery grade g/t	Gold produced kg	Gold revenue Rm	Total profit Rm	Capex Rm	Net EPS c	1977-78 dividend c	1978-79 dividend projection at $200 c	Price c	Prospective yield %
Blyvoor	147	11,2	19 663	93,2	24,9	8,6	7,8	63	65	610	12,7
Doornfontein	119	9,1	12 982	6,36	11,4	3,6	79,8	50	50	560	8,9
Kloof	144	12,9	22 298	107,1	31,9	14,7	57,0	40	65	1 090	6,0
Libanon	135	8,8	14 329	69,8	15,9	3,8	152,6	100	120	965	12,4
Venterspost	99	5,8	6 892	33,3	*3,4	1,3	*40,6	25	15	400	3,8
West Drie	204	22,9	56 019	274,5	91,3	16,1	533,8	385	470	4 525	10,4

*After State Aid.

Borehole ELF 1, on the other hand, gave uneconomically low VCR intersections

This year capex is planned at R5,5m, mainly on shaft sinking. Within two years it should decline to a level necessary simply to maintain production, especially if as seems likely, ground outside the lease area can be exploited without major shaft sinking programmes.

This year, despite an expected drop in gold production, management expects an increased dividend if cost escalation rates do not increase and if gold holds at around current levels. Given a steadily improving gold price and maintenance of its relationship to costs, there should be few problems maintaining production. Useful life extensions are possible especially on the Main Reef, but this could be at the expense of yield

West Drie: Carbon Leader grades in the area between the Nos 3 and 6 sub-vertical shafts are proving better than originally expected. Even so, a further grade decline is expected this year as mining emphasis shifts towards the eastern part of the mine. This will be offset by an expected improvement in average milling rate to 210 000 t/month.

The western and central sections of the mine will soon lose their importance. Reading between the lines of plans for removal of shaft pillars, there seems little prospect of any significant moves towards mining the major tonnages of low-grade Main Reef until VCR and Carbon Leader are near exhaustion. Shaft pillar removal should start in about five years on completion of new pumping arrangements. During this period annual capex will probably run at around R10m

Uranium and pyrite sales which have a relatively small effect on profit are expected to continue at last year's levels. The major determinant is evaluating the mine is the rate of decline of gold yield.

Blyvoor: Recovery grade trends are inevitably downward as mining becomes increasingly located in the lower grade western section of the mine. Mining problems are increasing. The safest mining policy for the remaining years involves leaving ore pillars behind, which means that additional development and equipment will be needed. So whereas it had been expected that capex would have been tailing off, it is now expected to rise to over R12m this year and next.

As far as gold production is concerned, technical factors are against the mine. This year, recovery will probably fall below 10 g/t. There seems little prospect of any useful life extension from mining either the Black Reef or Main Reef. Grades are too low and payable ore tonnages are minimal

The mine is becoming increasingly dependent on uranium now that slimes retreatment facilities are in operation and with negotiation of new and more favourable sales agreements

Jim Jones

GOLD FIELDS OF SOUTH AFRICA LIMITED

(214)

FM 29/9/78

(Incorporated in the Republic of South Africa)

SALIENT FEATURES OF THE REVIEW BY THE CHAIRMAN, MR. A. LOUW, FOR THE YEAR ENDED 30 JUNE 1978

1977 R Million		1978 R Million
30,8	Income from investments	37,4
1,0	Surplus on realisation of investments	7,9
(10,0)	Amounts written off	(4,3)
(0,1)	Sundry items	(0,1)
21,7	Profit attributable to members	40,9
Cents per share		Cents per share
133	Earnings	251
110	Dividends	135
2 477	Net assets as valued	3 648

During the year the Group invested over R51 million in the equity of three major mining projects The Group has short, medium and long-term facilities in excess of R81 million, of which some R46 million had been drawn at the year-end Arrangements were made to finance the advance of R35 million as an interest-bearing deferred loan to the Black Mountain Mineral Development Company (Proprietary) Limited by drawing against term loan facilities but as a result of the better than expected results for the year under review it is considered that drawing against term loan facilities will be small and of short duration

Gold

The gross profits of the producing gold mines administered by the Group exceeded R500 million for the first time in spite of a very substantial increase in working costs The increase in working costs was attributable to the cost of additional staff and overtime to compensate for the effects of the eleven-shift fortnight, and more expensive stores and power

Base metals and minerals

Final agreement was reached during the year with Phelps Dodge Corporation to acquire 51 per cent of the equity of the Black Mountain Company That company's mine at Aggeneys in the North-Western Cape will produce lead concentrates with silver as a major by-product and zinc and copper concentrates as minor by-products Satisfactory market prices for lead and silver are expected to prevail

General

The creation and preservation of job opportunities must, for a period, take precedence over increases in minimum wages The equality of opportunity in employment must be extended to all and this requires the removal of the remaining racial barriers in this area Vocational training and higher levels of education will progressively have to be improved and extended to all members of all race groups

Outlook

The Group is not dependant upon the flow of foreign capital to finance its projects, nor does it appear likely that it will become so in the future It has the financial capacity to finance further major projects as soon as opportunities arise and conditions are propitious

This Group has for long been steadfast in its confidence in the future of gold, but even at a lower gold price than prevails at present there are good prospects for increases in dividend distributions during the current year whilst at the same time allowing for adequate retentions to provide for the future development of the Group

GOLD FIELDS OF SOUTH AFRICA LIMITED — CHAIRMAN'S REVIEW 1978

The full text of this statement is available on application to The Secretary Gold Fields of South Africa Limited, 75 Fox Street Johannesburg 2001 Please complete and post this coupon

Name

Address

974.

Year	Matriculation and Senior Certificate	N.T.C.1.	N.T.C.11.	N.T.C. 111	N.T.C. 1V.	N.T.C. V
1971	2 215	34	58	1	-	-
1972	2 231	165	151	16	-	2
1973	2 886	262	130	56	-	-
1974	3 587	189	155	63	-	-

Sources: South African Institute of Race Relations, Annual Surveys, Department of Indian Affairs, Annual Reports.

WESTERN AREAS

(214)

Randfontein it isn't

FM 29/9/78

This week's announcement that the board has asked Nufcor to seek a uranium contract confirms that the uranium potential which has emerged over the past two years has become a viable proposition. But it is worth underlining that the venture, if a contract is obtained, will be replacement tonnage, rather than a new mine.

Western Areas currently mills 340 000 t/month, of which 230 000 t/month is drawn from its North shaft and the balance from the South shaft, these being respectively the old Western Areas and Elsburg sections. This ore is treated exclusively for gold. The uranium project would supply 80 000 t/month of the present North shaft call.

The vital question, therefore, is the profitability of the proposed 80 000 t/month of uranium tonnage compared with the gold tonnage it will replace.

In the June quarter, Western Areas' grade was 5,6 g/t for revenue of R31,56/t and costs were R24,15/t, leaving profits of R7,41/t. But it is likely that the figures included marginal ore from the North shaft stopes to feed the hungry mill.

Successful development of the uranium project would enable the mine to

Western Areas' Von Wielligh . . filling the mill

eliminate tonnage at 4 g/t or so which brings in revenue of only R24/t at current gold prices, with 1 g/t equivalent to R6 at $215 per oz.

The uranium bearing ore drawn from the Middle Elsburg series, which are about 300m below the Upper Elsburgs now being mined, should yield about 0,4 kg/t uranium and 1,5 g/t gold, while treatment costs will be higher than Western Areas' present level because of the uranium element.

The upshot of the switch to Middle Elsburg ore should increase Western Areas' profit by about R7,50/t before tax, but also before loan repayments, so on this basis the project would be worth about an additional R7m per year. How much of this could be distributed would depend on the loan repayment terms associated with the uranium plant, probably an R30m item.

Western Areas earned 18c before capex in the six months to June and 10c post capex, out of which it paid 8c. So a total dividend of 20c could be in sight and the shares, which did not respond to the uranium announcement, look fairly valued. The uranium project is a welcome diversification of earnings and, will extend life, but as sources close to the industry observed this week, "it isn't another Randfontein."

Richard Rolfe

GFSA (214) FM 29/9/78

Gold improves the finances

Activities: *Mining house with gold investments primarily in West Wits line gold mines Controls Apex, Rooiberg, New Wits, Vogels and unlisted Zincor Cons Gold owns 46% of the issued shares and Amgold 11%*

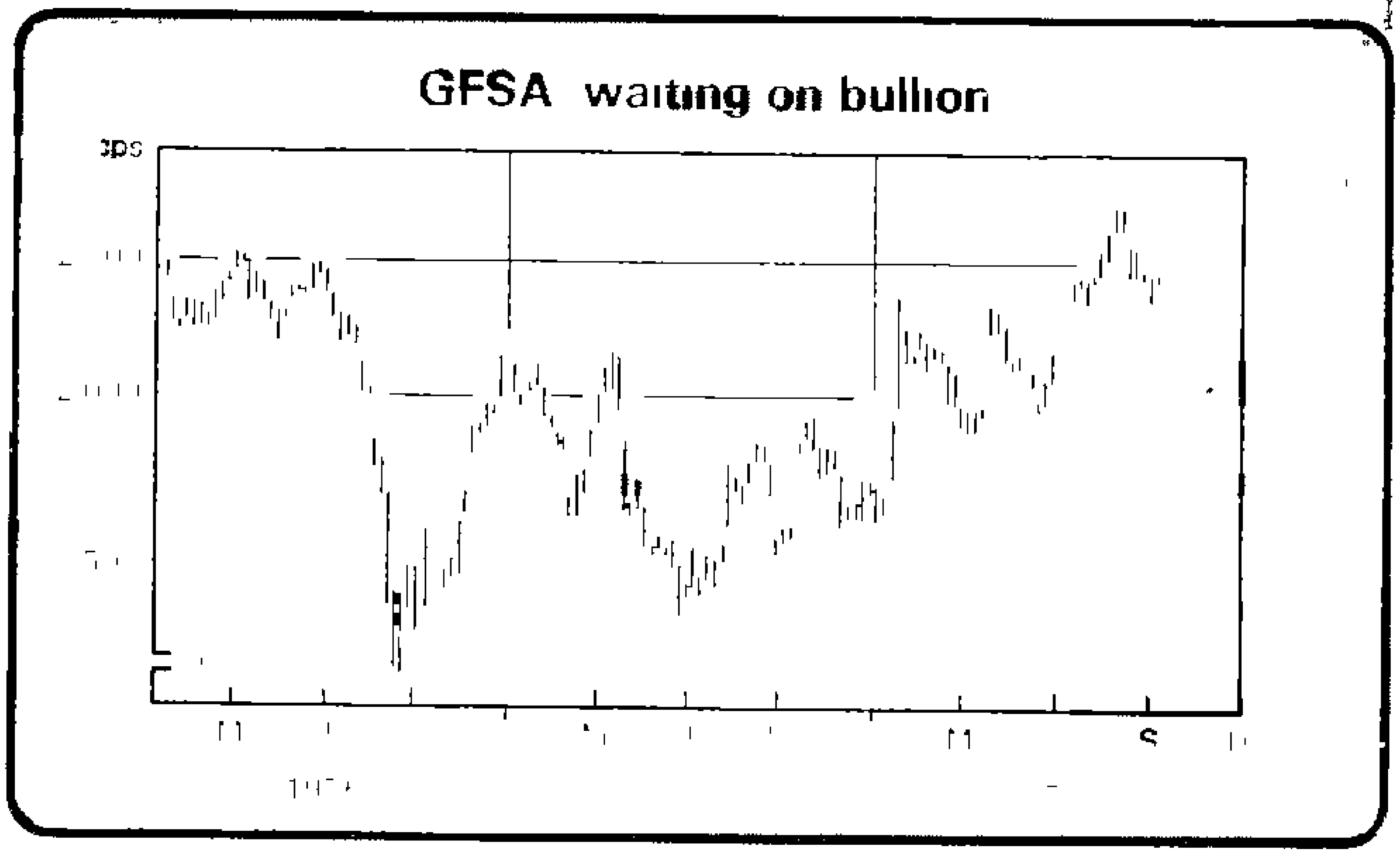
Chairman: *A Louw*

Capital structure: *16,3m ordinaries of 25c. Market capitalisation R411,6m*

Financial: *Year to June 30 1978 Borrowings. long and medium term, R30,4, net short term, R15,3m Debt equity ratio 7,7% Current ratio 0,73*

Share market: *Price 2 525c (1977-78 high, 2 750c, low 1 380c, trading volume last quarter, 93 000 shares) Yields 9,8% on earnings, 5,3% on dividend Cover 1,8 PE ratio. 10,2*

	'75	'76	'77	'78
Investments				
Book value (Rm)	113,5	102,0	142,9	170,7
Market value (Rm)	735,7	448,5	391,9	593,3
Dividend income (Rm)	37,3	31,5	24,6	31,3
Earnings (c)	288,8	182,4	130,6	248,7
Dividends (c)	225	155	110	135
Net asset value (c)	4 820	2 941	2 564	3 630



The heavy gold orientation means that at current gold prices, reliance on outside funding for new developments has been greatly reduced Chairman Ian Louw says that drawings against previously arranged loan facilities will be small and of short duration

To finance the Black Mountain project, GFSA has arranged a local loan facility of R21m and a Eurodollar loan of $15m Now it appears that if gold remains at current levels, the bulk of the local borrowings could be repaid by the end of the current year. In addition, the group is not dependent on an inflow of foreign capital for any of its present or prospective projects.

It means that there should be no financial constraints on the next possible major development, a potential new gold mine north of East Driefontein. No details of GFSA's drilling in the area are given, but preliminary information could be available from the house in the latter part of the current year.

Nor, in contrast to the 1976 and 1977 reviews, is any information provided on exploration in other areas. In the year under review, exploration expenditure declined to R2,4m (1977: R4,1m). Prospecting of coking coal deposits in Rhodesia has been halted and a low profile is being adopted on activities in the OFS and SWA. The implication is that no new projects are contemplated until Black Mountain is launched.

However, for the first time GFSA published a full breakdown of the investment portfolio. The only additions during the year were to Deelkraal and Elandsrand as rights were exercised. Otherwise there were sales more or less across the board, in part to finance taking up the Deelkraal rights.

Major disposals were 350 000 Western Deep, 238 065 Abercom, 198 300 Amcoal, 163 400 Union Corp, 50 000 East Drie, 116 200 Rustenburg, 57 000 President Brand and 134 400 Doornfontein. It resulted in a profit on realisation of investments of R7,9m, most of which arose in the latter part of the year This year, further disposals are anticipated during the first few months, but profit on realisation will probably run at around the same level.

As far as Black Mountain is concerned, the project is on schedule and within budget and there seem few fears that its eventual gearing will be a drag Faith is being pinned on the fact that the mine should be among the lower cost producers and that there are few if any others with the mine's lead grades.

Louw's optimism about the group's likely debt position is based on earnings projections with gold as low as $160 and he says that "even at a lower gold price than prevails at present there are good prospects for increases in dividend distributions during the current year" At $200 gold a total payout of at least 160c could be on the cards for a 6,3% prospective yield

Current nav is around 4 700c, putting the shares at an approximate 45% discount to nav. In the near-term, investors looking for income growth with rising bullion are probably better served by direct investment in producing mines. The shares are best suited to investors with medium-term objectives. *Jim Jones*

GOLD MINE REPORTS (214)

Uranium prospects

FM 29/9/78

General comments by gold mine chairmen in the latest set of annual reports are in line with expectations. The industry has done its calculations and the general line is that the 11-shift fortnight has resulted in a 6% productivity drop. The effects could be masked if bullion continues to perform well.

Uranium recovery projects are fast nearing completion, pointing to substantial near-term improvements in uranium revenues.

Harmony: On completion of the Merriespruit uranium plant in two years' time, the mine will be able to treat all ore for gold and uranium. Milling is now at full annual capacity of 7,44 Mt. Capex to be financed internally is planned at R16m during the current year. Thereafter, it should decline to something in excess of R10m during a period of consolidation for the mine.

Mining emphasis is shifting gradually towards Merriespruit which now provides almost 30% of milled tonnage. Consequently, gold recovery is declining. It was 4,4 g/t in the June quarter, and during the current year will probably average somewhat lower. But on gold alone, the mine would have broken even in the June quarter at an average gold price of $190. Now that gold and uranium revenues are no longer given separately, near term analysis can probably be best done on the basis that gold will on average cover costs, leaving uranium to provide the profit element.

Low price uranium contracts are gradually expiring. They will only account for about 40% of sales in 1981 and be completely eliminated in 1985. This year there may be fewer opportunities for spot sales than last year. Uranium yields from slimes are now lower with exhaustion of the No 3 slimes dam. But at current gold prices, working profit should reach at least R35m. Dividends now look set for a steady increase though tax will be taking a major slice of earnings in about two years.

ET Cons: Off mine prospecting in the Barberton area has disclosed little in the way of additional reserves and efforts are to be extended further afield. This does not necessarily mean that the mines near Barberton are nearing the ends of their lives. On mine prospecting continues to disclose reserves to replace those exhausted. Capex in the current year will be at a relatively high level, but costs are being well maintained and should continue so. Capex will retard dividends and much depends on the increased scope of exploration. At $200 gold there should be little difficulty increasing the dividend.

Hartes: Capex for the current year had been estimated at R16m, but this is to be increased with earlier deliveries of equipment for the uranium plant expansion. Presumably this will mean advance drawings against the R14,6m consumer loans and therefore not retard distributions. Mill throughput is planned at an unchanged 2,9 Mt, but yield is set to fall to 10,7 g/t gold.

The future pattern is of a steady decline in yield as operations shift westwards. Major shaft sinking projects are now completed, though there may be further small sub vertical shafts needed eventually. But with completion of the uranium and sulphuric acid plants, capex should tail off fairly rapidly from next year, to coincide with an improvement in uranium revenue from the additional output.

As expected at this stage of the mine's life, development sampling remains satisfactory and, subject to the planned steady grade decline, there should be no surprises. Clearly as grade declines and costs increase, the mine will become increasingly gold price sensitive. It should, nonetheless, remain a steady dividend payer.

Wit Nigel: The shares are an out-and-out speculation. Ore reserves are minimal, costs exceed $200 per oz and everything depends on establishment of sufficient ore reserves with completion of the 18 level crosscut.

There are some positive factors. Capex should now start declining from the relatively high levels of the past few years and improved mining facilities could mean both better cost and grade control. On the contra side, improvement in gold prices from current levels could fast reduce State Aid receipts. So unless there

RISING COSTS

	Cost R/t milled Year to June 30 1977	1978	% rise	Cost R/kg produced Year to June 30 1977	1978
ET Cons	16,60	18,00	7,9	2 610	2 799
Harmony*	19,50	22,49	15,3	3 719	4 043
Hartes	26,91	31,47	21,5	[illegible]	2 858
Wit Nigel	24,81	26,74	7,8	5 548	6 607

* Total costs applied to gold production.

GOLD MINES' PERFORMANCE

	Average t/month milled 000 t	Recovery grade g/t	Gold Produced kg	Gold Revenue Rm	Uranium Profit Rm	Total Profit† Rm	Capex Rm	Net EPS	1977-78 dividend	Dividend projection at $200	Price
ET Cons	28	6,2	2 119	10,8	—	3,0	1,2	43,9	35	45	[illegible]
Harmony	546	4,6	30 410	143,9	32,4	30,9	20,5	*36,5	55	65	710
Hartes	244	11,1	32 626	160,0	11,0	43,6	14,7	257,9	250	[illegible]	2 450
Wit Nigel	20	4,8	1 142	5,8	—	11,0	0,6	5,0	—	[illegible]	95

* Ignores effects of consumer loans
† After State Aid

ERIKSENS

On the mend

In line with other motor dealers, Eriksens

CONFERENCE ON THE ECONOMICS OF HEALTH CARE IN SOUTHERN AFRICA

25 to 29

THURSDAY	FRIDAY
PLENARY SESSION (3 papers)	PLENARY SESSION (small groups report back)
TEA	TEA
LARGE GROUPS	

8.30 – 10.30
10.30 – 11.00
11.00 – 1.00
6.30 – 8.00
8.00 – 10.00

(214) FM 6/6/78

GFSA's Adrian Louw: "Since after tax profits are in the final event the main source of funds available for financing new projects and the expansion of existing mines, it is a matter of considerable concern that the penal rate of taxation on gold mines imposes severe restrictions on such funds

"This cannot be conducive to the mining industry fulfilling its major role in maintaining and increasing the country's foreign exchange earnings It is pertinent also to mention the heavy reliance placed by the state on income fron gold mining taxation Whilst the gold mining industry still has a comparatively long life, it is nevertheless a wasting asset and it can not be healthy for the fiscus to continue to depend so heavily on one sector of the economy "

In a true free market situation, such as

(214) FM 6/10/78

GFSA's Adrian Louw: "Since after-tax profits are in the final event the main source of funds available for financing new projects and the expansion of existing mines, it is a matter of considerable concern that the penal rate of taxation on gold mines imposes severe restrictions on such funds.

"This cannot be conducive to the mining industry fulfilling its major role in maintaining and increasing the country's foreign exchange earnings It is pertinent also to mention the heavy reliance placed by the state on income fron gold mining taxation. Whilst the gold mining industry still has a comparatively long life, it is nevertheless a wasting asset and it cannot be healthy for the fiscus to continue to depend so heavily on one sector of the economy."

★

Harties' Basil Hersov: "The gold price continues firm as do uranium

RDM 12/10/78

GFSA mines average $200,44

BY ADAM PAYNE

THE RISE in the gold price since July 1 saved GFSA's gold-mining quarterly results from a serious drop compared with the previous quarter when a change in the Reserve Bank's payment system provided extra revenue and distorted the results

The mines averaged $200,44 an oz compared with $205 in the June quarter,, which brought the overall results for the group in line with those for the June quarter, with some mines increasing their yield and gold production

Tax and State share of profits took 58% of profit or R94-million (R95-million).

Unit costs rose 5,8% to R29,49 a ton milled, which was an acceptable rise because of the inclusion of black wage increases White wage and salary rises, which were only partially effective in the previous quarter, also applied for the whole of the September quarter

Where the results for the past quarter are directly comparable with those for the June quarter, a modest improvement in performance was achieved

Labour was at full strength and tonnage milled rose 1,6%, which combined with a slightly better average yield of 14,3 g/t (14,2 g/t) led to an increase of gold production by 987 kg to 42 187 kg.

The exception to the overall good performance was East Driefontein, where tonnage was lost because of a fire Had the fire not occurred, the mine would have milled about 600 000 tons, the average quarterly target for the year

The effects of the fire have largely been overcome, with the area sealed off The management has again achieved the flexibility it needs in mining

The lower yield at East Driefontein of 20,1 g/t (21,5 g/t) is in line with management expectations, but with the higher gold price there is a noticeable change in the value of ore reserves that are now payable Unit costs rose at East Driefontein in the quarter because of the fire

Profit after tax was virtually unchanged

Doornfontein broke more square metres of ground in the quarter than in the previous three months and this contributed to the higher grade at 9 g/t (8,2 g/t)

The grade could be maintained for the rest of the financial year to June 30 next, but if the gold price continues high, it could be dropped slightly

GFSA takes a view on the gold price average over three months in determining pay limits

The higher yield at Doornfontein in the past quarter reflected the fact that the mine management has been able to replace some low-grade ore with high-grade ore

Libanon's yield was slightly lower at 8 g/t (8,5 g/t) In other respects the quarter was much the same as the previous one, with net profit down because of lower gold production

West Driefontein did exceedingly well, with a greater tonnage and higher yield It milled 640 000 tons — which should be maintained for the immediate future The yield was higher largely because of an improvement in underground efficiencies

Kloof reports slightly higher milled tonnage. It is moving to the capacity limit 180 000 tons a month, which should be reached by the June year-end

The improvement is slow because of bottlenecks and the fact that the mine depends on one shaft until the No 3 shaft and its sub-vertical are commissioned

"In future we may look at an increase on the 180 000 tons a month production level, but that is not in our planning for the next couple of years," says the chairman, Mr Robin Plumbridge

"It cannot be considered before the No 3 sub-vertical shaft is operating "

Kloof's yield improved to 14,6 g/t (13,5 g/t), resulting in higher working profit, but the taxed result was much the same as in the June quarter

Venterspost This "problem mine" as it is known at GFSA, produced a lower net profit than in the June quarter, but comparison is not valid because of the distortion caused by the change-over in the payment systems in that quarter

Venterspost improved the milling rate which was up 27 000 tons, but yield dropped because additional tonnage came from a lower-grade area

The mine made a small working profit and the management achieved its immediate objective — a working profit "We now have something on which to start building," says Mr Plumbridge, head of GFSA's gold division

Vlakfontein The yield from treating dump material was unchanged, but as with Venterspost net profit was down again, a comparison with the previous quarter is not valid

Deelkraal. High-speed development from No 1 shaft started on Tuesday on 3, 5 and 9 levels and it was scheduled to begin from 7 and 11 levels last night

The management expects to resume shaft sinking in the sub-vertical shaft tomorrow and to sink the shaft bottom section The 21st level has been reached

Surface work is well advanced The mill has been run and the refrigerating plant is being commissioned

The surface installations should be completed before the end of the year and the programme is to begin trial milling towards the end of next year Production is scheduled at a rate of 60 000 tons a month by the beginning of 1980, but my guess is the mine will beat this target

It is also scheduled to produce at a rate of 120 000 tons a month by the end of 1980 That target, too, could be improved on because the team on the mine is working flat out on underground development

Whether the targets are bettered depends largely on what conditions are found in development

Mineworkers' conditions appalling says UN body

DD

20/10/78

(214)

GENEVA — Working conditions for South Africa's gold mine labourers were dangerous and their living conditions appalling, the International Labour Organisation said yesterday

Black workers from Malawi, Lesotho, Swaziland, Rhodesia and Mozambique continued to migrate to South Africa to take jobs in the gold mines because there was no work for them at home But their production of nearly R17 million worth of gold each day helped to prop up the apartheid system, the ILO added

In a report on migrant black labourers in South Africa from neighbouring states, the United Nations' specialised agency said the mineworkers were "living under prison-like conditions "

"Accommodated in single quarters in compounds which they cannot leave without special permission, these miners are victims of apartheid in South Africa where black workers may not form Trade Unions recognised under the laws governing collective bargaining "

"The gold miners are subjected to almost unbearable conditions of confinement, heat, noise and dust, making for an inevitably high accident rate," the ILO said

The South African ambassador, Mr David Tothill, described the report as "little more than a piece of malice put out by the ILO secretariat in the hope of appeasing the United Nations Anti-Apartheid Committee "

Migrant labour was a world-wide phenomenon and its social, economic and political problems were universal, Mr Tothill said. — SAPA-RNS

GOLD

FM 3-11-78

What to do with the windfall

State revenue from the gold mines this fiscal year could well be almost double the R580m projected by Senator Horwood in his March budget The haul in the first two quarters alone should be at least R500m

This is the most obvious benefit of the soaring price of gold, which this week again saw new highs being set in London Publicly. Horwood has said only that his estimates were based on a "reasonable" gold price, in fact, it is generally thought he used $160 an oz

This was some 10% less than the average London fix of $178 in the March quarter. In the June quarter, the average was little changed, at $179, it really started to move up in the September quarter, to $202

But in spite of the static June quarter price, State revenue (in line with gold mining profits) rose sharply because of the one off benefits of quicker payments from the Reserve Bank that followed the revaluation of the gold portion of the foreign reserves. Pretoria's tax and lease haul from the gold mines leapt from January-March's R169m to R254m in April June

At the time this was seen as an exceptional level But the higher September quarter average price could offset any fall almost entirely The gold mining reports were still being published as we went to press, but the mines of the first major house to report, Gold Fields, paid mining tax of R93,9m in the September quarter, only 1,7% less than the R95,5m of the June quarter Union Corp mines' gross tax payments actually rose by 4,3% in the third quarter, to R29,3m

The rule of thumb, that every $10 an oz increase in gold price pushes up the mines' annual receipts by R200m (or by R50m in a quarter) is well known What may be less widely realised is that, because of high marginal tax rates on gold mines, the biggest single beneficiary is the taxman

Leaving out June because of the effect of the revaluation, the average gold price in September was about $24 higher than in March equivalent by the rule of thumb to an increase in quarterly revenue of R120m; yet the increase in the tax take is likely to be about R80m, or roughly three-quarters

These calculations cannot be treated too reverently, as they ignore things like the lowering of grade as the price rises, and the fact that sales in any given period may vary from actual output

Gold mining costs are continuing to rise (by 15% a year, Harry Oppenheimer said in his Anglo American chairman's review recently) But if the gold price retains its present strength there is no reason why tax and lease payments should not continue to run at least at R250m a quarter

Moreover thanks to the coming on stream of new mining capacity this year we are not seeing the usual fall in output as the price rises. In May, Horwood said total output this year could be of the order of 720 t, against 710 t in 1977. Actual January August output of 15,1m oz was still marginally ahead of the 14,9m oz of the same period last year, in spite of the higher price

The *FM* argued recently that further tax concessions are urgently needed if the economic recovery is to be sustained. Blooming revenue from gold, one of the main reasons for the sharp build-up in government balances with the Reserve Bank (up from R374m at the end of December to R571m at the end of August — last August they were R484m), should ensure that substantial concessions can be made without unbalancing the budget

The impact on government revenue is only one of the consequences of the towering gold price. At the end of last month, the gold and foreign exchange reserves broke through the R2 billion barrier, thanks almost entirely to revaluation of the gold portion.

But the consequences of the gold boom extend far beyond State revenue and the foreign reserves. Oppenheimer has said the gold mining industry is committed to capital spending programmes of R2 billion. A higher gold price will make it far easier to finance this, and could make even more ambitious projects possible.

And somewhere at the end of the queue are shareholders and workers. Higher gold mining dividends will also generate additional spending power

While it may seem churlish to say so, it should be pointed out that the higher gold price is not an unmixed blessing. Gold's new highs reflect more than anything the weakness of the dollar. As long as the rand remains tied to the dollar, SA also finds its imports becoming dearer.

Nor is there any certainty that the present free market gold price will hold. It is only five years since the collapse of the last gold boom left Dr Diederichs' financial strategy in tatters, and Horwood will understandably be reluctant to make a similar mistake this time round

But it is a truism of economic history that the SA economy has developed thanks to one windfall after another. The latest gold boom is the most recent of a long line.

Without going overboard with euphoria, for heaven's sake let's make the most of it and use the proceeds productively — not in grandiose capital projects, but in down-to-earth, practical ways of boosting household spending that will ensure that our struggling economic revival does not flicker out before anybody has really started to share in its rewards.

SMALL GROUPS

RE

p.m.

Paper No.	Chairman/Rapporteur
48 39	
66 20	
10 24	
28 18 & 45	
44 8	
59	
36 41	
55 72	

is becoming largely academic. There is nothing official but market rumour ... that the house has ... and life is now a ... Certainly at current gold prices it's becoming an increasingly unattractive proposition to allow the mines lower levels to flood. And there is talk of ... underground operations, which would mean even less likelihood of ... spilling over into Grootvlei.

[illegible]

small further capital repayment

GOLD QUARTERLIES 214

Bullion boosts FM 20/10/78

Rising US interest rates are, at least for the moment, being shrugged off by gold bulls still looking for a break through $230. Currently, bullion is more than 10% higher than the average September quarter price receipts by the mines. So on the face of things, there could be scope for further grade cuts, especially among the marginals.

But cost increases are still far from coming down to acceptable levels. Recent wage increases have started taking their toll and even with higher bullion, grade cuts at the marginals mean that there will still be reliance on State Aid.

Meantime, dividend prospects are improving fast and if bullion does hold up, the market could be set for a further run

Randfontein: Continuing technical problems at the Cooke plant could cost Randfontein some of its glamour rating. Full capacity is now "unlikely to be achieved by the year-end" — an announcement that will hardly please a market already buzzing with rumours.

Plant commissioning problems meant a greater than expected proportion of Cooke No 1 shaft ore was treated and gold yield fell to only 11,4 g/t rather than the 9,4 g/t indicated in the last quarterly. It helped revenue, but that was poor consolation as capex to commission the Cooke plant has increased beyond expectations.

If all goes well and the planned buildup in Cooke No 2 shaft ore milling is achieved, gold yield this quarter should drop below 9 g/t, with further drops over the next two quarters to planned stable levels.

On present estimates, the tax shield should disappear by mid-1979 unless a start is made on Cooke No 3 shaft in the interim. Some preliminary site work has been done, but no contracts for the proposed shaft have yet been placed. Sinking will probably await de-bugging of the Cooke plant At Randfontein section, next stage is de-watering down to 26 level, preparatory to opening up and exploiting the uranium-rich Bird reefs.

After the 200c interim, the market had been looking for a final of as high as 400c At this stage a safe estimate is probably 250c.

Western Areas: Costs are being well contained, mill throughput is on the up and the mine's gold price gearing is being reflected in results But a considerable back-log of capex remains with a further R5m planned this quarter

Drilling of the Middle Elsburg reefs continues with uranium and gold values much in line with previous reports. For the first time, intersections of the E8 and E9 reefs have been reported. Results were mixed with uranium ranging from 29,0 cm kg/t to 60,9 cm kg/t. These reefs are not considered as main uranium carriers, but their inclusion enhances the mine's growing uranium potential.

Decisions on exploiting the uranium-bearing reefs await conclusion of sales contracts and it is not yet decided whether Western Areas will build its own uranium plant or send ore for treatment at Randfontein. Despite possible retentions for these developments, there is plenty of scope for a final of at least 15c

Doornfontein: Costs per ounce of gold were maintained with increased recovery grade. But on unchanged mill throughput, the 8,6% unit cost increase to R33,06/t milled is worrying. There is little prospect of any near- or medium-term let-up This quarter, year-end labour shortages could hit production and thus unit costs.

The erosion channel is now known to have eliminated most Carbon Leader reef in the western part of the mine and the future lies increasingly with mining at depth into GFSA's ground beyond the southern boundary. The effect of that on costs can only be inflationary. Capex remains relatively high and the mine relatively highly gold price geared

East Drie: Mill throughput and grade were hit by an underground fire. Capex remains at a relatively high level as shaft sinking progresses and there will be further marginal yield declines as the richer north-eastern part of the mine is exhausted VCR sampling continues to show the variable grades associated with this reef, but no major grade problems are likely

West Drie: The mill operated above rated capacity and better-than-expected Carbon Leader grades between Nos 3 and 6 sub-vertical shafts boosted yield. Limited areas of Main reef are being sampled with grades and channel widths in line with expectations. For the remainder of this year, yield should decline marginally. Unit cost control will

GOLD QUARTERLIES (214)

Uranium features

FM 27/10

Though bullion has slipped from recent highs ahead of US anti-inflation plans, the market is far from despondent on near-term trends.

The latest batch of quarterlies follows the same pattern as last week's with costs advancing steadily. In the OFS, Anglo still has problems with its group Joint Metallurgical Scheme. Uranium recoveries in particular are failing to rise as fast as initially expected. Whether this will affect contractual uranium deliveries is unclear. But elsewhere in the Anglo group shortfall problems have arisen.

Free State Geduld: Capex remains at a high level with on-going development of the No 5 shaft complex. Gold yield has held up better than expected, but there will be an inevitable decline once No 5 shaft production kicks in.

Welkom: Rising bullion is leading to grade cutting, but on maintained mill throughput unit costs rose by a relatively high 7,7%. Uranium has yet to make any contribution. Near-term prospects are of further grade drops as the proportion of ore drawn from the higher grade No 3 shaft area declines. This should be offset by an initial contribution from uranium next year. But with continuing technical problems at the JMS, the effect on earnings may not be as great as originally expected.

Western Holdings: Despite limited life prospects on the Basal reef, mill throughput and grade have improved. The grade improvement probably arose with elimination of lower-grade ore from the No 3 shaft, but it is difficult to foresee grade being maintained for more than a couple of quarters. Higher bullion means that mining the lower-grade Leader reef is becoming increasingly attractive. If so, development and unit costs can be expected to rise while workings are established. Still in the pipeline are possible plans for increasing investment activity.

Saaiplaas: Unit costs remain above the current gold price despite a marginal grade improvement. Capex is increasing steadily and technical problems at the JMS are retarding uranium's contribution. Earnings remain highly variable on a quarter by quarter basis as uranium receipts depend on timing of contractual sales. Unless bullion maintains its advance, and there is a strong improvement in uranium's contribution, dividends are unlikely this year.

President Steyn: Though capex is level-pegging, grade cuts and unit cost increases will negate any near-term benefits from current gold prices. There is little reason to expect any meaningful grade improvement from the present level. Mill throughput is about 15% below the now-increased capacity, but should catch up especially when mining of Video starts in 1980.

President Brand: Gold grade continues to decline, in part as increased tonnages are drawn from the lower grade (but higher uranium grade) Leader reef. Higher gold revenues might accelerate development of the mine's south-western area, meaning relatively high capex.

Western Deep: There is no indication whether the proposed R50m uranium plant extension will be financed with consumer loans. If not, and despite tax savings, capex will mean dividend restraint through 1980. With little scope for planned grade cuts, rising bullion will off set dividend limitation with accelerating capex. Plans for higher near-term uranium production to minimise purchases from other Anglo mines to make good contractual delivery shortfalls have yet to take effect. Even with retentions to finance uranium plant extensions, a final dividend of 75c looks possible.

Vaal Reefs: Mining emphasis is shifting increasingly to the south lease area, meaning rising royalties for Southvaal. Capex is declining and the consumer loan-assisted uranium plant expansion is slated for completion by mid-1979. Relatively high capex will continue until 1983 when commissioning of the No 9 shaft is expected, but this will be accompanied by consumer loan repayments. A 150c final could be possible if bullion maintains its current level.

Stilfontein: State Aid has fallen away and the impact of higher bullion is being felt in an increased tax charge. Capex for the new uranium plant will provide a tax shield. Vaal reef sampling in the Kromdraai fault area continues at a relatively high rate and with satisfactory, though lower, values. No development has been done on the lower grade Commonage and Livingstone reefs, but a start may not be far off if the gold price maintains its advance. Prospects for the final are looking brighter especially as the mine's relatively high gold price gearing comes increasingly into play.

Buffelsfontein: As expected, unit costs rose relatively strongly, in part helped by stockpile rebuilding in anticipation of year end labour shortages. Capex remains heavy with the sinking of the Orangia and Strathmore shafts.

West Rand Cons: Subject to the *caveat* of a satisfactory uranium sales contract being negotiated, the future depends increasingly on developments in Luipaardsvlei (*Fox* October 13). Gold production could decline sharply as ore is drawn from Luipaardsvlei's uranium-bearing Bird reefs. Capex requirements for the uranium plant extension and the R3m cash consideration for the GF Props deal point to a final repeating the 7,5c interim.

Wit Nigel: Mill throughput has increased with completion of the 18 level crosscut. With higher grade, the mine is marginally profitable at current gold prices and there is little chance of management opting for any major capex programmes. Dividend prospects remain dim.

Jim Jones

GOLD QUARTERLIES

	Gold: Cost R/kg	Gold: Cost *$/oz		Gold: Revenue R/kg	Gold: Revenue $/oz	Gold: Milled *000 t		Gold: Recovery *g/t		Uranium: Milled *000 t		Uranium: Recovery *kg/t		Profit: Gold R000	Profit: Uranium & other R000	EPS after capex & loan levy c
ANGLO AMERICAN																
Free State Geduld	2 148	77	(72)	5 719	205	839	(858)	13,3	(13,3)	†653	(802)	0,09	(0,09)	39 885	2 149	80,9
Free State Saai	6 874	246	(223)	5 672	203	317	(312)	3,5	(3,4)	†641	(699)	0 25	(0 22)	(1 320)	3 934	§(3,5)
President Brand	2 918	104	(92)	5 566	199	803	(796)	9 4	(9 7)	†856	(733)	0,08	(0,08)	20 036	2 107	§27,9
President Steyn	3 649	131	(108)	5 785	207	866	(864)	7 5	(8,2)	†1 255	(1 277)	0,10	(0,10)	13 922	2 791	22,4
Vaal Reefs	3 137	112	(116)	5 737	205	2 067	(1 914)	9,0	(9,0)	1 224	(1 216)	0,23	(0 22)	48 219	9 346	68,7
Welkom	4 210	151	(137)	5 683	203	554	(553)	6,0	(6 1)	†—	—	—	—	4 898	576	13,1
Western Deep	2 319	83	(74)	5 716	204	830	(832)	14,3	(14,3)	211	(226)	0,20	(0,21)	40 441	2 438	48,6
Western Holdings	2 076	74	(77)	5 689	203	820	(796)	10,8	(10,6)	†1 034	(902)	0 09	(0,09)	32 094	1 363	112,3
ANGLOVAAL																
ET Cons	3 213	115	(116)	5 557	199	86	(85)	6,3	(6,1)					1266	39	10,1
Hartebeestfontein	3 228	115	(103)	5 769	206	732	(733)	10 7	(11,1)	732	(735)	0,12	(0,12)	19 902	4 737	§67,7
Loraine	6 015	215	(216)	6 125	219	349	(313)	5,3	(5,6)					‡810	175	5,5
GENERAL MINING																
Buffelsfontein	3 958	142	(126)	5 722	205	797	(801)	8 7	(8 9)	770	(769)	0,20	(0,20)	11 135	7 525	42,5
South Roodepoort	2 839	102	(210)	5 560	199	56	(55)	4 8	(4,3)					1 115		78,5
Stilfontein	4 478	160	(153)	5 678	203	486	(504)	8 6	(8,3)					5 037	2 770	27,9
WR Cons				5 649	202	396	(380)	2,0	(2,6)	258	(237)	0,32	(0,31)	‡259		5,0
GFSA																
Doornfontein	3 672	131	(132)	5 625	201	360	(360)	9,0	(8,2)					6 327	483	22,2
East Drie	1 429	51	(44)	5 618	201	579	(590)	20 1	(21,5)					48 843	2 529	28,4
Kloof	2 299	82	(83)	5 646	202	485	(480)	14 6	(13,5)					23 702	902	22,5
Libanon	3 357	120	(107)	5 678	203	405	(405)	8,0	(8,5)					7 521	580	36,3
Venterspost	5 519	197	(184)	5 551	199	304	(277)	5 5	(6,1)					‡488	407	10,2
Vlakfontein	4 102	147	(150)	5 593	200	180	(180)	1,1	(1,1)					289	157	(0,1)
West Drie	1 412	51	(51)	5 608	201	640	(615)	23,6	(22,3)	325	(281)	0,26	(0,24)	63 354	6 136	148,8
JCI																
Randfontein	2 122	76	(56)	5 686	203	458	(311)	11,4	(14 4)	349	(266)	0,13	(n/a)	18 607	1 306	§51,3
Western Areas	4 277	153	(154)	5 942	212	1 072	(1 027)	5 6	(5,6)					9 998	538	10,3
RAND MINES																
Blyvoor	3 036	109	(98)	5 739	205	494	(476)	10,1	(10 4)	449	(448)	0,16	(0,16)	13 475	3 565	23,2
Durban Deep	5 083	182	(176)	5 858	210	576	(541)	4 1	(4 1)					‡1 649	188	57,0
ERPM	6 569	235	(210)	5 710	204	493	(473)	5,3	(5,4)					‡079	88	1,9
Harmony				5 668	203	1 861	(1 731)	4 3	(4 4)	1 266	(1 211)	0,11	(0,11)	17 122		§23,1
UNION CORP																
Bracken	2 763	99	(93)	5 883	210	195	(195)	6,6	(6,8)					4 018	298	10,5
Grootvlei	3 804	136	(136)	5 616	201	370	(360)	4,0	(4,0)					2 682	(13)	9,8
Kinross	2 687	96	(89)	5 796	207	390	(390)	7,0	(7,4)					8 493	214	16,5
Leslie	4 106	147	(138)	5 784	207	240	(230)	4,5	(4,6)					1 812	80	13,8
Marievale	2 846	102	(106)	5 220	187	250	(270)	2,6	(2,6)					1 543	61	13,1
St Helena	2 359	84	(91)	5 803	208	480	(480)	9,2	(8,7)					15 234	1 375	55,8
Winkelhaak	2 091	75	(76)	5 677	203	525	(520)	7,5	(7,5)					14 123	655	36,1
INDEPENDENT																
Wit Nigel	6 095	218	(237)	5 753	206	71	(66)	4,4	(4,0)					‡328	36	3,3

( ) refer to previous quarter †Deliveries to Joint Metallurgical Scheme ‡Includes State Aid §Excludes consumer loans

Gold high as dollar (and rand) dip more

214 Star 31/10/78

By Michael Chester, Financial Editor

Gold rose even higher on world markets today — it was 246,10 dollars an ounce in Hong Kong — as the dollar went into a new tailspin

The London morning gold fix was 243,65 dollars

South Africa was on a see-saw with export income soaring from gold but the rand falling with the dollar because of the link between the two

All in all, the rand's value in international trade had by today tumbled by a stunning 10 percent on average since the big 1975 devaluation

Its losses have been worst of all against the Swiss franc — down more than 46 percent.

CRIPPLING

The rand has shrunk almost as badly against the yen with losses now at 42 percent, meaning a crippling surge in the cost of imports from the Far East.

It has sunk more than 35 percent against the D-mark another big supplier of imports And it is down nearly 13 percent against the French franc.

Even in terms of the British pound, the rand has now lost all of its recent advantages and fallen 2 percent under its value three years ago.

Fortunately for South Africa, the gold price at the moment is rising at a faster pace than the rand is falling with the dollar

While the bullion price in London yesterday advanced by 4,75 percent, the dollar dropped by lower margins of 2,5 percent against the Swiss franc, 2,1 percent against the D-mark and 1,6 percent against sterling

Tension is growing internationally on the new dangers to world trade and currency values as the United States flounders in all of its attempts to halt the slide of the dollar

South Africa would inevitably feel the backlash if the US resorted to isolationism to try to cure it's domestic economic problems

Hundreds of millions of rands have been wiped off the value of US shares on Wall Street over the past two weeks as a procession of announcements by President Carter fell on deaf ears on currency markets.

Johnnies ponders new gold mine

244
RDM
11/1/78

BY ADAM PAYNE

THE OPENING of a big gold mine in the South Roodepoort, Western Areas, Randfontein mine area is being closely investigated by Johnnies.

Sir Albert Robinson, chairman of Johnnies, says in his annual review. "With the rising price of gold, our mineral rights on the West Rand in the vicinity of Randfontein Estates and Western Areas begin to acquire more significance

"In-depth examinations and feasibility studies are being undertaken to examine the economic viability of these areas, although there would have to be a significant further increase in the gold price to consider the establishment of any separate new mine

"However, there are operating mines close to the areas concerned and it may prove possible to develop these rights in collaboration with them "

I am told that if the gold price holds at $245 to $250, a new mine under the wing of an existing mine is a probability But mining-house pundits are cautious over the present gold price, considering it unstable and depending on the dollar

Should the gold price react and then recover steadily and firmly to $250, the establishment of a mine would be much more likely

A big mine would be needed because the exploitable reef is the variable Kimberley Reef, which overall is low grade — therefore a big tonnage would have to be mined

The cost could vary between R100-million and R150-million and would depend on the milling rate, which could be as high as 150 000 tons a month

South Roodepoort mine, recently taken over by a consortium headed by Mr Eric Ellerine and Mr L C Pouroulis, is in the northern part of the area, but its lower reefs are owned by Johnnies

I am told that the South Roodepoort consortium is discussing a deal with Johnnies whereby it would receive a vendor's consideration if Johnnies mineral rights were sold to a new mining venture and South Roodepoort's area became part of the mining lease

The area was drilled by Johnnies about two years ago with encouraging results It extends into Durban Deep's property, which also did some drilling but with disappointing results

It is bounded to the west by Randfontein's Cooke section Western Areas is to the south

A mining venture could involve Johnnies, Durban Deep and South Roodepoort and Randfontein

South Roodepoort's shafts are too small for use in any new big mine, their capacity being about 30 000 tons a month

A new shaft would have to be sunk

An obvious course in launching the venture, which would be low grade, would be to do so under the wing of a neighbouring mine which has a tax loss

CONS GOLD (214) FM 3/11/78

Golden emphasis

Activities: *UK based mining finance group with major interests in Australia, the US, Canada, the UK and SA — the latter largely through GFSA Growing involvement in industry apart from traditional mining interests*

Chairman: *Lord Erroll; group chief executive R I J Agnew*

Capital structure: *146,5m ordinaries of 25p Market capitalisation. R784m*

Financial: *Year to June 30 1978 Borrowings: long and medium term, £114,9m, Net cash £20,3m Current ratio 1,5 Capital commitments £16,8m*

Share market: *Price 535c (1977-78 high, 535c, low, 313c, trading volume last quarter, 29 000 shares) Yields 5,6% on earnings, 2,8% on dividend Cover 2,0 PE ratio 28,6*

	'75	'76	'77	'78
Pre-tax profit (£m)	67 3	43 3	35 6	69 8
Attributable profit (£m)	38 6	17 6	25 0	34 5
Earnings (p)	33 4	14 7	[illegible]0 8	18 7
Dividends (p)	6 7	7,4	[illegible]2	9 2
Net asset value (p)	245	332	[illegible]8	306

Though Cons Gold continue to play down its investments in SA, rising bullion meant that, before interest and tax, SA once again made the greatest (37%) contribution to group gross profit And taking into consideration the fact that many of the group's investments in North America and Australia have been financed by borrowings, SA's proportional contribution at the pre tax profit level is even greater

At least near term, bullion's continuing strength points to even greater emphasis on SA earnings Last year the largest individual contribution to gross profit came from construction materials at £30,3m, of which £23m was from UK-based Amey Roadstone But Amey's growth in the UK has peaked and growth in the US and Europe could be more difficult to achieve

With the exception of tin producer Renison, Australian mining (13,8% of gross profit) fared badly 62% owned mineral sands producer Associated Minerals, incurred a loss of £3m With additional capacity coming on stream, particularly in SA, any significant profit contribution looks unlikely until the Eighties A £4,3m loss was sustained by 46% owned iron ore producer Mount Goldsworthy, though improved cash flow is expected this year And despite maintained production, the Bellambi coal mine lowered pre tax profit to £4,3m (£5,8m)

The major target expansion areas remain the UK and US Steel marketing in the US has been helped by protective measures and the weakening dollar Acquisition of concrete product manufacturer Hydro Conduit added £3 9m to pre tax profit

Whether Cons Gold will take advantage of higher bullion to reduce its SA exposure remains to be seen It followed its Deelkraal rights with sales of GFSA and direct gold holdings and is clearly not prepared to commit additional funds here But if the SA investments can be realised in convertible currencies, a growing case could be made for some disinvestment

US interest rates are rising fast, and against total North American assets of £127m there are group loan commitments of £72m So further debt-financed investment there could become increasingly unattractive and difficult

Largely on the basis of gold, earnings this year could rise by about 20% The market in Cons Gold is made in London and there the inevitable comparison is always drawn with RTZ Over-exposure to gold and perceived political problems in SA mean that Cons Gold normally trades at a discount to RTZ But London's attitudes are changing as bullion maintains its advance. And if there is some major switching, the yield gap should narrow and Cons Gold be set for a sharp rise

For SA investors looking for geographical diversification the shares have some appeal But there is less gold earnings dilution in GFSA and less still in direct investment in golds

Jim Jones

FM 10/11/78

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ANGLOVAAL Chairman's review

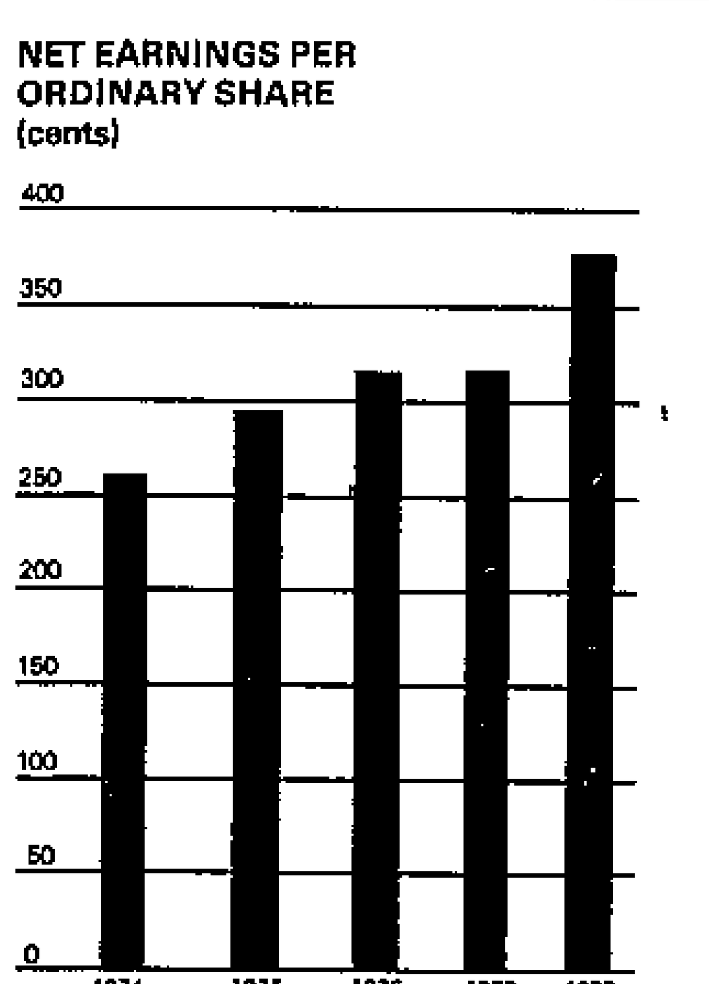
Better S.A. business climate, but caution needed; foreign investment an important element - Mr Basil E. Hersov

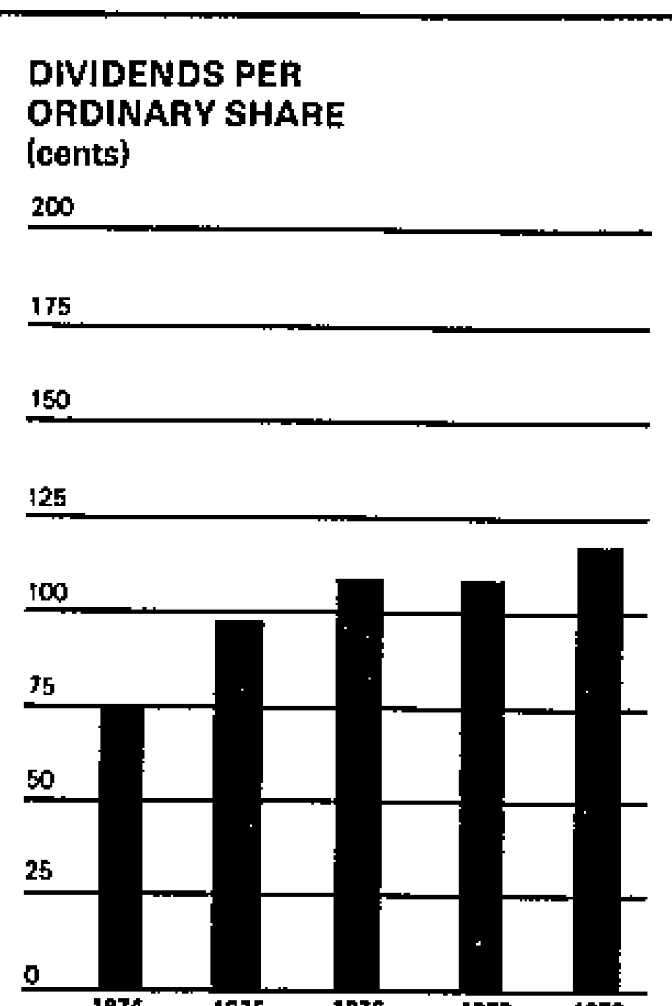
In reporting to shareholders on the Group's results in the past year, I feel it is again imperative to comment on the social, political and economic climate in which our Group is operating The more confident mood concerning the present state of the South African economy which is currently being conveyed through the media needs tempering Inevitably present attitudes tend to reflect the immediate past Certainly the present business climate is more healthy than it was a year ago due in part to the very much higher price received for our gold However, there will have to be a resumption of the traditional major foreign inflows of capital before we can expect the higher levels of increase in gross national product necessary to create sufficient employment opportunities for the increasing population

Since the serious unrest in black townships in mid-1976, foreign capital inflows have reduced dramatically In fact during last year there was a net outflow of capital and South Africa has had to live off its balance of payments current account and to look to its own savings for investment and economic growth Thus, although we can, hopefully, expect some growth in the immediate future, it will not compare with the growth we could experience if we could attract new foreign capital into our country at a rate comparable to that of the past The solution to this, is of course, as much political as economic in nature This country has tremendous potential in the reserves of manpower and natural resources – however, this potential can only be released if there is a marked reversal of the trend towards confrontation at home and abroad

In this context it is important to note recent statements by Government and business leaders which recognise the need for the elimination of racial discrimination in our society If such statements are going to lead to more than merely pious hopes, urgent and major adjustments are necessary Within our own Group, following a policy statement by the Board of Directors in June 1973, chief executives have been set objectives in the field of non-discriminatory employment policies and a programme for the attainment of a unified labour policy for all employees These objectives embrace levels of remuneration labour stability and motivation, training, effective communication systems, and increased involvement in employees' social problems outside the work environment

Naturally such a programme involves changes, often considerable ones, in the way we structure our employment practices We have found over the years that the implementation of a policy in a way and at a pace equitable to all employees white and black as well as to the needs of the individual organisations in our Group is far from easy Nevertheless substantial progress has been and will continue to be made as we are constantly monitoring progress against our objectives





The difficulties are of course not merely company or Group problems but national ones and must be dealt with on several fronts It is certainly encouraging that important commissions under Prof Wiehahn and Dr Riekert are examining some vital elements of these problems and we look forward with keen anticipation to the results of their investigations and recommendations It is not only through the re structuring of company personnel policies nationally and the improvement of educational and training facilities, but also through the vital area of changes in legislation and negotiation with employee organisations that discriminatory economic barriers will be reduced

Financial results

The consolidated taxed profit for the year ended 30 June 1978 attributable to members was R16 171 000 compared with R13 475 000 last year and net earnings per ordinary share increased by 20 per cent to

	Company 1978	Company 1977	Consolidated 1978	Consolidated 1977
Profit after taxation	R9 107 000	R8 109 000	R33 101 000	R27 077 000
Dividends paid	R5 259 000	R4 837 000	R5 171 000	R4 756 000
Earnings per ordinary share*	204 cents	181 cents	381 cents	318 cents
Dividends per ordinary share	115 cents	105 cents	115 cents	105 cents
Investments				
Listed				
Book value	R37 644 000	R35 011 000	R40 542 000	R37 900 000
Market value	R92 232 000	R76 328 000	R112 795 000	R92 972 000
Unlisted				
Book value	R12 905 000	R12 730 000	R20 670 000	R20 766 000

*Note Earnings per share exclude the results of mining subsidiaries and extraordinary items

381 cents per share The Company's own earnings were 204 cents per share, an increase of 13 per cent over last year and the ordinary dividend was increased by 10 per cent from 105 cents to 115 cents per share As at 30 June 1978 the net asset value per ordinary share was 3 772 cents per share (1977 – 3 241 cents per share)

The increased earnings this year were mainly attributable to higher dividend income from the Group s mining investments and to the improved results of certain of the industrial companies, in particular Irvin & Johnson Limited and Consolidated Glass Works Limited

Investments

During the year under review there was an increase in the market value of the listed shares in the Company's portfolio which at the year end was worth R92 232 000 compared with R76 328 000 at the end of the previous financial year The book value of the listed shares was R37 644 000 and the book value of unlisted investments R12 905 000 As at 5 October 1978 the market value of listed investments had risen to R104 670 000

Future prospects

Financial results in the current year ending 30 June 1979 so far indicate improvements in most Group companies Consequently, subject to the usual provisos on the uncertainties of world metal and mineral prices and no serious deterioration in the South African business climate, the Group's profits this year will again increase

Basil Hersov.

6 October 1978

Extracts from the Directors' report

Financial

The Company earned a profit after taxation of R9 107 000 compared with R8 109 000 for the 1977 financial year Consolidated profit after taxation attributable to members increased by R2 696 000 to R16 171 000 despite the difficult trading conditions which were encountered in most sectors of the economy in which the Group companies operate The Company's interest in the profits of its mining subsidiary, Prieska Copper Mines (Proprietary) Limited, is not included in the consolidation

The profit after taxation attributable to members was earned from the following classes of business

	Consolidated	
	1978	1977
	%	%
Gold and uranium	**30**	21
Other minerals and metals	**18**	25
Food and packaging	**26**	23
Building and allied industries	**2**	2
Engineering	**9**	15
Other industrial interests	**14**	12
Financial	**1**	2

Investments

During the year the Company and Middle Witwatersrand (Western Areas) Limited subscribed for a further 3 117 094 6% loan notes of 50 cents each at par in Prieska Copper Mines (Proprietary) Limited Anglo-Transvaal Industries Limited acquired a 51 per cent holding in Tristel Holdings (Proprietary) Limited and disposed of its holding in Decorative Boards (Proprietary) Limited James Brown and Hamer Limited disposed of its holding in Broderick Investments Limited

Mining investments

MIDDLE WITWATERSRAND (WESTERN AREAS) LIMITED

Mining exploration, finance and investment company

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	4 900	3 966
Profit after taxation	3 894	2 921
Earnings per share		
– including profit on realisation of investments	38,9 cents	28,9 cents
– excluding profit on realisation of investments	36,2 cents	27,5 cents
Dividend per share	25,0 cents	22,5 cents

Increased dividends from gold mining investments accounted for most of the increase in profits As at 6 September 1978 the market value of listed investments had risen to R59 026 000 against R52 624 000 at 30 June 1978

HARTEBEESTFONTEIN GOLD MINING COMPANY LIMITED

Gold and uranium producer

	Year ended 30 June 1978 R000	1977 R000
Turnover	161 074	111 893
Profit after taxation	43 614	23 140
Earnings per share	283 cents	138 cents
Dividend per share	250 cents	135 cents

Principally because of higher prices received for gold sold, after-tax profit increased from R23 000 000 in 1977 to R44 000 000 in 1978 and dividends totalled 250 cents per share compared with 135 cents per share paid in the previous year Uranium plant capacity is being increased by about 20 per cent in order to treat accumulated slimes and production should commence within two years Construction work on the 140 000-ton per month sulphuric acid plant is well advanced and it is expected to be operational in 1979, some nine months ahead of schedule Capital expenditure for the current year will be at a high level, but could be partly financed by uranium consumer loans arising from additional sales contracts being negotiated Results for the 1979 financial year depend on the gold price, the rate of inflation and the mine's ability to contain costs and increase productivity

ZANDPAN GOLD MINING COMPANY LIMITED

Investment company

	Year ended 30 June 1978 R000	1977 R000
Turnover	5 555	2 993
Profit (no tax payable)	5 442	2 845
Earnings per share	41,8 cents	21,85 cents
Dividend per share	41,5 cents	22 cents

The company's main asset, its shareholding in Hartebeestfontein Gold Mining Company, Limited, remained unchanged Dividends received from Hartebeestfontein during the financial year were at a higher rate, enabling payments totalling 41,5 cents (1977 – 22 cents) per share to be made to members

LORAINE GOLD MINES LIMITED

Gold producer

	9 months to 30 June 1978 (unaudited) R000	Year ended 30 September 1977 R000
Turnover	29 617	31 986
Profit (no tax payable)	2 250	2 561
Earnings per share	12,2 cents	0,3 cents

Grade declined from 6,7 grams per ton in the 1977 financial year to an average of 5,8 grams per ton for the 9 months to June 1978 and tonnage milled was lower than had been expected Costs per ton milled for the 9 months to June 1978 were R32,80 compared with R26,70 for the corresponding period in 1977 The company's long-term objective remains the gradual transference of operations from the Elsburg reefs which have a limited life, to the Basal and 'B' reefs

EASTERN TRANSVAAL CONSOLIDATED MINES LIMITED

Gold mining, farming and forestry company

	Year ended 30 June 1978 R000	1977 R000
Turnover	11 374	8 024
Profit after taxation	3 047	1 694
Earnings per share	35 cents	25 cents
Dividend per share	35 cents	25 cents

Increased prices for gold sold by the mine resulted in a pre-tax profit of R4 670 000, the highest earned in the company's history Dividends totalling 35 cents (1977 – 25 cents) per share were paid

VILLAGE MAIN REEF GOLD MINING COMPANY (1934) LIMITED

Gold producer

	Year ended 30 June 1978 R000	1977 R000
Turnover	2 872	733
Profit after tax (loss)	620	(575)
Earnings per share	10,2 cents	—

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Extracts from the Directors' report (continued)

The net profit of R620 000 resulted from a considerable increase in the amount of gold produced sold at higher prices. Approximately 216 000 tons of calcines were treated at an average head value of 3,7 grams per ton and an average recovery of 72 per cent. At the current rate the treatment of the calcines available to the company will be completed during the second half of 1979. The economic feasibility of treating two sands dumps situated some three kilometres from the reduction works is being re-assessed.

RAND LEASES (VOGELSTRUISFONTEIN) GOLD MINING COMPANY LIMITED

Gold mine (dormant)

The company continues to hold its mining title and various rights to precious metals, but there is still no likelihood of it resuming mining operations on its own account despite recent increases in the gold price.

PRIESKA COPPER MINES (PROPRIETARY) LIMITED

Producer of copper, zinc and pyrite concentrates

	Year ended 30 June 1978 R000	1977 R000
Turnover	51 718	61 372
Profit (no tax payable)	5 987	13 667

The predicted low level of metal prices throughout the year was partially offset by an outstanding production performance by the mine. A record 3 062 000 tons of ore were milled during the year and zinc and copper concentrate production benefited accordingly. Nevertheless the operating profit of R7 260 000 was just under half that of the previous year. Interest, loan repayments and capital expenditure absorbed all of this and the injection of further funds by way of an additional Note issue was necessary to preserve the company's liquidity. Although the company now has a relatively sound liquid position, internal cash resources may well be insufficient to meet anticipated capital expenditure of R7 000 000 and loan repayments of R5 700 000 during the current financial year unless there is a marked increase in zinc and copper metal prices.

THE ASSOCIATED MANGANESE MINES OF SOUTH AFRICA LIMITED

Producer of manganese and iron ores and manganese and chrome alloys

From consolidated financial statements	6 months to 30 June 1978 (unaudited) R000	Year ended 31 December 1977 R000
Turnover	55 501	83 170
Profit after taxation	12 283	18 436
Earnings per share	118 cents	315 cents
Dividend per share	50 cents	105 cents

Reduced demand in 1977 arising from the depressed state of the overseas steel industries resulted in shipments of manganese ore being somewhat lower than in the previous year, while those of iron ore were substantially lower. The programme of expanding the ferro-alloy production capabilities of the company's subsidiary, FERALLOYS LIMITED, was successfully completed but because of weak ferro-alloy demand and adequate stocks, production from some of the smaller furnaces was temporarily suspended. As a result of these factors the company's operating profit was R17 942 000 compared to R18 637 000 in 1976 while at Feralloys the operating profit dropped to R4 100 000 in 1977 from R11 049 000 in 1976. Capital expenditure to expand the company's iron ore production capabilities and to establish new and larger manganese mines as replacements for two smaller mines whose reserves are nearly depleted amounted to R8 812 000 (1976 – R4 268 000). At Feralloys R9 875 000 (1976 – R10 246 000) was spent on completing the expansion programme initiated some two years ago. Capital expenditure during 1978 on the company's mines and at Feralloys is estimated at R8 000 000.

CONSOLIDATED MURCHISON LIMITED

Producer of antimony concentrates

	6 months to 30 June 1978 (unaudited) R000	Year ended 31 December 1977 R000
Turnover	5 032	12 776
Profit after taxation (loss)	(740)	3 245
Earnings per share	—	30 cents
Dividend per share	—	30 cents

Consumer demand for antimony concentrates decreased sharply during the second half of 1977 with the result that sales for 1977 dropped to 16 343 tons compared to 23 693 tons in 1976. Working profit for the year ended 31 December 1977 was R3 592 000 (1976 – R11 976 000) and capital expenditure R2 003 000 (1976 – R2 142 000). The results for the first half of 1978 were adversely affected by reduced sales aggravated by delayed shipments due to the temporary closure of the Antimony Products (Proprietary) Limited's oxide plant.

ANGLO-TRANSVAAL COLLIERIES LIMITED

Investment company

	Year ended 30 June 1978 R000	1977 R000
Turnover	832	326
Profit after taxation	791	225
Earnings per share	47,6 cents	12,2 cents
Dividend per share	43 cents	12 cents

Higher dividends received from the company's investment in Witbank Colliery Limited caused income to rise from R326 000 in 1977 to R832 000 in 1978. Profit after tax amounted to R791 000 (1977 – R225 000) and dividends of 43 cents (1977 – 12 cents) per ordinary share were paid. A scheme modifying the rights attaching to preference shares and converting the 6% cumulative preference shares to participating cumulative preference shares was ratified by the required majority of ordinary and preference shareholders. Further litigation is pending in this connection.

Industrial investments

ANGLO-TRANSVAAL INDUSTRIES LIMITED

Industrial investment and finance company

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	431 736	141 632
Profit after taxation	22 002	17 623
Earnings per share	87 cents	70 cents
Dividend per share	20 cents	19 cents

Intense competition was encountered by most of the Group's industrial companies in their fields of activity. Despite these conditions, the consolidated pre-tax profit increased by R5 033 000 to R33 572 000. This improvement stems from the fact that management took the opportunity whilst the economy was operating at lower levels to re-assess the efficiencies of their companies and to streamline their organisations to deal more effectively with the reduced markets and lower volumes of available work. In the present climate it is expected that there will be a further improvement in profitability during the current year.

SOUTH ATLANTIC CORPORATION LIMITED

Industrial investment company

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	250 137	261 991
Profit after taxation	9 168	7 505
Earnings per share	44 cents	33 cents
Dividend per share	16 cents	16 cents

The past year has been one of mixed fortunes for the companies in the South Atlantic Corporation group with gains outweighing profit reductions Although this group of companies continues to face many problems, it is in a stronger financial position than ever before The activities of the group's subsidiaries, Irvin & Johnson Limited, T W Beckett and Company Limited, Globe Engineering Works Limited, Concentra Limited and Food Corporation (Proprietary) Limited, are reviewed below

IRVIN & JOHNSON LIMITED
Food processors and distributors

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	156 511	142 970
Profit after taxation	4 448	1 745
Earnings per share	15 cents	5 cents
Dividend per share	7 cents	2,5 cents

Fish catches and volume sales were at approximately the same level as the previous year However, as a result of better realisations and cost containment, the taxed profit increased by 155 per cent to R4 448 000 The ordinary dividend was increased to 7 cents per share (1977 – 2,5 cents per share) Since the end of the financial year, the beneficial effects of the extension of the exclusive fishing zone, effective from 1 November 1977, have started to show, but the proportion of small fish in the improved catches still gives some cause for concern The processing of frozen vegetables and pastry products has been consolidated in the Springs factories and although results were adversely affected by poor crop yields, further measures have been taken to ensure adequate contract plantings for the immediate future

T W BECKETT AND COMPANY LIMITED
Packers and distributors of tea and coffee

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	54 209	48 394
Profit after taxation	2 227	2 642
Earnings per share	37 cents	44 cents
Dividend per share	15 cents	14 cents

A difficult year was experienced by all the major packers of tea and coffee in South Africa and whereas in recent years raw material price increases were encountered, the past year has shown both upward and downward fluctuations The continuing high prices both for tea and coffee have resulted in a drop in total consumption and in such circumstances the reduction in profit was unavoidable

CONCENTRA LIMITED
Producers of white fishmeal
Better realisations on the company's sale of fishmeal both locally and in the export market resulted in an improved profit after taxation to R323 000 (1977 – R290 000)

FOOD CORPORATION (PROPRIETARY) LIMITED
Manufacturers and distributors of foodstuffs
The completion of the move of all manufacturing operations to the Wadeville factory has brought about higher efficiencies and plant utilisation so that a modest profit before taxation of R138 000 was achieved, compared with an approximate break-even for the eight month period from the date of South Atlantic Corporation's acquisition of this investment to 30 June 1977 Improved results are expected in the coming year

GLOBE ENGINEERING WORKS LIMITED
Marine, electrical and general engineering

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Profit after taxation	1 904	3 002
Earnings per share	48 cents	60 cents
Dividend per share	20 cents	20 cents
Bonus dividend	5 cents	—

Results for the current year are not comparable with those of the previous year as the latter includes the profit of Broderick Investments Limited, which was disposed of during the year, as well as an exceptional profit earned on a long-term demolition and salvage contract All group companies experienced difficult trading conditions with ship repair being particularly hard hit primarily due to the very depressed international shipping conditions currently prevailing No shipbuilding orders were received by JAMES BROWN & HAMER LIMITED and ship repair profit declined The industrial division, however, operated satisfactorily with the machine shop increasing its profit contribution materially SHIPWRIGHTS AND ENGINEERS HOLDINGS, LIMITED had to contend with low volumes of work and depressed profit margins Some relief, however, was obtained from improved opportunities in the mining sector in the north-western Cape and South West Africa Conditions in the ship repair industry are not expected to improve in the short-term and the group will be more dependent than in the past on industrial developments to provide opportunities for improving profit

CONSOLIDATED GLASS WORKS LIMITED
Manufacturers of glass and plastic containers and allied products

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	70 800	70 900
Profit after taxation	5 312	4 122
Earnings per share	86 cents	66 cents
Dividend per share	27 cents	24 cents

The depressed economy contributed to a further decline in sales volumes but with a favourable sales mix and higher selling prices, turnover was maintained Further gains in productivity, cost containment and substantial interest savings contributed to the improvement in profit Whilst there are as yet no indications of an improvement in demand, it is anticipated that the past year's profit performance will at least be maintained

NATIONAL BOLTS LIMITED
Manufacturers of industrial fasteners

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	30 716	31 387
Profit after taxation	1 656	1 140
Earnings per share	34 cents	25 cents
Dividend per share	14 cents	10 cents

Demand for standard fasteners improved somewhat during the year but the continued restrictions on public sector expenditure further reduced sales of non-standard fasteners and group turnover declined marginally The completion of the production centralisation programme at Boksburg, together with further labour complement reductions, resulted in substantial cost savings and an improved profit The full benefit of rationalised manufacture will be realised during the current year and, under present conditions, an improvement in profit is expected

STEELMETALS LIMITED
Engineering suppliers and contractors

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	26 700	32 203
Profit after taxation	1 014	1 525
Earnings per share	48 cents	72 cents
Dividend per share	17,5 cents	27,5 cents

With an improved demand towards the end of the year, marketing divisions in both the capital and non-capital goods sectors increased turnover and profit contribution above the levels of the previous year This higher profit was, however, more than offset by a loss incurred by

Extracts from the Directors' report (continued)

the tubes contracting division. This was primarily caused by factors beyond the division's control. A deferred contract should be closed in the current year and contracting operations should again become profitable. Whilst marketing activities have shown a welcome upturn over the past few months, they remain highly sensitive to general economic conditions.

CLAUDE NEON LIGHTS (S.A.) LIMITED
Manufacturers and lessors of advertising signs

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Profit after taxation	996	611
Earnings per share	17,2 cents	10,5 cents
Dividend per share	6 cents	3 cents

Competition from commercial television and the restrictive interpretation of legislation governing sign sites resulted in a further decline in the sale of new signs and, in order to counter the adverse effects thereof, sales effort was concentrated on the renewal of existing sign rental contracts nearing expiry. The success of this action, together with a substantial saving in interest charges resulting from the reduced level of borrowings were the major factors accounting for the 62 per cent increase in taxed profit. As a result of the decline in the value of sign rental contracts, profit in the new year is expected to be at a lower level.

DENVER METAL WORKS (PROPRIETARY) LIMITED
Producers of non-ferrous castings, extrusions and stampings
The ongoing depressed conditions in the building and engineering sectors again reduced offtake of brass and copper products, but demand for bronze products remained firm. With the overall reduction in throughput and continued cost escalations, consolidated taxed profit declined from R1 027 000 in 1977 to R879 000 in 1978.

E. I. ROGOFF LIMITED
Indent sales agents and distributors
A change in the basis of accounting for commission revenue had the effect of reducing pre-tax profit by R63 000. After providing for taxation in the profitable subsidiary companies, a consolidated taxed loss of R95 000 (1977 – R123 000) was recorded. The company has lost a number of major agencies following decisions by those principals to open their own sales offices. This will have an adverse effect on results and the expected return to an acceptable level of profitability is unlikely in the short term.

SOUTH AFRICAN FINE WORSTEDS (PROPRIETARY) LIMITED
Manufacturers of fine quality worsted cloth
A continuation of aggressive marketing coupled with higher plant efficiencies and higher output resulted in an increase in the after-tax profit to R1 137 000 (1977 – R1 093 000). Demand for the company's products is still taking up its full production capacity and plans are being made for further expansion in the next few years. Profit improvement is therefore expected to continue.

TRISTEL HOLDINGS (PROPRIETARY) LIMITED
Steel merchants
A 51 per cent interest in this company was acquired in October 1977 and the taxed profit was R411 000. The company has increased its share of the local and overseas markets and both turnover and profit improved markedly during the past year. A further increase in profit is expected in the new year, but in the absence of a strong recovery in the economy growth is likely to be less rapid than in the past.

COMBINE CARGO LIMITED
Clearing, forwarding, ships agency and travel group
Although the principal operations of the company reflected a satisfactory growth pattern, its consolidated results were affected by the results of the travel subsidiary and a consolidated loss of R59 000 for the year ended 30 June 1978 was recorded. With a gradual but positive penetration of its market, a consolidated profit is expected during the current year.

ANGLO-ALPHA CEMENT LIMITED
Cement, stone and lime producer

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	116 226	132 106
Profit after taxation	5 585	[illegible]
Earnings per share	18,6 cents	24,4 cents
Dividend per share	15 cents	18 cents

The demand for the group's products remained weak, the main reason for operating profits falling below last year's level. The decline in consolidated turnover was also affected by the group reducing its interest in Parem Enterprises (Proprietary) Limited from 72 per cent to 50 per cent with effect from 1 July 1977. The results of that company have, therefore, not been consolidated for the period under review. Local demand for cement decreased by 8 per cent but total cement sales increased due to exports. Export revenue, however, yields only marginal returns. Profitability in the cement division improved towards the end of the period following an increase in the controlled selling price of cement. Group profits were adversely affected by poor results in certain of the Hippo Holdings operations which are being restructured and should show improved performances. Any improvement in demand from the building industry is expected to be gradual with demand continuing at a low level at least until the end of the year.

ANGLO-TRANSVAAL CONSOLIDATED INVESTMENT COMPANY, LIMITED

REGISTERED OFFICE:
ANGLOVAAL HOUSE,
56 MAIN STREET, JOHANNESBURG

LONDON SECRETARIES:
ANGLO-TRANSVAAL TRUSTEES LIMITED,
295 REGENT STREET, LONDON W1R 8ST

The Annual General Meeting of the Company will be held at 09h30 on 24 November, 1978 at the registered office of the Company

ANGLOVAAL (214) FM 10/11/78

Balance sheet strength

Activities: *Mining finance house with interests in gold (Hartes, Loraine, ET Cons) and copper/zinc (Prieska) Holds 41,5% interest in Associated Manganese Wide industrial interests held through Anglo Transvaal Industries Owns 51% of Middle Wits*

Chairman: *B E Hersov, deputy chairman. C S Menell.*

Capital structure: *1,78m ordinaries of 50c, 1,78m "A" ordinaries of 50c, 373 250 cum red prefs of R2, 1m 5% part prefs of R2, 1,5m 5% cum red prefs of R2 Market capitalisation R57,1m*

Financial: *Year to June 30 1978. Borrowings. long and medium term R29,8m. Net cash· R10,1m. Current ratio 1,5 Capital commitments R3,2m*

Share market: *Price. 1 600c (1977-78. high, 1 625c; low, 1 075c; trading volume last quarter, 47 000 shares). Yields· 23,6% on earnings; 7,2% on dividend. Cover 3,3. PE ratio 4,2*

	'75	'76	'77	'78
Dividend income (Rm)	6,7	7,9	7,4	8,7
Pre-tax profit (Rm)	39,1	41,4	40,7	47,0
Earnings (c)	318	313	305	377
Dividends (c)	95	105	105	115
Net asset value (c)	3 617	3 193	3 536	4 202

Emphasis was placed on "maintenance of adequate liquidity throughout the group" Helped by a major second-half earnings improvement, this objective has largely been achieved Despite a drop in group turnover to R458,5m (1977· R465,8m), earnings have moved out of the preceding two years' downtrend. But the improvement was not widespread. The gains came mainly from higher dividends from mining investments and better results at Irvin & Johnson, and Consolidated Glass.

It means that there is scope for further growth when the currently depressed industrial interests move onto a recovery tack. In the meantime, the group should have no problems weathering the economic downturn. And the improved liquidity should ensure that quick advantage can be taken of increased economic activity.

As a measure of the group's stronger liquidity, deposits of associated companies more than doubled to R83,3m (R41,4m) Bank overdrafts and short-term borrowings increased marginally to R32,7m (R32,6m) and long-term debt is steadily reducing on schedule

Though Anglovaal has the lowest exposure to gold of the mining houses, gold and uranium holdings weighed in

Gold mining . . leading dividend contributor

with the greatest contribution (30%) to profits. Capex at Hartes has been relatively high and if bullion remains at around current levels, capex at Loraine could increase sharply. Even so, gold/uranium will probably remain the largest income generator this year

In base metals, Prieska has been hit by poor metal prices and has needed a cash injection from its parent Associated Manganese and the ferro-alloy producers have been hit by lower world steel industry demand. Capex at the mines and at subsidiary Feralloys will retard dividends this year

Industrial interests reported mixed results Especially hard hit were shipbuilding, engineering and cement. The first of these shows no signs of recovery in the near term Anglo-Alpha Cement was hit by slack demand and though higher controlled cement prices gave some relief, recovery will be gradual as housing starts pick up

The business downturns have helped liquidity in that stocks have not grown as quickly as they otherwise might But against this, recovery could mean increased demand for funds to replenish stocks

This should present little problem as the group is, if anything, undergeared. Long-term debt of R29,8m (R34,5m) is only 13% of permanent capital as shown in the balance sheet, so there is adequate scope for any necessary increased borrowings as the economy picks up

At 1 600c the share price discounts year-end net worth by 62% Subsequent price movements leave this discount more or less unchanged Further retentions as working capital needs increase will act as a damper on dividend growth this year, but a 125c total payout is easily in reach for a prospective 7,8% yield The shares are best suited to investors with medium-term objectives The same applies to Avhold, currently quoted at 165c, in which the Hersov and Menell families hold just over 50%, and General Mining 19%

Jim Jones

Stilfontein heading for better days

RDM 14/11/78

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By ADAM PAYNE

STILFONTEIN gold mine in the Klerksdorp area, which only eight months ago was receiving State aid, is set for better times because of an extended mining area for gold and a longer life ahead as a uranium producer

One of Johannesburg's leading brokers estimates the life at seven years as a gold producer, with a further 13 years as a participant in the joint uranium production scheme with Buffelsfontein

The controlling house, General Mining, is well pleased with Stilfontein's prospects in the Kromdraai area but the management will not put a figure to the life expectancy because of difficulty in estimating tonnage in the much-faulted Kromdraai section

The broker forecasts grade at 8,8 g/t in 1979-1980, which is little changed from the grade in the last quarter, but he expects an improvement to 9 3 g/t for the remaining five years

He estimates dividends, with a gold price at $200, at 78c a year in 1979 and 1980 and 145c a year in the years from 1981 to 1985

The shares rose 15c yesterday to 590c but are lower than they were before President Carter announced his measures to strengthen the dollar and sell more gold

The mine's unit costs are high, largely because of faulting and deep mining to the west and because of the distances that have to be covered to transport ore to the main shafts

The costs an oz are $160,16 so it has moved into profitability with the gold price rise The costs an oz figure is, of course, largely governed by yield

The background facts to this mine are

- It is building a uranium plant and has a good sales contract
- The Kromdraai area, in which high values have been obtained in development, will lengthen the mine's life and bring in satisfactory profits
- Tax allowances will be gained on a good scale for capital spending on the uranium plant

Against these favourable factors, the mine has very bad faulting in the Kromdraai area and the tonnage in that area cannot be firmly estimated because of the series of faults

However, the Kromdraai area is a gift for the mine since the management had expected the fault to cut off the reef But underground drilling showed that the Vaal Reef continues to the east with a series of faults which have thrown the reef to shallow depths

Mr Johan Fritz, chairman of Stilfontein says he is well pleased with the mine's prospects

He says "The uranium plant is costing R60-million in mid-1977 terms but we expect that it will cost R75-million by the time it is built in mid-1979, which means that over two years we have had cost escalation of 25%

"Some 85% of its production will be from Stilfontein's dams and 15% from Buffelsfontein The grade of our dams is low at 0,13 kg/t

"Our contract has escalation clauses Therefore as costs rise we shall be well covered "

Mr Fritz explained that he and his technical management had expected the main Kromdraai fault to be further west than it actually proved to be

As the mining is towards the east in this area more reef has become available for exploitation

"We expected the Kromdraai to be one major down-throw but found a series of faults," he said

"Mining will be at a depth of between 730m and 1 100m which is shallow but ore will have to be trammed a good distance for hoisting to surface "

Mining in the western area, which is served by a sub-incline from Scott shaft, is at great depth down to 2 000m

COMMENT This is a difficult time to enter the gold market with the sale of 1 500 000 oz scheduled for next month, but Stilfontein is a share to watch and a probable buy when the gold price and the gold market become more settled

RAM 16/11/78

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Illicit diamond and gold deals: police hold 12

By EMILIA JAROSCHEK
Crime Reporter

POLICE have arrested two foreigners allegedly involved in an illicit diamond deal, bringing the number held for illicit diamond and gold deals since last week to 12

Gold and Diamond Squad detectives in many parts of the country have confiscated diamonds and gold valued at R349 405 from the alleged illegal operations they have uncovered

Brigadier J Erasmus, chief of the Gold and Diamond Squad headquarters in Kimberley, confirmed yesterday that a German and an Italian were arrested in Harrismith on Monday as they allegedly negotiated a deal involving 15 uncut diamonds worth R135 769

Last week Gold and Diamond Squad detectives in Johannesburg arrested a woman company director and a her husband, a teacher, in connection with an illicit deal involving 73 uncut diamonds which were being sold for R203 000

Other arrests made by the squad since last week include.

- A white man arrested in Vierfontein, near Klerksdorp, last Thursday in connection with an illegal diamond deal involving R5 060
- An Indian man arrested in Durban on the same day for the allegedly buying of 277 gm of gold worth R1 385.
- A black man arrested in Natalspruit on Friday for allegedly buying 181 gm of gold valued at R905
- A black man arrested in Klerksdorp on the same day for allegedly selling a diamond for R1 200
- A white man and a black man from Krugersdorp arrested on Saturday in connection with an alleged illicit diamond deal involving R1 686
- A coloured man arrested in Port Nolloth on Monday in connection with the alleged sale of four diamonds to police for R400.
- An Indian man arrested in Johannesburg on Monday last week for allegedly possessing three pieces of unwrought gold

FM 17/11/78

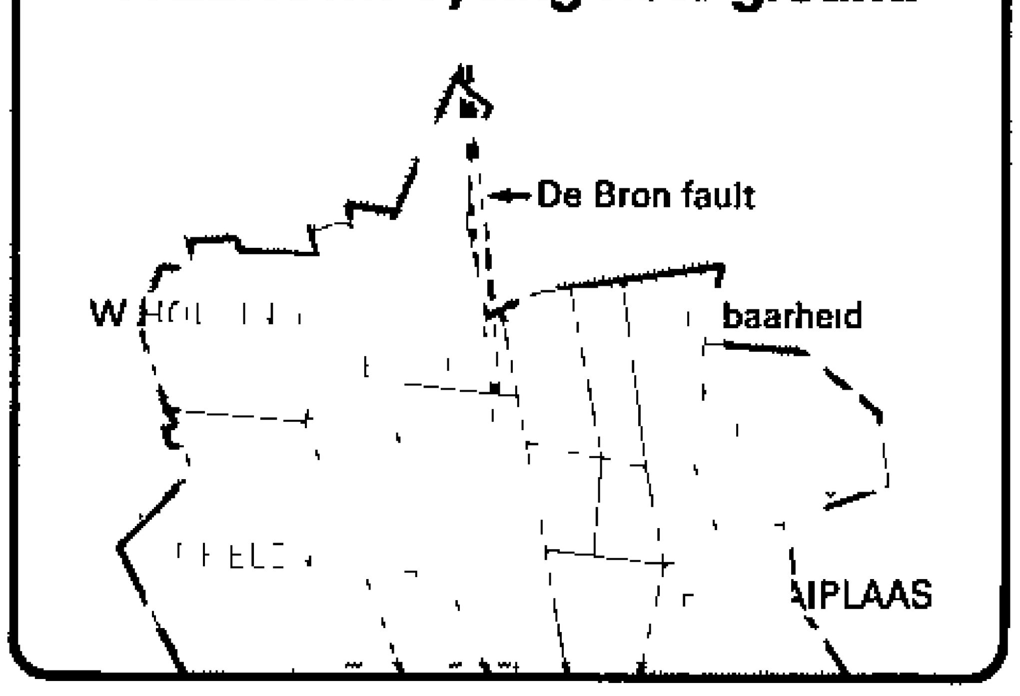
WELKOM (214)

Looking east

Welkom is "now entering a phase of significant expansion" says the mine in an advertisement this week for trainee mine surveyors.

Clear enough, I would have thought and, judging by the number of phone calls I have had, the announcement has not gone unnoticed. But, according to director Guy Young, the advert is misleading He says that Welkom has no plans for expanding production beyond the present 180 000 t/month The only "expansion" in sight starts next year with high-grade slimes deliveries to Anglo's Joint Metallurgical Scheme That may be technically correct, but what seems to be happening is that Welkom's cash flow over the next few years could be used for developing new ground east of the mine.

WELKOM: eyeing new ground



Two weeks ago the mine announced an underground drilling contract for reef sampling and determining future mining programmes.

But where is the drilling aimed? On the Basal reef inside the mine's lease area, life is probably not much more than eight years no matter what happens to the gold price

Leader reef, on the other hand, has hardly been touched From earlier drilling it appears that the Leader reef occurs in reasonably well-defined ore shoots. Presumably, at least part of the new underground drilling programme will be aimed at determining them

In addition, there is the problem of the De Bron fault on the mine's eastern boundary. According to underground plans no development has intersected the De Bron fault, but it is known that reefs dip sharply against the fault and are upthrown by at least 200 m beyond it So what is needed is drilling to determine the extent of the fault and probably to locate reef beyond it

It seems unlikely that drilling will be aimed in any large way at evaluating the Kimberley "B" reef Limited development from No 1 shaft in 1975-1976 disclosed low gold values of around 3 g/t and uranium of 0,065 kg/t over about 115cm, which is uneconomic based on the September quarter's R25,28/t unit costs

Leader reef development is another matter. In the No 3 shaft area, September quarter development sampling disclosed values of 12,15 g/t gold and 0,58 kg/t uranium over 152 cm, which is high compared with average results for 1977 and 1976. Stoping started on No 3 shaft Leader reef last year and this ore source could become an important contributor to mill feed if a strong ore shoot is developed

Of course, none of this can really be construed as expansion But it could make sense for Welkom to be used as the vehicle for developing farms Erfdeel and Dankbaarheid Development costs could be offset against Welkom's profit, which seems set for a substantial rise early next year when slimes deliveries to the JMS start, with more obvious tax advantages than if the farms are developed as part of adjacant Free State Saai. Welkom's reduction plant is relatively old, so any move into a new area, apart from considerations of ore transport costs, would probably mean a new plant.

Drilling results

If so, capex would restrain dividends for at least two years. But if St Helena's expected performance from its new plant can be used as a guide, payback from better operating costs and recoveries alone will take at most five years

Latest drilling results from borehole DNK 3 on Dankbaarheid gave Basal reef gold grades ranging from 11,8 g/t (830 cm-g/t) to 108,17 g/t (2 131 cm-g/t) and uranium ranging from 0,3 kg/t (20,88 cm-kg/t) to 2,21 kg/t (43,44 cm-kg/t) at depths of around 1 900 m

These results look sufficiently encouraging for development of a mine to be given added impetus. Mineral rights on the farms are held in varying proportions by Amgold and Duiker, so agreement on development is needed before the green light for a new mine can be given. Anglo is playing its cards close to the chest, but announcement of a new mine could be a matter of months rather than years way.

At 440c, Welkom has fallen 55c on the week in line with the rest of the sector On normal capex projections, dividends this year are set for an increase on last year's 65c, but major capex for expansion would set this back At this stage there is no need to rush into the shares

Jim Jones

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New look at Govt Areas mining

27/10/78

By DON ROBERTSON

Mining Editor

SHAFT Sinkers, the Anglo-American mining development company, starts today on a feasibility study into the possibility of reopening the high-grade, underground mining reserves of Government Gold Mining Areas

A report is expected by the end of next month when a decision will be taken whether to go ahead with the project

Government Areas, a speculative favourite over four years ago when the price hit 500c, has since been placed in provisional liquidation following the unsuccessful bid by Mr Des Fisher to bring the mine back to production and weathered a rescue offer by Mercabank

The shares were relisted on October 9 this year in the property section at 20c after a record four year suspension They are currently trading at 25c Income now derives almost solely from the letting of old mine houses

However, the company recently built a R100 000 cyanide treatment plant to handle 4 000 tons of high-grade surface material a month These reserves are expected to last for three to four years, but could be extended if the slimes from the plant are retreated as only about 40% of the gold will be recovered in the initial stages of retreatment

However, because of the recent high gold price, the company has taken the decision to re-examine remaining underground reserves with a view to extracting the high-grade portion from pillars and unmined areas as a clean-up operation

If a decision is taken to go ahead with the project, it is expected that grades will run between 7g/t to 8g/t and that ore will be hoisted up the No 3 shaft at a rate of about 10 000 tons a month These reserves could be sufficient for about four years

However, depending on tonnages and the situation of the reserves a decision would have to be taken on whether the mine would treat the ore itself and increase its present treatment capacity, or whether it would seek a tributer to treat the ore

The surface clean-up operation is running below plant capacity at about 2 000 tons a month, but this should be boosted to about 4 000 tons a month within the next six months

On the property side, the company's houses are about 80% let and the forecast of pre-taxed earnings of R150 000 in the year to December are expected to be met

FM 24/11/78

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GFSA

Striking pay dirt

"The group has the financial capacity to finance other major projects as soon as other opportunities arise and other conditions are propitious". thus Ian Louw in his 1978 GFSA chairman's review.

Despite a low-key annual report, I am now reliably informed that GFSA has three major new gold/uranium prospects at relatively advanced stages of evaluation. All are on the West Wits Line and though the house declines to comment, everything points to an announcement on at least one development within the next six months.

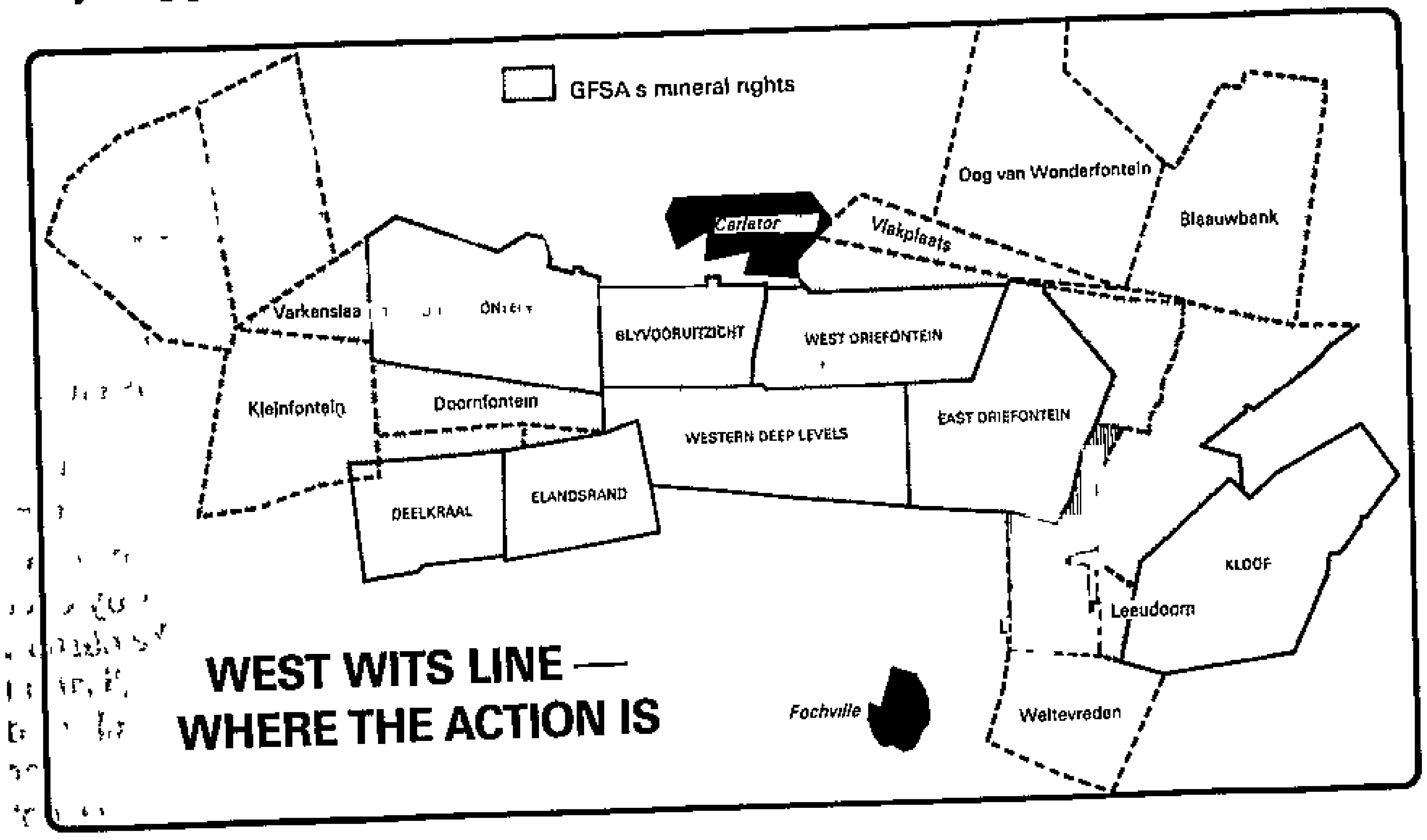
So investors bemused by the steadily increasing cash balances held by the operating mines can take comfort that funds are not simply being hoarded.

The drilling programme apparently nearest to completion is that evaluating ground to the north of East Drie. (*Fox* January 20). I understand that the pace has been forced by other mineral rights holders on the farm Oog van Wonderfontein. They apparently granted options to GFSA as much as five years ago. But with other prospects on its plate, GFSA did little or no drilling on them. With gold on the move, little wonder that pressure was brought to bear on GFSA to decide whether or not to exercise its options.

From what I gather from enquiries in the area, about 15 boreholes have been sunk or old holes, drilled in the Sixties, re-opened to evaluate reef with additional deflections.

Only one drill is currently in operation on Oog van Wonderfontein, drilling hole WFN 11A. It is intersecting VCR at around 750 m and all planned deflections should be completed by March. Mining the area, which is notorious for its sinkholes, is not without problems. It seems unlikely that mining will be from surface shafts, which tends to confirm that exploitation will be by West Drie from its No 4 shaft with a statutory second exit provided by East Drie.

There has recently been additional pressure on West Drie to find alternative ore sources. Pressure bursts have meant that a good part of ore remaining on the boundary with Blyvoor will have to remain un-mined.



WEST WITS LINE — WHERE THE ACTION IS

GFSA's thinking on the area south of East Drie and south west of Kloof could have undergone a radical change. Previous drilling indicated that VCR on the farms Leeudoorn, Leeuwpoort and Weltevreden was too deep for mining Borehole 32 on Leeuwpoort was previously stopped at 3 508 m without intersecting VCR Borehole E1G near East Drie's southern boundary intersected VCR at 3 787 m and Carbon Leader reef at 3 899 m With one exception, all intersections of the two reefs were up to average for the East Drie lease area.

Now there appears to be a stong possibility that the Bank fault located on East Drie's eastern boundary splits in two, leaving a major upthrow block of ground on parts of the three farms. GFSA is currently drilling one borehole on Leeuwpoort and another on Weltevreden, targeted to intersect VCR at around 2 000 m-2 500 m.

Negotiations are still in progress with mineral rights holders on Weltevreden. But though the significance of the area may be played down by the house, it is unlikely that two large drills would be committed to the area unless there were already distinct indications or even proof of payable reef at mineable depth.

Now that Doornfontein has the option to buy mineral rights from GFSA below the mine's southern boundary, there is less pressure to find additional ore to the west of the mine.

Doornfontein depends very largely on Carbon Leader reef and it would be reasonable to assume that, at least for a short distance beyond the mine's western boundary and the major erosion channel, mining could continue on the reef. But further west, Carbon Leader grades and channel widths decline fairly sharply and the reef becomes prohibitively deep.

Even so, four drills are currently busy west of the mine, apparently probing what was earlier thought to be the Livingstone-Johnstone reef group. Concrete details are few, but one train of though being pursued by GFSA is that original drilling correlations were not entirely correct and the reef series is actually the Kimberley The reef has been intersected in the past over a wide area on several farms west of Doornfontein It lies at mineable depths of between 1 000 m-2 500 m with gold grades up to 14,9g/t (2 195 cm-g)

No uranium grades have been reported by GFSA, but there are strong rumours, based on correlation of the Elandsrand

INDICES

At the beginning of this month, the Actuarial Society of SA, in conjunction with the JSE, launched the JSE/Actuaries series of indices

These new indices are scientifically constructed and are designed to take the place of existing indices, particularly those of the *FM*, ESE, Argus and *RDM*. To this end, and since the *RDM* indices are the most widely used, the JSE/Actuaries indices are based to coincide with their *RDM* equivalent on September 30 1978

It is suggested that the *FM* should drop its own series of indices (they are on page 759) in the interests of uniformity and put those of the JSE/Actuaries in their place. There is little doubt that the latter are better indices *per se*, but the argument in favour of retaining the *FM* series is that these have been running for a long time — some for over 20 years.

We would value readers' views on this issue — preferably by letter to the Editor within the next two weeks.

Third shaft for Selebi

(214)

RDM 29/11/78

By DON ROBERTSON
Mining Editor

BOTSWANA RST will go ahead with sinking a No 3 shaft at the Pikwe section of the Selebi-Pikwe mine in Botswana, which together with the expansion of surface facilities is expected to cost about R80-million

In the interim report for the six months to June, the directors announced that preliminary studies into sinking the shaft were nearing completion and that negotiations with shaft sinkers would begin

I am told that the contract has been given to Gold Fields Cementation and that shaft sinking will begin fairly soon

It will open up reserves of an estimated 15-million tons through a shaft which will be sunk about 900 metres to the orebody which dips at a sharp incline Current underground operations, carried out in conjunction with the open-cast mine, are at a depth of about 350m

Initial feasibility studies looked at the possibility of sinking an incline shaft or a sub-vertical from extensions of existing workings A new shaft system, however, was considered the most practical

A spokesman for Anglo, which has a large stake in the troubled mine, was not able to comment on this development, and the managing director of Gold-fields Cementation, Mr F H Guys-Brown, said he was unable to make a statement at this stage

If the new reserves follow the pattern of those proven at the Pikwe section, it is likely that nickel content will continue to be a major part of the operation Proven reserves currently show a copper value of 1,12%, and nickel values are 1,30% The Selebi section is richer in copper than in nickel

Funding of the expansion, which will include a rail ore-handling system, will probably cause some problems because of the liquidity difficulties of the group At December last year, loans amounted to P278 964 000 and the accumulated loss was P102 497 000 Since then, however, a restructuring of the group's finances has improved the position

Finances for this project will probably come from the main shareholders, Anglo and the American-based Amax group which each have a 30% stake in the operation Most of the balance is held by the public and the Botswana Government, while Minorco ranks as a creditor

It is believed that the metallurgical and other technical problems which have plagued the mine since it opened have largely been solved and production is rising steadily

However, it has been suggested that a copper price of $1 400 a ton and a nickel price of around $3 a lb are required for the mine to break even and repay interest Both prices are well above current quotations

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Of these only coal is a
productivity has grown somewhat
it per annum against a range of
, although the deceleration
the rest iron-ore is doing much
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tivity in the mining of asbestos
ne considerable period (at least
deceleration during the 1970's
970-74: 4,3 per cent per annum; 1970-75: 4,0 per cent per annum; 1970-76: 2,9 per cent per annum). In all three cases we are not at present able to explain the recent changes, and hence not able to say whether copper and diamonds are likely to return to a constant - labour - productivity path and asbestos to decelerate to the same state. In all three cases, while they continue to experience rising levels of productivity, there will be technical influences reinforcing rate-or-growth-of-output reasons for employment to grow more slowly than projected.

In the case of gold mining these influences offset each other. Output (as we have noticed) has been falling, but so has gold output per worker - presumably in line with the declining ore-grades being worked with

Rapport 3/12/78

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Ergo op pad na 1e dividend

Deur ALPHONS DU TOIT

DIE sowat R150 miljoen wat Ergo, die goudherwinningsaanleg van Anglo American, gekos het, blyk maar 'n druppel aan die emmer te wees van wat Ergo al klaar aan goud produseer.

Mnr. Fanie Botha, Minister van Mynwese, het vandeesweek met die amptelike opening 'n knoppie gedruk wat die honderdste staaf goud by die aanleg (in bedryf sedert Maart vanjaar) gegiet het.

En net om 'n idee te gee van die geldelike implikasies. Teen die heersende goudprys (nie die hoogste sedert Ergo begin het nie) was die anderhalf staaf wat mnr. Botha gegiet het, meer as R250 000 werd.

Hoewel niemand van Ergo daaroor in besonderhede wil gaan nie, verg dit geen kenner om te voorspel dat Ergo aan die einde van sy eerste bedryfsjaar in Maart 1979 al klaar 'n gesonde dividend sal betaal nie.

Omvang

Daar is in hierdie stadium geen sprake van 'n soortgelyke aanleg elders aan die Rand, en baie beslis nie van dieselfde omvang nie. Tog, soos die besturende direkteur van Ergo, mnr. Mike McCrum, aan my gesê het, verhinder niks ander mynhuise om dieselfde te doen nie.

„Op die Wes-Rand is die myne, veral aan die Verre Wes-Rand, nog betreklik jonk en nie soos die Oos-Rand waar Ergo staan, byna aan die einde van hulle leeftyd nie," sê mnr McCrum.

Die proses van herwinning, waaruit ook uraan en swawelsuur gehaal word, werk kortliks soos volg die slik van die ou mynhope word per pypleiding oor sowat 12,5 km na die aanleg gepomp. Dáár beland die slik in drie reuse-verdikkers van sowat 140 m in deursnit. Daarna beweeg die slik deur die verskillende aanleggings en goud, uraan en swawelsuur is dan die eindresultaat.

Dag en nag

Die aanleg werk dag en nag en sowat 50 000 t word daagliks verwerk. Die een mynhoop by New State Areas in Springs bevat ongeveer 30 miljoen t slik en Ergo sal vir ongeveer vyf jaar daarmee besig wees.

„Wanneer ons met dié mynhoop klaar is, keer die oppervlakte van die grond terug tot wat dit oorspronklik was. Ons is trots daarop dat terwyl ons waardevolle produkte winsgewend kan herwin, ons ook waardevolle grond herwin wat weer benut kan word," sê mnr McCrum.

'n Ander interessante kenmerk van Ergo is dat die maatskappy uit die staanspoor 'n nie-diskriminerende personeelbeleid volg. Ergo is inderdaad een van die min Suid-Afrikaanse maatskappye wat so 'n beleid volg

„Dieselfde loon word vir dieselfde werk betaal, ongeag ras of kleur," sê mnr. McCrum. „Alle werknemers geniet dieselfde voordele sover dit verlof, pensioen- en mediese skemas betref. Bevordering geskied op grond van verdienste en nie van kleur nie."

Wat die goudprys betref, meen mnr. McCrum dat daar hoegenaamd geen rede vir droefgeestigheid is nie. Ondanks die enorme hoeveelheid (1,5 miljoen ons) wat Amerika nou maandeliks gaan opveil, verwag hy dat die goudprys weer gaan styg

„Myns insiens sal dit maklik 250 dollar per ons in die nuwe jaar haal."

		2 515	795
		2 625	786
		3 334	624
		3 529	627
		4 075	709
		4 491	684
		5 638	740
		6 600	699
		6 757	738
		7 048	807
		7 244	928
		7 201	1 065
		7 220	1 072
		7 240	1 137
		6 052	1 452
		6 153	1 494
1971	10 496	6 261	1 676
1972	11 223	5 121	2 192
1973	10 955	5 549	1 974
1974	11 553	7 217	1 601
1975	12 298	9 515	1 292
19/6	15 663	9 334	1 678
1977	26 481	9 371	2 826

Another five years for Leslie

RMM 214 7/12/78

By ADAM PAYNE

THE MOST CHEERING fact in the annual reports of Union Corporation's Evander mines is the statement that Leslie, which at the end of last year was said to be nearing closure, now has a life of more than five years, taking into account State aid and the higher gold price.

A year ago the chairman, Mr Lynne van den Bosch, said there would be no alternative to closure in 1978 should State assistance not be granted

The picture has changed dramatically with the granting of State aid and the rise in the gold price

The mine's ore reserves at a gold price of $197 an oz have increased to 1 600 000 tons at a grade of 6,2 g/t

Mr Van den Bosch says that as a State-aided mine the fuller exploitation of marginal ore has been made possible In the longer term, the mine should be able to work to a lower pay limit and grade, which will have the effect of increasing ore reserves Development work to replace pillar areas is continuing

Other points from his review are

Unit costs increased 6,7% in the year to September 30 compared with the industry level of 17% a year because of greater efficiencies and a higher milling rate State assistance made it possible to increase tonnage.

Net profit increased fivefold to R3 599 000 (R604 000)

Reporting on Winkelhaak, Mr Van den Bosch discusses moves for deeper mining He says the pilot winze associated with the No 2 sub-incline shaft is being extended to 24 level before possibly extending the shaft so that the area below 22 level can be mined

In the extreme eastern area of No 2 shaft, secondary development has exposed ore in isolated blocks of ground

The 11-shift fortnight has called for an increase in the black underground labour force to maintain production

Unit working costs rose 18,5% in the year and net profit increased by 54% to R19 835 000

Reviewing the performance of Kinross mine, Mr Van den Bosch says stoping will be possible on the upper levels of No 2 shaft in 1979 Development of the lower levels of the same shaft will start early next year The establishment of stopes in the No 2 shaft area will reduce the mine's dependence on the remaining reserves in the southern part of the mine

Profit after tax rose 51% to R13 961 000

At Bracken, a planned reduction in operations due to a decline in ore reserves was responsible for a fall in gold production, but the higher gold price enabled the mine to increase its net profit by 61% to R6 649 000

However, the limited reserves and the fact that no areas of significance remain to be developed mean that the life of the mine will not be materially extended as a result of the higher gold price

It is expected that the present level of production will be maintained into the second half of 1979 and after that production at a reduced rate may be possible until the end of 1980

MYNWESE SE WINS 'ONTPLOF'

Rapport 17/12/78

214

Deur DAVID MEADES

SUID-AFRIKA se mynbedryf is besig om alle verwagtinge in die oortreffende trap te oorskry. Die hele bedryf se netto wins vir die eerste drie kwartale van die jaar is reeds heelwat meer as die syfer vir die hele 1977 en die totale syfer vir vanjaar kan dié van verlede jaar met meer as 50 persent oorskry.

Terselfdertyd is die staat besig om sy hand bak te hou en 'n groot deel van die wins as inkomstebelasting af te skep.

Hy het reeds in die eerste drie kwartale baie meer as in 1977 ontvang en sy totale ontvangste kan die syfer van verlede jaar met meer as 60 persent oortref.

Volgens die jongste nuusberig van die Departement van Statistiek oor die finansiele resultate van die mynwese, beloop die netto wins vir die eerste drie kwartale vanjaar reeds R1 862,4 miljoen, teenoor R1 661,4 miljoen vir die hele 1977.

As 'n mens konserwatief sou aanneem dat die mynwese in die lopende kwartaal ten minste die gemiddelde syfer van die Junie- en- September-kwartaal handhaaf, kan die totale netto wins vir 1978 R2 500 miljoen haal, wat 50,5 persent meer as 1977 se syfer sal wees.

Kapitaaluitgawes

Die staat het verlede jaar altesame R547,1 miljoen van die mynwese in die vorm van inkomstebelasting (werknemersbelasting uitgesluit) ontvang. Vir die eerste drie kwartale beloop die syfer reeds R593,8 miljoen

In die September-kwartaal wat die betaling aan inkomstebelasting R270,7 miljoen, wat maklik tot sowat R295 miljoen in die lopende kwartaal kan styg. Dit sal die totaal vir die jaar op R888,8 miljoen bring, wat 62,5 persent meer as verlede jaar se syfer sal wees.

Wat kapitaaluitgawes op nuwe fisieke bates betref, is die mynwese ook besig om 'n sterk bydrae te lewer

Die totale syfer vir die eerste drie kwartale beloop reeds R1 000,4 miljoen, teenoor R1 243,2 miljoen vir die hele 1977

In Desember verlede jaar was die ooreenstemmende belegging R362,4 miljoen en 'n syfer van R400 miljoen lyk hoogs waarskynlik vir die lopende kwartaal, wat die totale belegging dan op meer as R1 400 miljoen sal bring

Die skerp toename in die inkomste van die mynwese is ook baie duidelik besig om dié bedryf se renteverpligtinge kwaai te laat afneem. In die eerste drie kwartale is R39,6 miljoen aan rente betaal, teenoor R60,3 miljoen vir die hele 1977.

In die afgelope September-kwartaal is R12,1 miljoen aan rente betaal, teenoor R15,6 miljoen in die September-kwartaal verlede jaar. Hierdie neiging sal waarskynlik voortduur en die lopende kwartaal se syfer behoort baie minder as die R14,3 miljoen van 1977 te wees

MYN	JONGSTE DIVIDEND	VERLEDE JAAR	HUIDIGE DIVIDEND OPBRENGS
Blyvoor	40c(I)	30c	11,6%
Doornfontein	20c(I)	20c	10%
Buffels	80c(I)	60c	11%
Durban Deep	50c(F)	—	8,1%
Oos-Drie	75c(F)	43c	8,4%
ERPM	10c(F)	—	1,7%
Grootvlei	22c(F)	14c	18,8%
Hartles	110c(I)	75c	11,6%
Kloof	30c(I)	15c	5,3%
Libano	50c(I)	40c	12%
Marievale	38c(F)	24c	64,6%
Randfontein	250c(F)	200c	7,6%
Stilfontein	50c(F)	11c	10,2%
Venterspos	15c(I)	5c	11,7%
Wes-Drie	200c(I)	135c	10%
W R Cons	10c(F)	10c	8,5%
Western Areas	12c(F)	7c	7,1%

{ I — interim, T — tussentyds.

63 in 1975 and fell to 55 in

6), 1976 (p.66). Data refers to Society members.

copper producers contracted from was reduced from 6377 to 5607.

st 1977: p.29. The development in 1974. The South pit has been

the year: 701 434 men were on g power and works) in 1977. eau of the Department of Mines 1977).

outh African Institute of Mining), pp. 49-62.

bers of persons at work. The main employment series used in this paper are of persons in service. Both sets of figures are available (Tables 1,2) in the annual Mining Statistics publication (see note 14).

8.

Vaal Reefs in eerste liga

Rapport 17/12/78 (214)

VAAL REEFS is reeds een van Suid-Afrika se indrukwekkendste myne, met tonnemate wat gelyk is aan dié van hele goudvelde. Die wêreld se grootste skag word egter nou daar gesink en sy uraanproduksievermoë word vergroot om Vaal Reefs die land se voorste produsent te maak.

Só skryf die S A. Mining & Engineering Journal in sy jongste uitgawe oor hierdie goudmyn in die Anglo American-groep, waar die rekordboeke nou herskryf word

Wat die rekords betref het die nr. 8-skag van die Suid-myn in Julie altesame 302 560 ton erts en afval na die oppervlak gebring, wat 'n geweldige prestasie is en 'n wêreldrekord moet wees van 'n diepte van 2 500 m af.

En wat omvang betref, is daar met die sink van die wêreld se grootste skag begin. Dit sal by die nr. 9-skag van die Suid-myn wees

In tonnemaat vergruis klop Vaal Reefs die produksie van die hele Kinross-goudveld Vaal Reefs is egter in werklikheid drie myne in een — die ou Western Reefs-myn, Vaal Reefs (Noord) en Vaal Reefs (Suid)

En wat uraan betref, gaan Vaal Reefs binnekort die land se voorste produsent wees Hy is besig met 'n uitbreidingsprogram van R88 miljoen op 'n derde uraanaanleg Hierdie aanleg sal die Kanadees-ontwikkelde ioon-uitruilstelsel gebruik om 3 miljoen ton per jaar te behandel

Hierdie uitbreidingsprogram is nou een jaar voor die oorspronklike skedule en produksie by die nr. 8-skag en die vergrote Oos-skag en die behoort teen die middel van aanstaande jaar te begin.

Vaal Reefs het ook 'n groot reserwe uraandraende slikvoorraad opgebou wat in die vergrote aanlegings behandel sal word

Voorheen is 600 000 ton per maand by die goudaanleggings behandel, maar net 400 000 ton is na die uraanherwinningsaanlegings toe, terwyl die balans in slikdamme geberg word. 'n Dam by die Westelike afdeling het meer as 18 miljoen ton slik beskikbaar, wat twaalf jaar of langer sal duur om te behandel

By voltooiing van die uitbreiding sal die uraanbehandelingsvermoe van 270 000 ton per maand dié van goud met 120 000 ton per maand oorskry.

Op die aanname dat die markprys vir uraan op sowat 40 dollar per ton stabiliseer, kan die uitbreidinge die inkomste uit uraan met tot R60 miljoen per jaar verhoog Die kapitaaluitleg van R88 miljoen behoort dus taamlik gou verhaal te word

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8.3 The movement of output has been rather more steady (though there were short dips in production in 1954 and 1955, in 1958, 1963 and 1972). Over the 30-year period it has grown from 212 to 2 409 thousand metric tons - involving an average rate of growth of 8,4 per cent per annum; since employment grew on average at 4,5 per cent per annum for the same period it would appear that substantial gains in labour productivity must have been achieved.

8.4 Examination of the annual data for output per worker turns up a somewhat unusual pattern - though perhaps with some similarity to the case of copper mining. There was a somewhat erratic pattern of change to 1958 and then in 1959 output per worker-year went from 169 metric tons to 307 metric tons. This was a year of very low employment but the productivity gain was not all lost and a new level of labour productivity - between 250 and 300 metric tons per employee per year - was established at this stage and not later abandoned or advanced beyond.

Goudmyne vaar rojaal

Rapport 17/12/78

(214)

DIE sewentien goudmyne wat die laaste paar dae tussentydse en finale dividende verklaar het, het gemiddeld 66 persent beter gevaar as vir dieselfde tydperk verlede jaar.

Dit toon duidelik hoe gevoelig dividende vir 'n hoer goudprys is Dit goudprys was in die afgelope ses maande gemiddeld net minder as 40 persent hoër as vir dieselfde tydperk verlede jaar.

Die tabel hierbo toon die jongste dividende teenoor wat in dieselfde tydperk verlede jaar verklaar is en die huidige dividendopbrengs van die goudaandele gemeet teen die totale dividend wat hulle die afgelope 12 maande betaal het

Dit is interresant om daarop te let dat die ryker myne ook baie voordeel trek uit die hoer goudprys en dat dit nie net die ou grensmyne is wat skielik lewe toon teen 'n hoer goudprys nie. Pragvoorbeelde hiervan is die hoër tussentydse dividend van Wes-Drie en die skerp styging in die finale dividend van Oos-Drie. Hierdie is die land se twee rykste myne

In hul jaarverslae vroeër vanjaar het dit gelyk of Durban Deep en ERPM baie binnekort sal moet sluit Die vooruitsigte by Durban Deep was veral baie swak, maar nou het die myn 'n finale dividend van 50c verklaar.

Aandeelhouers in Grootvlei was ook maar baie mismoedig en tog het die myn die afgelope 12 maande 'n totale dividend van 38c per aandeel verklaar — van die hoogste in sy geskiedenis

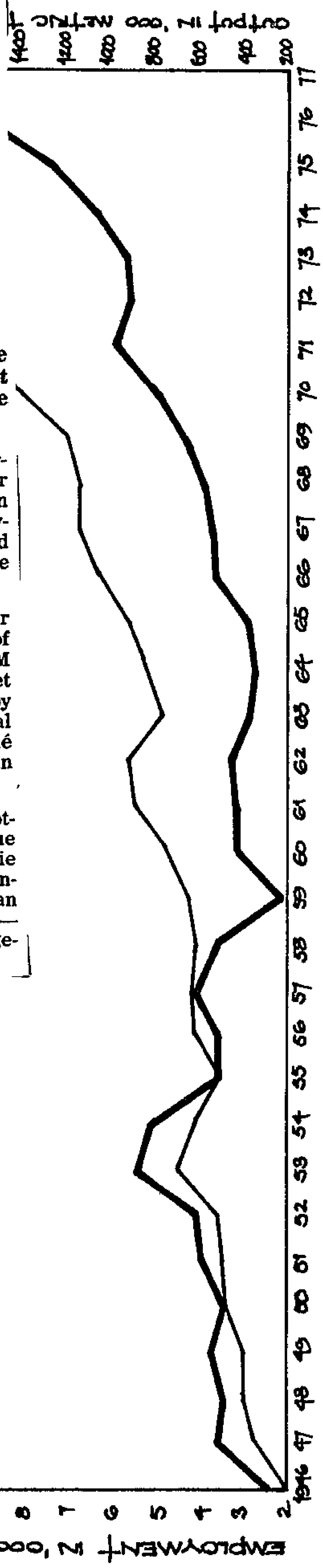


TABLE 23: GROWTH OF THE MINERALS INDUSTRY
(production in sales units - 1000s - base minerals)

	1 9 7 0			1 9 8 0					2 0 0 0				
	Export	Domestic	Total	Exp.	Dom.1	Dom.2	Total1	Total2	Exp.	Dom.1	Dom.2	Total1	Total2
Copper	90	31,3	121,7	400	42	51	442	451	1 212	76	135	1 288	1 347
Iron	2 100	5 810	7 910	10 000	7 800	9 500	17 800	19 500	30 300	14 200	25 100	44 500	55 400
Chromium	954	290	1 244	2 060	390	473	2 390	2 472	6 060	706	1 250	6 766	7 310
Manganese	2 000	760	2 760	5 200	1 020								
Coal	1 100	50 350	51 450	14 000	82 070	1							
Asbestos	241	27	268	500	36								

Note: Gold, diamonds, platin and 'others' in Section 2.1.4

RDM 19/12/78

Mines may be rationalised

214

By NEIL BEHRMANN

LONDON. — Recent chairmen's statements on the future prospects of the Evander mines, signify that Winkelhaak, Bracken, Leslie and Kinross's interests could be rationalised within the next few years

This is the view of Mr Arnold Taylor, who heads James Capel's mining department

Mr Taylor drew his own conclusions and has not been discussing the matter with the various chairmen

In regard to Bracken, the chairman has stated that with limited reserves, the life of the mine will not be materially extended as a result of higher gold prices

Production will be maintained into the second half of 1979 and thereafter at a reduced rate until the end of 1980

On the other hand, Leslie's life has been extended "in excess of five years"

Winkels, which has a life of about 20 years, intends mining a property which is under option

Mr Taylor says that estimations based on the boreholes in this area, define two pay shoots extending eastwards from current workings on the Kimberley Reef

He estimates that these shoots contain some 20-million tons of ore grading about seven grams a ton

This could add another 10 years to Winkels's life

Mr Taylor says however, that this life extention would not lift earnings per share.

Winkels's shares would be issued to the present owners, UCI and Acacia Mines, in exchange for the new lease area

On the other hand, Bracken, with its strategic geographical position could come into the picture

On its demise, it could provide an expanding Winkels with a twin-shaft system with a fairly modern mill, additional ventilation possibilities and accommodation for workers

Various adaptations to Bracken's shaft system and underground main haulages will be necessary, but the expenditure involved would be lower than the amount needed for a new mine

To bring about this scheme, shareholders could receive Winkels shares in exchange for their Bracken shares

With Winkels shareholders, they will be acquiring cheap assets, while their earnings and present value of their property will be enhanced

For the Evander field in general, the burden of additional pumping charges will be averted when Bracken ceases to exist

Cape Times

aac

Reviews by the Chairmen of Anglo American Corporation Group's O.F.S. gold mining companies.

Management faces a growing challenge to improve productivity, particularly with regard to labour if the older mines are to remain profitable, and to continue to give the shareholders a reasonable return on their investment.

– MR D. A. ETHEREDGE, MR G. LANGTON, MR G. Y. NISBET

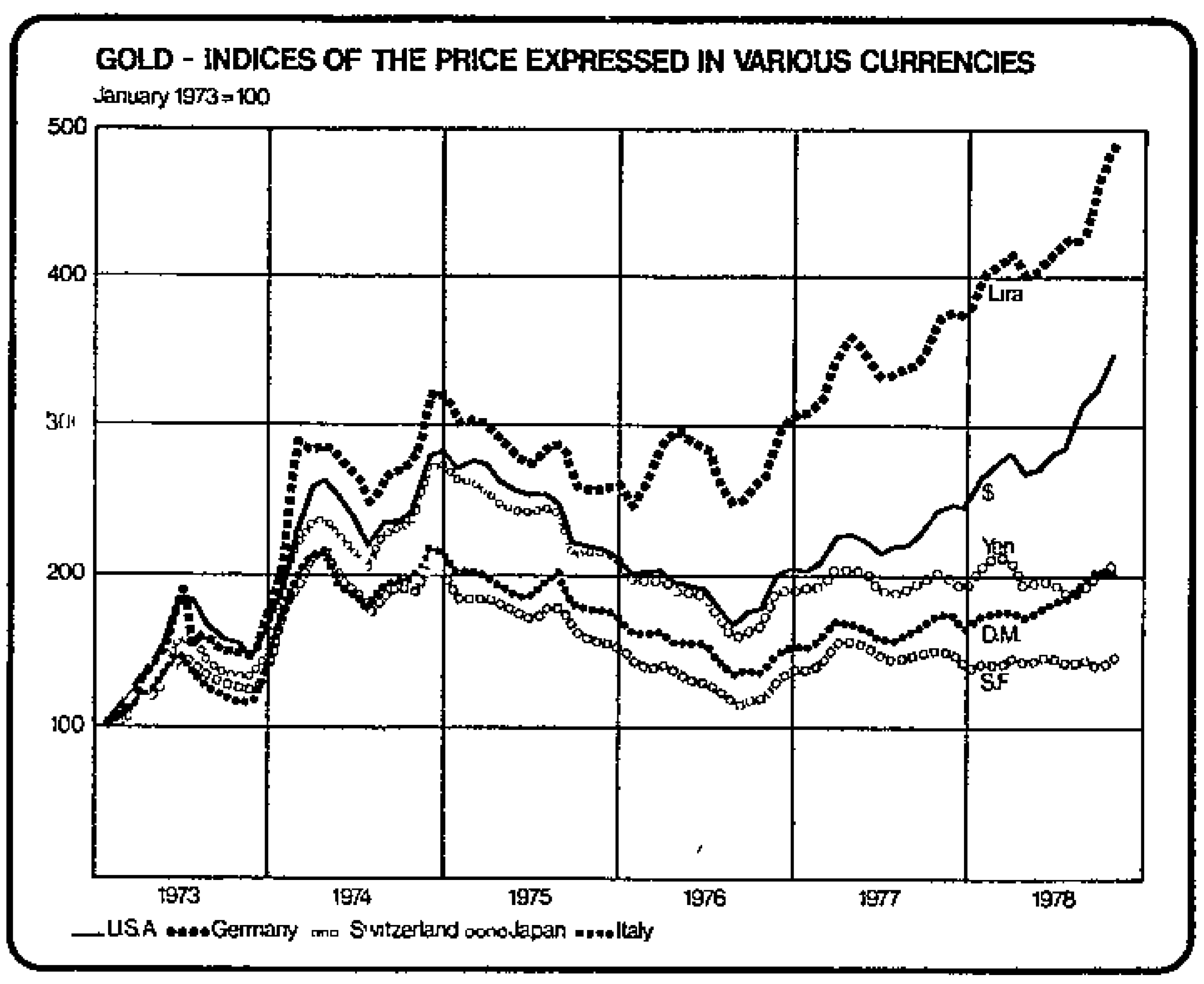
GOLD MARKET

During the year under review the price of gold set at the London fixings increased by 40 per cent from $155 an ounce on October 3 1977 to $217 on September 29 1978 Since the end of the financial year the price rose sharply to reach a peak of $243,65 This latter increase was largely caused by the continuing weakness of the dollar On November 1 1978 President Carter announced a $30 billion support operation and at the same time the United States Treasury increased the amount of gold to be sold at its monthly auction to 1,5 million ounces as from December This had the immediate effect of strengthening the dollar and in reaction gold fell to $208,25 an ounce in the space of eight fixings Since then the price has fluctuated in a downward trend to $194 in a cautious market awaiting the December Treasury auction Only time will show if the actions of the US Government will restore the world's confidence in this currency In any case it is our view that gold will continue to play a major role in world finance

It is most encouraging that, despite the substantial increase in the gold price during this year, industrial demand has not declined This has resulted in a more soundly based market than was the case in 1975/76 when there had been an equally strong rise in the price of gold The position has been aided by the fact that, while the gold price increased substantially in dollar terms, the same was not true in many other currencies

The second amendment to the Articles of the International Monetary Fund, in terms of which central banks are permitted to trade in gold, came into effect on April 1 this year This enabled the South African Government to alter its gold payment procedures and the mines are now receiving a market-related price for their gold immediately it is sold to the South African Reserve Bank. In addition, the mines received a once-off boost to revenue in the June quarter arising from the final reconciliation of account between the Reserve Bank and the mines on the change-over to the new system of payment

The IMF continues to be a large supplier to the market with its monthly auctions The quantity on offer was reduced in June 1978 to 470 000 ounces, the balance being reserved for those developing countries who wished to take their share of the auction in gold rather than money The



GOLD - INDICES OF THE PRICE EXPRESSED IN VARIOUS CURRENCIES

developing countries have elected the gold alternative to a far greater extent than was foreseen and the 55 000 ounces set aside appear inadequate

On May 23 the first of a new series of gold auctions was conducted on behalf of the US Treasury in an effort to bolster the dollar, foreign governments and central banks being dissuaded from bidding Since then 1,8 million ounces have been sold in the series of six auctions which ended in October In November the quantity on offer was increased to 750 000 ounces which the market absorbed with relative ease As already mentioned, from December 1978 the quantity on offer will be increased to 1,5 million ounces a month for an undefined period In the first eleven months of 1978 the combined sales of the IMF and the US Treasury, excluding the IMF sales to developing countries, amounted to 8 million ounces In the unlikely event that Treasury sales continue at a level of 1,5 million ounces a month throughout 1979, there will be some pressure on the gold price The reaction of the price to this pressure will depend to a great extent on the levels to which demand for gold will rise next year

The strong interest shown in gold during the year is also reflected in the increased volume of Krugerrand sales which is expected to reach a record level of around 6 million coins by the end of 1978, absorbing approximately a quarter of the South African production This compares with 3,3 million during the whole of 1977 Krugerrand sales have fluctuated over the last six years but comparing 1972 with 1978, sales have grown from 544 000 coins in that year to the projected level of 6 million this year Industrial demand remains high and offtake by this sector should again be in the region of 1 200 tons which is more than both South Africa's annual production of around 700 tons and that of the USSR estimated at some 400 tons

International Gold Corporation Limited, the gold mining industry's marketing organisation, will very shortly open an office in Hong Kong and is stepping up its efforts in the US There are now offices in Johannesburg, Geneva, London, Paris, Munich, Milan, Barcelona and New York.

URANIUM

The spot uranium price rose rapidly from $6 a pound in 1973 to $40 in 1976 The price is currently standing at about $43 with no indication of any further movement in real terms in the near future owing to the possible impact of new production primarily from Australia and Canada and slippage in nuclear energy programmes in a number of countries However, delays in the building of not only nuclear but also conventional power stations cannot be allowed to continue without the risk of industrial growth generally being inhibited Another significant oil price increase or disruption of supply as a result of political unrest could also act as a stimulus to shelved nuclear energy programmes

LABOUR

Since January the turnover of black mineworkers has steadily decreased, partly as a result of high unemployment levels in southern Africa and also the higher wage structure in the mining industry The rapid increase in earnings over the last few years is now making the mining industry more competitive and it will be possible, with further improvements, to move towards establishing a workforce comprising largely career mineworkers. The benefits of such stabilisation, with the accumulated experience and training, will lead ultimately to improved productivity.

During the year the gold mines embarked on a project to provide additional social services to the black employees housed in the single men's hostels These services are being designed to provide for the particular needs of migrant workers who are away from their families for much of the year

For the second successive year the annual wage award to white mineworkers of less than seven per cent — substantially less than the rise in the Consumer Price Index — demonstrated the employee associations' and unions' willingness to join in the efforts to contain inflation The award to the black mineworkers averaged 12 per cent The higher percentage increase should be viewed in relation to the lower average earnings of the unskilled labour force and the impact of continued inflation on this wage group We are appreciative of the acceptance of the policy of differential awards by the white workers

The Franszen Commission appointed by the Government to examine the feasibility of a five-day working week, also reported on the effects of the eleven-shift fortnight arrangements which have been in effect since April 1977 It found that while production in the mining industry has increased by 2,4 per cent owing to freely available black labour, the productivity of black labour decreased by six to seven per cent with an accompanying increase in working and capital costs of R29,5 million and R7,8 million respectively The white labour force increased by 6,5 per cent and the black by 8,2 per cent

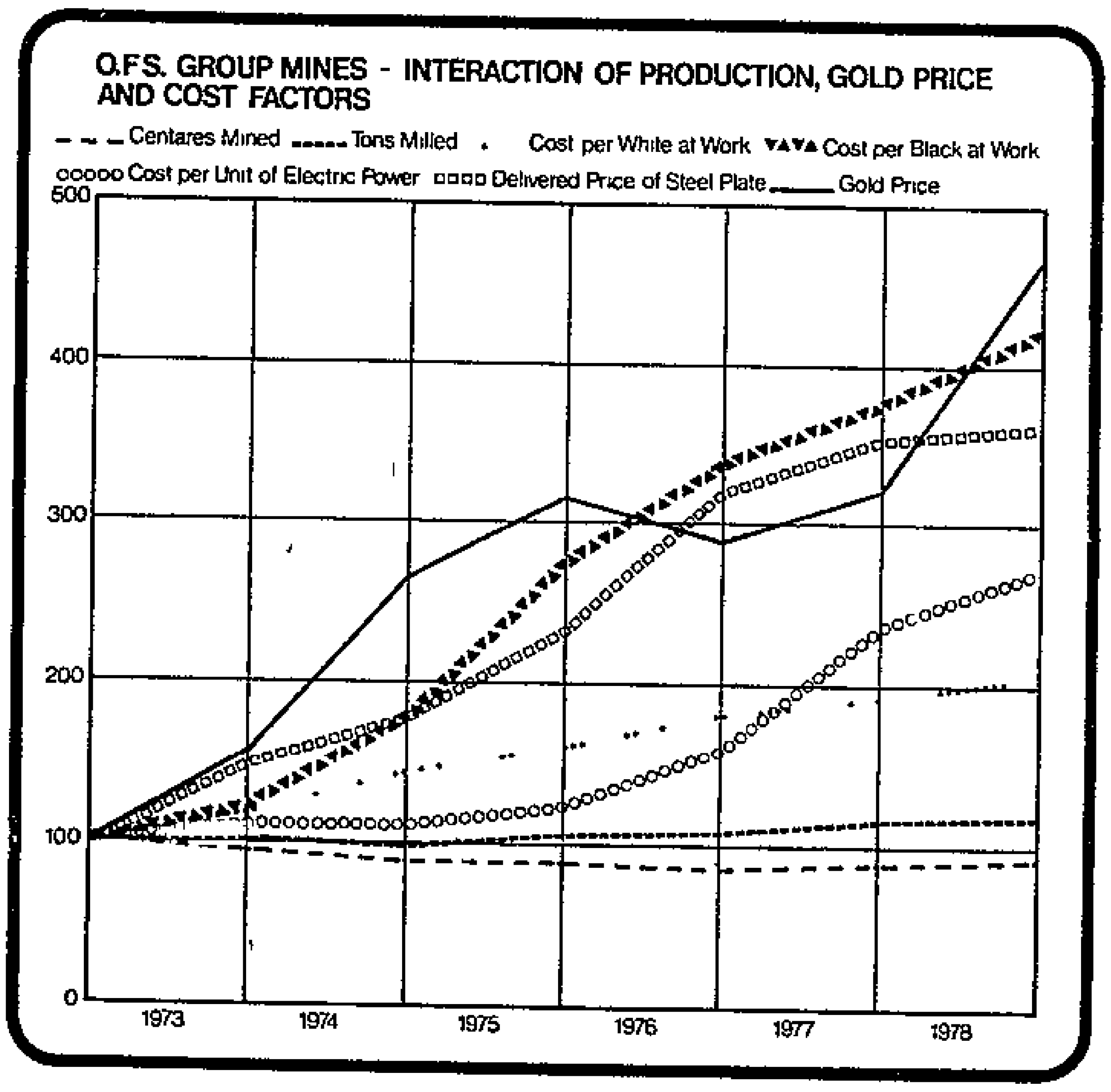
The Commission pointed out that, over the period covered by its study, the additional revenue flowing from the higher gold price had been used to a significant extent to finance escalating costs In the light of experience gained of the eleven-shift fortnight, the Commission warned that the most recent rise in the gold price should not be used as a justification for the introduction of a system which would further increase costs

Although the effects of the eleven-shift fortnight arrangements on production and costs cannot be ignored, the Commission has recommended that it should continue until technology and/or work procedure can be adapted to the extent that a five-day working week could be introduced on a rostered basis without prejudicing production, working costs or safety Meanwhile, management and labour should devote their attention to overcoming the problems associated with the eleven-shift fortnight

WORKING COSTS

Shareholders have long been aware of the serious escalation of costs in the gold mining industry and the fact that they have been increasing at a rate far higher than the general level of inflation in South Africa An analysis of some of the factors which have contributed to this position is of interest

During the years of the fixed gold price and eroding profit margins, financial resources which could be committed to ensuring the longer-term

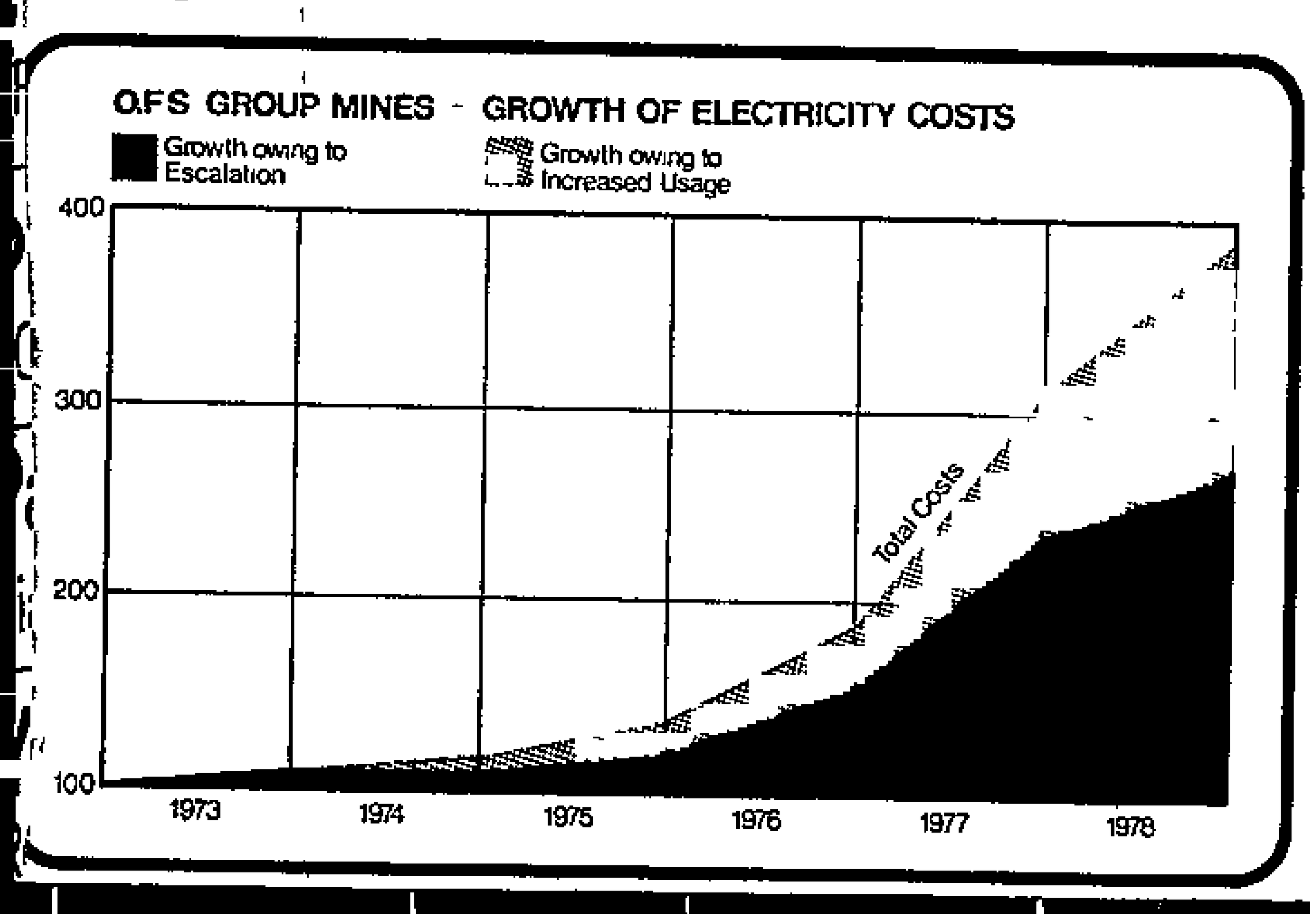


future of the mines were limited and, in fact, more and more mines needed State assistance to survive However, over the period 1972 to 1978 the average price received by the Orange Free State mines has increased from R1 162 to R5 392 a kilogram or an approximate average growth rate of 29 per cent a year This has obviously had a major impact on planning and over this relatively short time span has afforded the opportunity of extending the life of the gold mines

The rate of milling by the Orange Free State mines over the same period increased by 15 per cent or an average growth of 2,4 per cent a year However, over this period the centares mined, the most meaningful measure of underground production, declined by 13 per cent and gold production dropped by 35 per cent or an average annual decline of just over five per cent This illustrates quite clearly the trend in the industry towards mining previously unpayable ore and supplementing underground ore with fines washed from current waste and surface dumps

Most of the mines in the Orange Free State were brought into production in the early 1950s Over the past twenty-five years much of the most easily accessible payable ore reserves has been mined and currently more of the present tonnage has to be mined from pillars as well as remnants which at lower gold prices had previously proved uneconomic Labour productivity, owing to the difficulties associated with pillar mining, is lower and the costs of re-equipping these areas are high in relation to the available tonnage Since 1972 the tonnage mined from remnants in our mines has steadily increased to the point where, at some of the older shafts, over half the tonnage is won from areas previously mined The difficulties associated with mining these remnants result in an crease in stoping width and dilution of the ore with a consequent decrease of grade

With operations moving progressively further from the shaft, travelling imes for both men and materials are continually increasing and give to a decrease in available time at the work face Under these nstances, the effective use of manpower is an on-going problem management



Power consumption over this same period has increased from 481,8 Kwhr/centare mined in 1972 to 793,2 Kwhr/centare mined in 1978 This very significant power increase has been caused almost entirely by increased ventilation and refrigeration requirements in the more extensive underground workings of the mines At the same time the unit cost of power has increased from 55c/Kwhr to 147c/Kwhr or by 167 per cent

Another of the major contributory factors is the rise in the cost of stores The mines utilise large tonnages of steel in one form or another and the price of steel has been used to illustrate the problem The delivered cost of steel plate, for instance, over the period 1972 to 1978 has increased by 257 per cent

Over the same period average black wages have increased by approximately 400 per cent and now constitute over a quarter of the working costs compared with approximately 20 per cent in 1972 In the past it was felt that the rates paid to black workers need only be adequate to attract sufficient workers into the industry and this policy was applied until 1971 when, with the improvement in the price of gold, a positive decision was taken to increase the black wages so that the general standard of living of the workers and their families could be improved and at the same time attract a higher calibre of worker into the industry

Associated with the increase in wages, more emphasis on training and development has raised costs in an area which will have long-term rewards A further factor which has impacted on employment costs is the general improvement in living conditions of the workers in the hostels and services associated with employment

Two other areas where completely different levels of activity pertain in 1978 as compared with 1972 are research and development and gold promotion and marketing through Intergold

This company contributes to the expenditure incurred on research and development by both the Chamber of Mines and the Anglo American Corporation Group The levels of expenditure in this field have risen from a total of approximately R4 million to R24,6 million The research expenditure nonetheless remains low in relation to turnover of the industry and also relative to the possible future problem which the industry could face in attracting men to work at greater depths under more difficult physical conditions

As mentioned previously, Intergold is now operating world-wide and total expenditure has grown from an insignificant sum in 1972 to R24,5 million in 1978 Part of this expenditure is financed by the jewellery trade and the rest by the gold mines of the industry

Some of the more significant areas where factors beyond the normal escalation have had an impact on production costs have been highlighted Management faces a growing challenge to improve productivity, particularly with regard to labour if the older mines are to remain profitable, and to continue to give the shareholders a reasonable return on their investment

JOINT METALLURGICAL SCHEME

During the year the tonnage treated through the slimes section was gradually increased and at times exceeded the design capacity with only a minor reduction in efficiency However, it was not possible to make up the entire uranium oxide shortfall suffered during commissioning and consequently 33 tons had to be purchased at market-related prices to fulfil our sales commitments Towards the end of the financial year, following minor modifications, recovery was further improved and we have since met all commitments The profit from the sale of uranium oxide amounted to R22 299 000 compared with R3 800 000 in the limited production period of the previous year

Persistent failures in certain sections of the acid plant have limited production and, although these problems are being rectified, the adverse impact on acid and gold production has had a disappointing effect on revenue. Laboratory and plant scale testwork is continuing to optimise flotation conditions Minor modifications have already improved overall recoveries, but further improvements are necessary to enhance the general profitability of the scheme

We must highlight the fact that of the increased benefit of some R155 million accruing to the Anglo American Corporation Group's Orange Free State mines from the higher gold price the State benefited to the extent of R113 million and the shareholders only R34 million This clearly demonstrates the impact of the marginal rate of tax as applied to gold mines With the existing tax formula shareholders, who have been very patient during the period of low gold prices, now receive a reward which may well be disappointing and provide little inducement to invest in future gold mine developments

COMMENT BY MR. D. A. ETHEREDGE
ON INDIVIDUAL MINE PERFORMANCES

President Brand Gold Mining Company Limited

Gold profit at R82 949 000 for the year was 53 per cent higher than in 1977 This level of profit in addition to the company's share of the attributable profit from the Joint Metallurgical Scheme of R6 317 000 and a significant reduction in capital expenditure resulted in a major increase in taxation and State's share of profit The estimated amount of R34 440 000 is five times that of 1977 and consequently the profit available for appropriation and dividends only increased by 18 per cent After allowing for an appropriation for capital expenditure of R26 998 000 and a transfer to general reserve relating to net loan levy payments of R2 933 000 the directors increased dividends from 130 cents to 150 cents per unit of stock.

The marginal increase in tons milled of 1,71 per cent to 3 146 000 tons this year could not offset the 9,75 per cent reduction in recovered grade and gold production dropped by 8,17 per cent to 29 989 kilograms Stockholders were forewarned of this drop in grade as we increased mining activities on the Leader reef

The sharp increase in the price of gold received from R3 737 a kilogram ($134 an ounce) in 1977 to an average of R5 387 a kilogram ($193 an ounce) in the year under review had a dramatic impact on profits despite an increase in total working costs of 15,6 per cent

Capital expenditure during the year amounted to R27 995 000 of which R9 495 000 was spent on mine capital expenditure and R18 500 000 on the Joint Metallurgical Scheme

Capital expenditure in 1979 is expected to amount to R60,5 million of which R48,5 million, partially financed by consumer loans, will be associated with the Joint Metallurgical Scheme

SUMMARY OF OPERATIONS

Gold		1978	1977
Working profit (R000's)		82 949	54 064
Centares mined (000's)		621	581
Tons milled (000's)		3 146	3 093
Grade – grams/ton		9,53	10,56
Production – kilograms		29 989	32 656
Working cost	– Rand/centare mined	127,35	93,05
	– Rand/ton milled	25,14	22,12
Revenue	– Rand/kilogram	5 387	3 737

President Steyn Gold Mining Company Limited

The company more than doubled last year's profit from gold production and the profit of R52 484 000 achieved is comparable to those of the record years 1974 and 1975 At this level of income not only was our assessed loss brought forward from 1977 of R2 788 000 entirely eliminated, but provision was made for an estimated payment for taxation and State's share of profit of R17 374 000 After an appropriation for capital expenditure of R24 195 000 and a transfer to general reserve of R1 702 000 relating to net loan levy payments, the directors declared significantly increased dividends totalling 80 cents a share The dividend declaration absorbed R11 653 000 and a further R1 250 000 was retained to be carried forward to 1979

Since June 1978 steelwork problems in the higher grade No 4 shaft have curtailed production and consequently this company has not been able to meet its published targets for tonnage milled and recovered grade However, tons milled were 5,03 per cent higher than last year and this helped to offset the 9,02 per cent drop in recovered grade Gold production at 25 622 kilograms was 4,45 per cent lower than in 1977

The sharp increase in the gold price received from R3 720 a kilogram ($133 an ounce) in 1977 to an average of R5 378 a kilogram ($192 an ounce) in the year under review had a dramatic impact on profits despite an increase in total working costs of 15,6 per cent

Capital expenditure for the year, including amounts spent on the Joint Metallurgical Scheme, amounted to R20 121 000 (1977 R34 225 000) The major effort was again concentrated on expanding the facilities at No 4 shaft and the development of the Video area The sinking of the sub-vertical shaft had reached a depth of 2 917 metres below surface at the end of the financial year

Capital expenditure in 1979 is expected to total R19 million, the majority of which will be spent on the No 4 shaft, the Video area and housing for employees

SUMMARY OF OPERATIONS

Gold		1978	1977
Working profit (R000's)		52 865	26 277
Centares mined (000's)		704	634
Tons milled (000's)		3 256	3 100
Grade – grams/ton		7,87	8,65
Production – kilograms		25 622	26 816
Working cost	– Rand/centare mined	121,23	116,47
	– Rand/ton milled	26,21	23,86
Revenue	– Rand/kilogram	5 378	3 720

Free State Saaiplaas Gold Mining Company Limited

My previous predictions that this company will rely heavily on profits from uranium sold through the Joint Metallurgical Scheme have been vindicated this past year The profit from the scheme of R14 140 000 more than offset the loss from gold production of R3 175 000 However, the adverse cash position forecast for 1979 led the directors to decide not to declare any dividend An amount of R7 000 000 has been transferred to general reserve and R4 988 000 appropriated for capital expenditure The balance of the net earnings of R2 432 000 was retained to be carried forward to 1979

The tonnage milled at 1 240 000 tons was 0,49 per cent higher than the previous year However, the grade was very disappointing, averaging 3,55 grams a ton, 2,20 per cent lower than in 1977 This had the effect of reducing the kilograms of gold produced by 1,65 per cent to 4 408 kilograms

The sharp increase in the gold price received from R3 809 a kilogram ($136 an ounce) to an average of R5 467 a kilogram ($196 an ounce) kept the loss on gold production well below that of last year although working costs increased by 16,4 per cent during the year

Capital expenditure for the year, including amounts spent on the Joint Metallurgical Scheme, totalled R10 754 000 (1977 R11 896 000) Expenditure again centred on the No 3 shaft Sinking progressed 402 metres to reach a depth of 2 084 metres below collar In addition, 1 717 metres of station cutting and development were achieved on five levels which were partially established The shaft is expected to reach full operating capacity in 1981

Capital expenditure for 1979 is forecast at R41 million In addition to the shaft equipping and the gold plant extensions, attention will be focussed on housing requirements on which we will be spending approximately R9,5 million

SUMMARY OF OPERATIONS

Gold		1978	1977
Working loss (R000's)		3 175	6 359
Centares mined (000's)		242	237
Tons milled (000's)		1 240	1 234
Grade – grams/ton		3,55	3,63
Production – kilograms		4 408	4 482
Working cost	– Rand/centare mined	112,97	99,09
	– Rand/ton milled	22,05	19,03
Revenue	– Rand/kilogram	5 467	3 809

COMMENTS BY MR. G. LANGTON
ON INDIVIDUAL MINE PERFORMANCES

Free State Geduld Mines Limited

I am pleased to report to members that working profit reached a record level of R142 523 000 This compares with R92 314 000 achieved last year After providing R68 229 000 for taxation and State's share of profit and appropriating R40 430 000 for capital expenditure, dividends totalling 315 cents a share were declared. On the increased capital dividends absorbed R32 886 000, R4 667 000 relating to net loan levy payments was transferred to general reserve and a further R552 000 was carried forward to 1979

The tonnage milled at 3 370 000 tons was 1,92 per cent lower than the previous year and the grade also declined by 0,85 per cent to 12,78 grams a ton In line with the drop in tonnage and grade, gold sales at 43 055 kilograms were down by 2,75 per cent

The sharp increase in the gold price received from R3 731 a kilogram ($133 an ounce) in 1977 to an average of R5 369 a kilogram ($192 an ounce) in the year under review had a dramatic impact on profits despite an increase in total working costs of 21,7 per cent

Capital expenditure for the year, including amounts spent on the Joint Metallurgical Scheme, amounted to R39 716 000 (1977 R35 254 000), the major portion of which was on the new No 5 shaft project

The forecast capital expenditure for 1979 remains high at R43 million, the bulk of which will be associated with the No 5 shaft development

SUMMARY OF OPERATIONS

Gold		1978	1977
Working profit (R000's)		142 523	92 314
Centares mined (000's)		642	669
Tons milled (000's)		3 370	3 436
Grade – grams/ton		12,78	12,89
Production – kilograms		43 055	44 274
Working cost	– Rand/centare mined	139,09	109,66
	– Rand/ton milled	26,50	21,35
Revenue	– Rand/kilogram	5 369	3 731

Western Holdings Limited

The company achieved a record working profit of R107 851 000 during 1978 This was R33 462 000 more than last year and R1,4 million better than the previous record established in 1975 Taxation and State's share of profit absorbed R68 990 000 and R6 001 000 was appropriated for capital expenditure Dividends distributed increased by 48,2 per cent to total 415 cents a share for the year under review An amount of R4 498 000 was transferred to general reserve relating to net loan levy payments and R2 654 000 was retained to be carried forward to 1979

The marginal increase of 20 000 in tons milled was not sufficient to offset the 1,13 grams a ton decrease in the recovered grade and consequently gold production dropped nine per cent to total 33 116 kilograms for the year The drop in grade is fully dealt with in the technical advisers' report

The sharp increase in the gold price received from R3 710 a kilogram ($133 an ounce) in 1977 to an average of R5 363 a kilogram ($192 an ounce) in the year under review had a dramatic impact on profits despite an increase in total working costs of 15 per cent.

Capital expenditure for the year, including amounts spent on the Joint Metallurgical Scheme, amounted to R6 027 000 (1977 R5 324 000) Housing for employees accounted for a large proportion of this expenditure

The forecast capital expenditure for 1979 is R11 million, the bulk of which will be on three major projects improvements to the No 4 shaft ventilation approximately R1,4 million, the centralised kitchen R2,5 million and housing R3,5 million

SUMMARY OF OPERATIONS

Gold		1978	1977
Working profit (R000's)		107 851	74 389
Centares mined (000's)		656	689
Tons milled (000's)		3 113	3 093
Grade – grams/ton		10,64	11,77
Production – kilograms		33 116	36 396
Working cost	– Rand/centare mined	107,07	88,62
	– Rand/ton milled	22,56	19,74
Revenue	– Rand/kilogram	5 363	3 710

COMMENTS BY MR. G. Y. NISBET
ON WELKOM GOLD MINE'S PERFORMANCE

Welkom Gold Mining Company Limited

Working profit for the year under review at R20 328 000 was 161,4 per cent higher than the R7 777 000 reported last year Taxation and State's share of profit totalled R9 632 000 and after appropriating R3 682 000 for capital expenditure the directors were able to declare dividends totalling a record 65 cents a share An amount of R1 135 000 was added to the retained profit to be carried forward to 1979

The 4,25 per cent drop in the recovered grade caused the gold production to drop 4,2 per cent to 13 303 kilograms for the year

The sharp increase in the gold price received from R3 725 a kilogram ($133 an ounce) in 1977 to an average of R5 380 a kilogram ($192 an ounce) had a dramatic impact on profits despite the increase in total working costs of 16,6 per cent

Capital expenditure for the year, including the amounts outlaid on the Joint Metallurgical Scheme amounted to R3 574 000

The forecast capital expenditure for 1979 is R5 million, a large proportion of which will again be spent on housing for employees

SUMMARY OF OPERATIONS

Gold		1978	1977
Working profit (R000's)		20 328	7 777
Centares mined (000's)		500	513
Tons milled (000's)		2 184	2 183
Grade – grams/ton		6,09	6,36
Production – kilograms		13 303	13 886
Working cost	– Rand/centare mined	102,91	86,02
	– Rand/ton milled	23,56	20,21
Revenue	– Rand/kilogram	5 380	3 725

The annual reports and chairmen's statements may be obtained from Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001

Annual General Meetings

The annual general meetings of the members will be held at 44 Main Street, Johannesburg, on Thursday, January 25 1979 at the following times
Free State Saaiplaas Gold Mining Company Limited 10h00, President Brand Gold Mining Company Limited 10h25, President Steyn Gold Mining Company Limited 10h50, Welkom Gold Mining Company Limited 11h25, Western Holdings Limited 11h50, Free State Geduld Mines Limited 12h15

ANGLO AMERICAN CORPORATION GROUP

With the introductio[n] ... another precedent wa... of minework - and in... the worker contracti... by legislation and c... obstructive lung (ai[r] ... identifiable disease. ... case in 1962, minewo... sated if there was a... sufficient duration to cause this impairment. In 1974 progressive systemic sclerosis was also introduced as a separate compensatable disease. It is a condition in which an irritant rash spreads in patches on the skin and on the internal organs. However scleroderma, although similar, but causing a rash only on the skin, will also be compensated if it is thought to have been caused by mining operations. Progressive systemic sclerodermis is a very rare condition and only six cases were diagnosed in 1974.(234)

It is the huge difference in compensation awards paid to Whites and Blacks, a principle operative from 1912 to the present day, which requires analysis. During the period 1912 to 1925 compensation for whites who had silicosis in the pimary stage rose from £96 in 1912 to £200 in 1914 to £300 in 1917. In 1919, when the ante-primary stage was introduced, primary-stage compensation was based on 50 per cent more than the three categories of awards for ante-primary silicosis. During the same period there were no increases in compensation for Africans from 1912 until the introduction of the ante-primary stage, after which their primary stage compensation was then based but by 50 per cent more- but only of the lowest category of ante-primary stage awards. This meant that an African miner received 50 per cent more than twelve times his monthly wage provided the wage was not more than £29 3s. 4d.

When annual life pensions awarded on a monthly basis for Whites based on a specific schedule were introduced for secondary stage cases, this did not apply to Africans. Instead they received 100 per cent more than that provided for them in the ante-primary stage schedule, quoted above, and this was paid in a one lump sum.

Today the same differences in lump sum awards, which have replaced the former life pensions, between Whites and Africans are very marked. Whites who have silicosis in the first degree receive R12 000, while Africans receive R1 200.

or why there are discrepancies between grants to the different racial groups. An examination of the actual figure is therefore necessary to see whether compensation for Africans bears any relationship to compensation for Whites as is the case in awards made to Coloureds. Since 1914 compensation for Coloureds bears a strong correlation with awards for Whites. Coloured awards are not allowed to rise to amounts exceeding 50 per cent of those granted to Whites.

The introduction in 1963 of awarding compensation according to degrees of disability to the cardio-respiratory organs, excludes the analysis of awards made to workers with silicosis either in the first or second degree. From 1916 to 1976 tuberculosis has, however, always been compensated as a separate disease. Therefore compensation for tuberculosis is the only constant standard which can be used to measure and analyse disparities in compensation awards. In order to do so schedule A of the 1919 Act, reconfirmed in 1925, and the lump sum awards for tuberculosis in 1973 and still operative in 1978 must serve as indices of measurement for the early period and that of today. Schedule A, detailing the awards for the ante-primary stage of silicosis in 1919, has been simplified and reads as follows:-

(a) That compensation is twelve times monthly earnings, for earnings of £29-3s-3d to £37-9s-11d.

(b) That compensation is six times monthly earnings, for earnings of £29-3s-4d to £37-9s-11d.

(c) Compensation is three times monthly earnings, for earnings exceeding £37-10s-0d. (237)

Section (a) obviously applied to Africans and Eurasians, as white underground miners did not earn less than £30 per month.(238) Section (b) obviously applied to most of the White underground mining occupations; while Section (c) obviously applied to White officials.(239)

In the primary stage of silicosis and simple tuberculosis the same table was applied to Blacks and Whites, but 50 per cent more was added to each category. Finally category (a) was applied to Africans who had secondary silicosis, but increased by 100 per cent.

KDM1 27/12/78 (214)

Gold mines trim costs

COST increases on the gold mines in the first nine months of this year have been kept to about 15% compared with 23% in the previous 12 months, but further cost pressures may still filter through, according to Mr Lynne van den Bosch, director of Union Corporation and past president of the Chamber of Mines.

He said at the annual meeting of the Commercial Exchange of South Africa that the slowing of cost rises was encouraging because of the introduction of the general sales tax in July and the effects of wage increases recently granted to mineworkers.

The rise in steel prices and electricity tariffs announced some months ago was expected to push up costs when it became effective.

"Nevertheless, it would seem that the mining industry's combined efforts to reduce the increase in working costs are now slowly beginning to bear fruit, although the rate of cost escalation is still unacceptable and must be brought down further."

He said that through a recently established watch-dog committee, the industry had successfully resisted some proposed price increases that would not stand up to scrutiny by the major users of the commodities.

Mr Van den Bosch said that last year the value of total mineral sales had risen to R5 500-million and was expected to rise to over R6 500-million this year and to 10 000-million by 1980. The working revenue of gold mines in the first nine months of this year had risen by 42% to R2 832-million, more than the total received for the whole of 1977.

The major beneficiary of this had been the State which received R681-million in the first three quarters of the current year, compared with R312-million in the same nine months last year.

Mining Gold General

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FM 5/1/79 (2-14)

OFS GOLDS

Capex the key

Chairmen of Anglo's OFS gold producers, who are looking for an average gold price of anything up to $220 for a repeat of last year's results, should not be disappointed. At least for the next six months — while the impact of higher Opec prices is digested, until Europe can get things together and make the EMS effective and until the Iranian situation clears — pressure on the dollar will almost certainly continue. Bullion may be due for a near-term technical correction after its rise, but $250 by end-June does not look unattainable.

Just how far this will be reflected in near-term dividend increases remains to be seen. Most OFS mines are involved in major capex projects and some of them could be involved if Anglo decides to establish new mines in the area.

Free State Geduld: As increased emphasis is placed on mining the Freddies lease area, grades are falling faster than expected. This year recovery is slated to fall to 11,9 g/t (1978:12,8 g/t) on a lower 3,2 Mt (3,4 Mt) mill throughput. At least the balanced mining, possible with commissioning of the No 5 shaft in the latter

Financial Mail January 5,1979

reflects the experience of the last two years
reached levels two and three times what they
been connected with the development of a
ture to make access to export markets on this
expansion will not continue at recent
sensible to revise the Plewman range up

ielligh's projection is lower than Plewman's.
historic (1941-75) rate of growth of coal
um - whereas Plewman, allowing domestic demand
or 8 per cent per annum, and exports at 5,7
an overall 5,1-7,8 per cent per annum range

ich into a very detailed discussion about these
There is not space for it - and we have not
n. On the basis of what is available we
- but towards the lower end of his range.
2000 A.D. output figure of between 260 and 550 million tons a year. It is not difficult to show that a figure of at least 300 million tons is quite plausible: Escom estimates for electricity generation are 110-120 million; the pyrolysis of coal and the use of 'char' in power stations could push this up another 70 million tons (see D. Horsfall, "A prognosis for coal in an integrated fuel technology", Optima, vol.26, no.2); Sasol needs have been put at 20 million already by 1985; exports may run at up to 40 million tons during the next decades if the infrastructure is available (Etheredge);[56] and we have not yet mentioned industrial, transport and domestic uses - which were 20 per cent of the total in 1974. In summary: growth at 6 per cent per annum is compatible with these rough figures for output in 2000.

Platinum

Again von Wielligh is well below Plewman viz. 2,8 per cent against 5 per cent per annum - which is surprising because of the very high rate of growth for 1941-75 that he reports (17,0 per cent per annum). However, this historic rate is presumably heavily influenced by the fact that production in this period was growing from very low levels.

certainly the information on rural wage rates and contractual relations as well as on returns to economic activities does not exist upon which to make such a judgement. There is a prima facie case for a set of local experiments in different regions to test the demand for casual labour and the effect of an alternate source of employment on local labour markets under different piece rate norms and programme rules.

The need to prepare contingency plans should Botswana's 35 000 odd migrants
be forced to stop work i … owerful argument to start
experiments to work out … also underlines the need to
seek a formulation that … verage wage as is consistent
with the essential requ… not be enticed away from economic
activities.

A further reason for ex… swana has not devoted her own or
foreign expertise to th… orks can a lot of labour be
productively employed?" … for instance, has concentrated
on rotational grazing, … It has not asked what benefit
contour furrows, fodder … ss seed raised in nurseries
and distributed over th … r by aeroplane), and more
pe … stone walls would bring to
di … done on a wide variety of soil
ar … re the creation of woodlots for
fu … aterials; public
br … private citizens; the design
ar … rain stores etc. Roads,
pe … e scope for trial with labour
ir … maintenance.

Ir … presented to illustrate how the
ac … me helps to redefine the management
o … to local government which oversees
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within annual technical departmental
… ired to discover and put forward

12/1/79

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Golds up in quiet trading

JOHANNESBURG — Gold shares moved off the lower levels in quiet trading on light overseas interest, dealers said

Randfontein shed 10c to 6 240 after 6 225 earlier while Harmony eased 5c to 620

They said most overseas buying was in heavyweights though some local interest had select marginal and lesser priced issues firmer.

Mining financials were mostly steady in quiet dealings. GFSA gained 25c to 2 725 while Johnnies rose 50c to 3 150. De Beers was up 5c at 890

Other metals and minerals had platinum issues off the higher levels while in coppers Palamin gained 10c to 1 000 and Messina was unchanged at 160 in reaction to recent gains in the free market price Colliery issues eased slightly in further profittaking while Cons Murch rose 15c to 475 in continuation of recent London buying

The industrial market was mostly steady though dealers said a shortage of scrip and reluctance by institutions to push prices inhibited trading Volkskas was a steady spot, 15c up at 385.

In London, government bonds closed lower and equities were narrowly mixed after initial easiness in quiet trading, dealers said, and at 1500 the FT index was 0,9 down at 477,7

The road haulage and rail disputes dominated market sentiment again while an increase in the government's borrowing

MARKET

requirements also affected government bonds, where falls ranged to ¼ point, dealers added

Gold shares, Canadians and US stocks were generally easier, but Australians firmed

In Salisbury, Turnover was improved with prices generally firm In the industrial sector shares traded at previous levels were Cairns 120c, Clan 55c, Edgars 125c, Hippo Valley 25c, Murray and Roberts 45c, Tobacco Sales 315c, Tedco 17c, Rio Trust 30c and Rhobank 380c.

A gain of 10c was posted by Premier Portland Cement which closed at 200c while National Foods and Rothmans each gained 2c to 80c — SAPA

Additional Reading:

Follow van Onselen's footnotes and especially E.J.Hobsbawm, Primitive Rebels, chapter 2. Also A.Isaacman, 'Social Banditry in Zimbabwe and Mozambique' in International Historical Conference, Lesotho, (Special Collections) or Journal of Southern African Studies, 4.1.

Week 7

'The invisibility of Women' : writing women into African history.

Basic Reading:

'J.van Allen, Aba Riots or the Igbo Woman's War? - Ideology, stratificati and the invisibility of women', Ufahamu, VI, I (1975)

Additional Reading:

A.D.Gordon, M.J.Buhle and N.S.Dye — 'The Problem of Women's history' in B.A.Carroll Liberating Women's History

J.F.O'Barr — 'Making the invisible visible: African women in politics and policy" in African Studies Review vol.XVIII No.3 1975

D.Pauline (ed) — Women of Tropical Africa, introduction, especi pp.1-9.

J.van Allen — '"Sitting on a Man" Colonialism and the lost pol institutions of Igbo Women' in Canadian Journa African Studies, Vol.VI, No.2, 1972

Also consult the reading list for the seminar in week 4.

Week 8

Basic Reading:

C.Bundy — 'The Emergence and Decline of a South African Peasantry', African Affairs, 71 (Oct.1972) (also in Contemporary Southern African Studies Research Papers, Vol.II)

Additional Reading:

Special Collections has Bundy's thesis and his article 'Passing Throug Period of Stress', in Palmer and Parsons, The Roots of Rural Poverty. Also M.Wilson and L.Thompson (eds), OHSA, II, ch.2, S.Marks, Reluctant Rebellion, especially ch.2.

Week 9

Basic Reading:

K.Hughes — 'Challenges from the Past: Reflections on Libera and Radicalism in the Writing of Southern Afric History', Social Dynamics, June 1977

Additional Reading:

H.Wright — The Burden of the Present

J.Peires — 'On the Burden of the Present', Social Dynamics

(214) The Star Wednesday January 17 1979 17

Randfontein must chase revenue

By Harold Fridjhon

The results of JCI's two gold mines for the quarter ended December 30 1978 are interesting not because of the higher profits — which in Randfontein's case rose by 23 percent — but because future trends are becoming more discernible

Randfontein's milling build-up to an eventual 350 000 tons a month is taking shape and if it were not for continued difficulties at the Cooke plant, in all probability the improved milling rate last quarter could have been even better As it was, the Millsite plant was pushed beyond capacity so that gold earnings could be held on the growth tack

While capital expenditure remains at high levels, Randfontein's policy must be to chase revenue.

Cooke's performance this current quarter and next is expected to improve to attain its 250 000 tons a month about mid-year. And as tonnage grows the grade will drop, particularly as the Cooke surface stockpile is exhausted and the Randfontein surface stock goes into the mill

Uranium, grade and output, will rise as gold drops so that shareholders can expect profits to be maintained — as long as tax doesn't bite too deeply

Western Areas is nursing its resources. Here hopes are that this property will become a uranium producer as soon as buyers can be found Possibly in six months? Then capital expenditure will rise to develop the Middle Elsburgs And the uranium plant? Maybe that's when Randfontein will start talking

Results from the two mines were

RANDFONTEIN: Profit 23 percent higher at R24,5m No provision made for tax because of the tax loss Capital expenditure R8,7m Earnings half year after capex 343c, paid 250c.

Milling rate up 69 percent to 774 000 tons Grade dropped expectedly to 9 g/t from 11,4 g/t but with higher tonnage gold produced was 34 percent higher at 6 986 kg, earning 219,7 dollars an ounce against 203,3 dollars the previous quarter Working costs a ton were R24,75 (R24,19). Uranium profit dropped from R1,4m to R1,1m Uranium production was 47 000 kg

Development values for gold and uranium were pleasing but came largely from Cooke No 1 shaft; results from No 2 shaft being disappointing.

Ore reserves — valued at 200 dollars for gold — show a build up at Cooke No 1 with average values, increased tonnages at Cooke No 2 with gold values down but with higher uranium values, and a big increase in the Randfontein section with high uranium values

WESTERN AREAS: Taxed profit 17 percent higher after R3,5m for tax. Capes R5m Earned for the half year after capex 19,6c paid 12c Gold price was 232,2 dollars (212,5 dollars)

Milling rate slightly down to 1 051 000 tons as a result of fire and a shaft mishap As grade was also down to 5,5 g/t to 5,6 g/t gold production fell from 6 003 kg to 5 785 kg Working costs, affected by the fire and the shaft mishap, rose from R23,95 a ton to R25,17 A further factor affecting costs was an excess supply of labour

Development values were well above average, largely from results on the Elsburg massives The ore reserves show little change.

Veteran mines shine for Unicorp

214 18/1/79 [illegible]

By Harold Fridjhon

Gold mines in the Union Corporation group produced gold to the value of R93,3m during the quarter ended December 31, 1978 and earned a profit of R20,9m after paying taxes amounting to R31,5m

Gold revenue was 4 percent higher than in the previous quarter but production of the metal dropped from 15 590 kg to 15 447 kg, the higher profit came from the 5,4 percent increase in the average price for gold, which rose from 204,6 dollars an ounce to 215,57 dollars an ounce

Mill throughput was marginally higher, indicating a generally satisfactory labour force, and as one has come to expect from Union Corporation, working costs were held down, rising by 1,4 percent to R17,16 a ton milled

Relatively speaking, the best performers were the two veteran mines now in their closing stages Grootvlei and Marievale with profit increases of 35 percent and 15 percent respectively Winkelhaak managed a 5 percent improvement, the others in profit terms were generally substandard

The results from the individual mines were

Bracken: Taxed profit eight percent lower at R1,6m after tax of R2,5m, equivalent to earnings of 11,5c a share

Gold production was marginally lower as the grade dropped from 6,6 g/t to 6,4 g/t with an unchanged mill throughput of 195 000 tons. Cost a ton milled R18,44 (R18,25)

Limited development in the endorsed prospect area did not give encouraging results

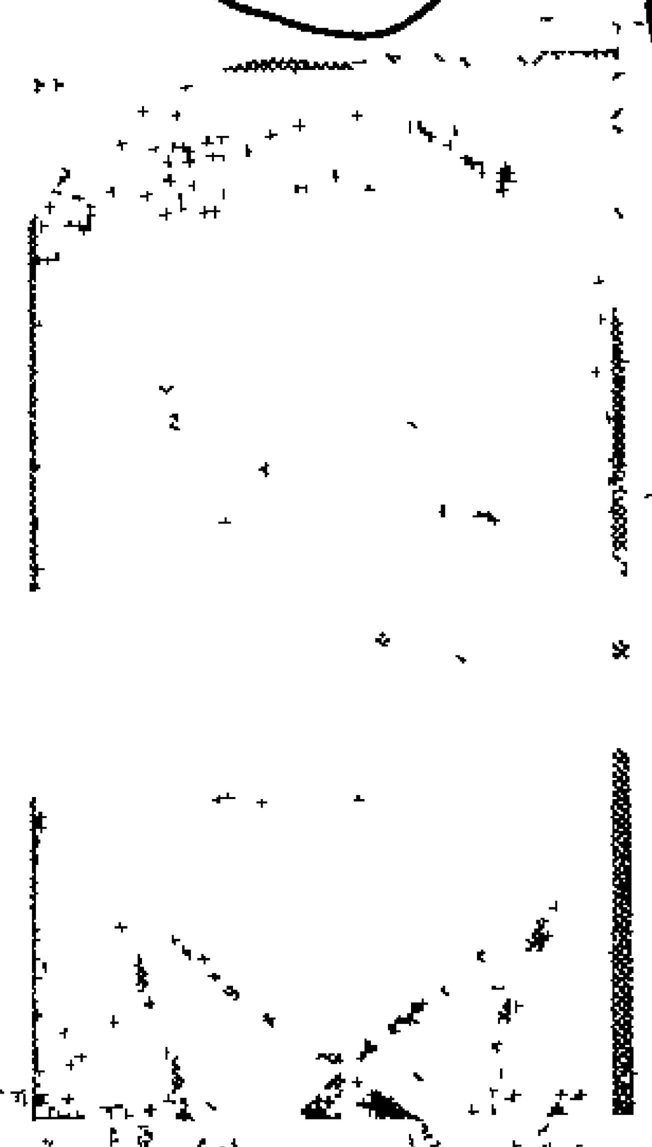
GROOTVLEI: Taxed profit rose from R1,3m to R1,8m after tax of R1,9m Earne da share for six months 27c, paid 22c

Tonnage milled was 20 000 tons higher at 390 000 tons With grade unchanged gold production was higher Costs a ton milled dropped from R15,22 to R14,85.

Development was a little substandard.

The ore reserves — at 196,7 dollars an ounce — are 1 7m tons

KINROSS: Taxed profit barely changed at R3,5m after tax of R4,9m Capital expenditure R364 000 Earnings a share after tax and capital expenditure 17 8c If the current quarter's results are comparable and the gold price holds the dividend should be unchanged at 32c



Unicorp chairman Ted Pavitt . . . working costs held to 1,4 percent rise.

Ore milled was 5 000 tons higher at 395 000 but grade dropped from 7 g/t to 6,8 g/t so gold output was lower Working costs were higher with unit cost at R19,43 a ton (R18,81)

Development values were markedly better

LESLIE: A higher tax factor resulted in taxed fit dropping from R1m to R937 000 after tax of R1m Earnings a share were 5,8c, which suggests that unless next quarter shows an improvement, the dividend could be lower

Grade dropped from 4,5 g/t to 4 2 g/t so less gold was produced from the 15 000 tons increase in the mill throughput to 255 000 tons. But the cost a ton dropped from R1[illegible],48 to R17,77.

Development values were marginally better

Marievale: Taxed profit 15 percent higher at R808 000 after tax of R1,5m.

The drop in the tonnage milled is indicative of the closing stages in this property's life.

ST HELENA: Taxed profit dropped from R7,3m to R6,3m because the previous quarter's figures were inflated by a R1,1m insurance recovery. Capital expenditure was R345 000. Earnings a share after tax and capital expenditure 61,7c.

Grade dropped from 9,2 g/t to 9 g/t so gold production was a little lower from an unchanged 480 000 tons milled. Costs a ton milled were R22,35 (R21,73).

There was little change in development values.

WINKELHAAK: Taxed profit R5,9m (R5,6m), after tax of R9,9m Capital expenditure R75 000 Earnings a share after tax and capital expenditure 49c

Mill throughput and grade unchanged

Development values show little change.

UNISEL: Development during the quarter was in the vicinity of borehole 349 and the values disclosed — 964 cm g/t — were of the same order as those reported for the borehole.

	..	19 005
.	..	21 584
.	..	23 478
..		24 061
09	20 427	20 294
32	17 099	--

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R1 miljard meer vir goudmyne

Deur Ons MYNVERSLAGGEWER

DANKSY die stewige goudprys kon Suid-Afrikaanse goudmyne verlede jaar daarin slaag om hul inkomste uit goud met meer as R1 054 miljoen op te stoot, maar 'n groot gedeelte van die hoër inkomste moes in die vorm van belasting aan die staat afgestaan word.

Die goudmyne het verlede jaar altesame R3 863 miljoen se inkomste uit goud gehad teen R2 809 miljoen die vorige jaar. Dit is feitlik uitsluitend aan die hoer goudprys te danke, want die myne se goudproduksie was baie dieselfde as die vorige jaar.

Kostestygings het weer eens die myne gepla, maar afgesien daarvan kon hulle nogtans hulle winste na belasting en die staat se aandeel (met insluiting van uraan- en diverse inkomste) met sowat 44 persent verhoog

Die staat se inkomste uit die goudmyne het verlede jaar feitlik verdubbel en het op ongeveer R938 miljoen te staan gekom, teenoor die vorige jaar se syfer van R477 miljoen Hierdie sterk verhoging kan moontlik daartoe aanleiding gee dat die Regering moontlik by vanjaar se begroting belastings kan verminder, wat 'n verdere stimulering aan die ekonomie kan gee.

Hoogste

Die goudmyne het die afgelope kwartaal gemiddeld 218 dollar per ons vir hul goud ontvang, teenoor net meer as 204 dollars per ons die vorige kwartaal. Dit was ook die hoogste inkomste vir die jaar

Afgesien van die laer ertsproduksie het die myne hulle kostestygings mooi in toom gehou. Die koste per ton erts vergruis het van R26,64 tot R27,60 toegeneem, terwyl die koste per ons goud geproduseer van 111 dollars per ons tot 117 dollars gestyg het

Weens die hoër goudprys het die meeste van die myne die afgelope kwartaal ook hul ertsgraad verlaag. Dit het tot gevolg gehad dat die hoeveelheid goud wat geproduseer is, met die uitsondering van Ergo en die Gesamentlike Metallurgiese Skema, van 177 794 kg tot 169 058 kg gedaal het.

Die vertoning van die goudmyne van die individuele mynhuise was taamlik gemeng Rand Mines se goudmyne het vir die grootste persentasie in hul belaste winste getoon, naamlik 35 persent Dit is hoofsaaklik toe te skryf aan die beter vertoning van Harmony wat sy wins na belasting van R10 094 000 tot R15 743 000 opgestoot het.

JCI, danksy die mooi verbetering in die resultate van Randfontein, was die mynhuis wat die tweede beste vertoning gelewer het Die twee goudmyne in die JCI-stal se winste na belasting was gemiddeld 21,6 persent hoër as die vorige kwartaal

Anglovaal en Goudvelde se myne het ook aansienlik beter gedoen en het onderskeidelik 20,8 persent en 19,2 persent verbeter op die vorige kwartaal

Vrystaat

Union Corporation se tonnemaat erts vergruis was effens hoer, maar weens 'n daling in die ertsgraad het die myn minder goud geproduseer met die gevolg dat sy myne 'n verbetering van slegs 1,9 persent in hulle belaste winste kon toon

General Mining se goudmyne was die enigste wat die afgelope kwartaal slegter gevaar het Dit is veral te wyte aan die daling van die wins van W R. Cons van R1 204 000 tot R243 000.

Anglo American se Vrystaatse goudmyne, met die uitsondering van F. S. Geduld, het almal swakker gevaar Dit word toegeskryf aan die feit dat die myne baie minder erts geproduseer het vanweë 'n korter werkmaand Hierdie neiging is tradisioneel van Anglo vanweë sy rekeningkundige beleid waar al die vakansiedae in die laaste kwartaal in berekening gebring word

Anglo se Transvaalse myne, danksy die sterk styging in die uraaninkomste by Vaal Reefs, het altwee beter gevaar.

ONTLEDING VAN GOUDMYNE SE KWARTAALVERSLAE VIR OKTOBER EN DESEMBER

	BEDRYFS						FINANSIEEL					
	Ton vergruis '000		Opbrengs gram/ton		Koste R per ton vergruis		Koste per ons in dollar		Inkomste per ons in dollar		Netto Wins R'000	
	Des	Okt.	Des	Okt.	Des	Okt	Des	Okt.	Des	Okt.	Des	Okt.
GOUDVELDE												
Wes-Drie	645	640	22,1	23,6	32,70	33,32	52,82	50 52	218,13	200,61	27 434	25 797
Vlakfont	180	180	1,2	1,1	4,47	4,41	138 50	146,73	215,06	200,07	353	148
Doornfontein	360	360	8,8	9,0	33,59	33,06	136,60	131,36	219,82	201,20	3 872	2 991
Venterspost	323	304	5,3	5,5	28,65	30,36	194,74	197 42	218,37	198,54	1 310	792
Oos-Drie	600	579	19,8	20,1	27,49	28,79	49,69	51,13	218,23	200,93	30 811	22 813
Kloof	490	485	14,6	14,6	33,84	33,56	82,91	82,22	217,91	201,95	12 120	10 940
Libanon	405	405	7,9	8,0	27,08	26,86	123,03	120,09	218,11	203,12	4 713	4 133
RAND MINES												
Blyvoor	470	494	10,10	10,09	31,20	30,62	110,49	108,58	218,81	205,59	9 138	8 393
Dbn Deep	514	576	4,04	4,05	22,01	20,58	194,69	181,81	215,88	209,53	2 239	1 847
ERPM	495	493	5,17	5,25	34,51	34,51	238,88	234,97	217 85	204,25	1 253	678
Harmony	1 773	1 861	4,34	4,34	25,0	23,22	206,25	191 42	219,87	202,76	15 743	10 094
ANGLO VAAL												
Hartebeest	735	732	10,7	10,7	35,62	34,54	119,06	115,46	213,92	206,35	14 433	11 287
E T Cons	85	86	6,5	6,3	20,79	20,20	114,40	114,94	223,16	198,75	798	703
Loraine	321	349	5,4	5,3	38,63	32,01	256,61	215,14	218,97	219,07	538	1 068
JCI												
Randfontein	774	458	9,0	11,40	24,75	24,19	98,1	75,9	219,7	203,3	24 520	19 913
Wes Areas	1 051	1 072	5,5	5,60	25,17	23,95	163,7	153,0	232,2	212,5	8 319	7 086
GENERAL MINING												
Stilfontein	486	494	8,60	8,68	38,51	39,81	160,16	164,04	203,10	216,28	4 710	4 249
Buffels	797	798	8,70	8,38	34,43	34,26	141,59	148,18	204,66	220,57	11 876	11 785
W R Cons	402	395					-	-	-	-	243	1 204
UNION CORP												
Marievale	240	250	2,6	2,6	7,71	7,40	105,78	101,55	234,77	186,2	808	699
Grootvlei	390	370	4,0	4,0	14,85	15,22	132,42	135,72	218,25	200,4	1 780	1 314
Bracken	195	195	,4	6,6	18,44	18,25	102,78	98,59	214,96	209,9	1 615	1 757
Kinross	395	390	6,8	7,0	19,43	18,81	101,94	95,85	211,93	206,8	3 581	3 520
Leslie	255	240	4,2	4,5	17,77	18,48	150,98	146,51	214,75	206,4	937	1 033
Winkels	525	525	7,5	7,5	15,99	15,68	76,06	74,59	214,87	205,5	5 977	5 639
St Helena	480	480	9,0	9,2	22,35	21,73	88,61	84,16	215,12	207,0	6 269	7 305
Anglo American												
F. S Geduld	773	839	12,25	13,31	30,61	28,59	89,18	76,82	219	197	21 492	20 604
Pres Brand	761	803	9,62	9,42	24,95	27,50	102,38	104,39	216	192	15 990	16 077
Pres Steyn	813	866	7,13	7,52	29,35	27,45	147,26	130,51	216	200	7 040	8 786
Welkom	525	554	5,92	6,0	26,32	25,28	159,12	150,60	216	197	3 473	3 660
Saaiplaas	306	317	3,58	3,47	23,41	23,81	234,02	245,89	214	196	(252)	2 614
West Holdings	740	820	10,12	10,83	25,21	22,49	89,12	74,68	217	196	11 743	11 958
Vaal Reefs	1 949	2 067	7,93	8,97	29,65	28,14	133,70	112,20	212	202	48 129	35 882
West Deep	797	830	13,50	14,34	34,75	33,27	92,09	82,95	212	200	22 699	20 782

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'New' West Drie mine likely

21/1/79

Business Times

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Business Times European editor NEIL BEHRMANN writes that life of South Africa's richest gold mine could be extended from 10-12 years to over 25 years if a plan to move operations northwards is implemented.

AS the gold price surged ahead here this week the belief strengthened among London brokers that West Driefontein, South Africa's richest mine, plans a massive expansion scheme.

One of the City's leading gold share analysts, Charles Smedley, of Galloway and Pearson, suggested this week that the scheme to expand to the north of West Driefontein could be on the scale of a new mine.

There have been rumours for some time about the possibility of this development But Mr Smedley maintains that the December quarterly is yet further evidence because retentions of West Driefontein's cash earnings remained high

From June 1977 to June 1978, net current assets jumped from R18,3-million to R25,9-million But in the half year ended December, net current assets rose a further R14-million to nearly R40-million

Including loan levy repayments due from the government, net current assets are in the region of R90 million — more than sufficient to finance the expansion

Gold price rise bolsters rumour

Mr. Smedley says the area is just north of West Driefontein and East Driefontein, but it is likely that West Driefontein would finance the expansion because East Driefontein has been paying dividends out of virtually all its distributable earnings

"An expansion into the northern area would prove considerably cheaper than developing a new mine, which costs in the region of R100-million to R120-million today," he says

Net cash resources total R31,3-million and he estimates that total capital expenditure will amount to between R35-million and R40-million. So the retention of earnings over the past few years should easily cover the expenditure.

He says that information gathered in Johannesburg indicates that grades of up to 20 grams per ton have been discovered in this area

Although there could be technical problems drilling and mining the area, the tonnage will be sufficient to support a major expansion or even a new mine

Should this expansion occur, the life of West Driefontein could be extended from 10 to 12 years to over 25 years.

Ahead of the publication of the De Kock Commission, securities rands slumped to a new low of 62,5 cents — a record discount of nearly 47 percent.

In line with this extensive discount, gold share yields are very attractive for the foreign investor, with Libanon, 21 per cent, Western Holdings, 20,3 per cent, Hartes 19 per cent, West Drie, 17 per cent and Free State Geduld, 18,5 per cent

he assumed something about what we might call marginal labour productivity in the various branches of mining viz. that all increases in the production of minerals will be at productivity rates at least

RDM 30/1/79

Mine's reopening unlikely

214

By DON ROBERTSON

THE possibility of reopening Government Gold Mining Areas is "remote" unless there is a startling increase in the gold price, according to the chairman, Dr Charles Ferreira.

A report on a feasibility study carried out by Shaft Sinkers in November and December into the possible exploitation of high-grade reserves at the mine was delivered to the company last week amid optimistic speculation which resulted in the price rising from 30c to 41c.

Because of the higher gold price, the company took the decision to investigate the potential of the high-grade reserves contained in shaft pillars and other unmined areas.

Shaft Sinker's report, however, was less than encouraging.

Nevertheless, the company expects to meet its profit projection for the year to December of attributable earnings of R150 000.

"We have already made this," says Dr Ferreira, but there will be no dividend payment in the current year.

The clean-up operation has reached a production level of 3 000 tons a month and at this level milling could continue for about three years.

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ERGO

All you wanted to know

Do you reckon dump retreatment is the greatest thing since George Harrison discovered the first Witwatersrand gold reef? There is little doubt that it has caught the market's imagination Most brokers tend to evaluate Ergo on a lower yield basis than conventional gold mines because of its non-exposure to mining risks. One US broker has even gone so far as to suggest that it be valued on the same basis as a chemical company. But is this enthusiasm justified?

Though, in both theory and practice, its mill feeds and grades can be computed more accurately than for an underground mine, Ergo has been fairly general in announcing its plans. All the market has been told is that originally Ergo planned to mine 19 slimes dams containing some 378 Mt with overall grades of 0,53 g/t gold, 0,04 kg/t uranium and 1,04% sulphur

The announced annual treatment rate was put at 18 Mt, with average recoveries of 5 400 kg gold, 150 t uranium and 530 000 t, sulphuric acid over the first 20 years of the project's life

By treating higher grade slimes first, initial annual production has been stated at 7 000 kg gold and 200 t uranium That is all very well, but to evaluate the project properly analysts need to know what each of Ergo's dumps contains, when it will be treated and expected recoveries

I cannot confirm the figures I have, but I reckon they reflect what Ergo has been thinking. On my figures it has been planning to treat the dams at an annual rate greater than the published 18 Mt And if my figures are met, the period of high gold production lasts only until 1981, when the high-grade Springs Nos 2 and 3 and the New State Areas dams will be exhausted. The same is true of uranium, where planned production drops sharply in the late-Eighties before recovering just ahead of the turn of the century

Planned acid production is more consistent throughout the project's life, though there are some months in 1986-91 when sulphur targets will not be met

What does this mean as far as earnings are concerned? Ergo was initially planned on the basis of gold at $157 in 1978, uranium at $22/lb, acid at R25/t and sulphur-in-pyrite at R23/t Later, Ergo's prospectus, taking an apparently conservative stance, projected a 25c total

WHAT'S IN THOSE DAMS

Dam	Total Mt	Head grades Gold (g/t)	Head grades Uranium (kg/t)	Sulphur %	Recoveries Gold (kg)	Recoveries Uranium t	Recoveries Sulphur 000 t
Springs 1	20,7	0,63	0,044	1,06	6 030	190,7	189,8
Springs 2	10,4	0,75	0,050	1,27	4 107	108,0	114,1
Springs 3	23,8	0,84	0,062	1,04	10 083	295,2	201,1
Springs 4	6,8	0,54	0,038	0,82	1 933	74,3	48,2
Springs 5	4,3	0,52	0,056	1,29	1 177	74,5	47,9
Springs 6	3,5	0,47	0,046	1,19	866	49,8	36,0
New State Areas	30,3	0,62	0,043	1,04	9 189	271,1	280,8
Government Areas 1	26,1	0,62	0,031	1,07	7 689	246,6	245,1
Government Areas 1 (Lower Apron)	3,5	0,60	0,032	0,53	998	34,1	16,3
Government Areas 2	15,7	0,43	0,050	0,85	3 208	239,3	117,1
Government Areas 3	14,7	0,39	0,049	0,74	2 724	220,0	95,5
Brakpan 1	40,4	0,66	0,031	1,21	12 693	353,3	403,3
Brakpan 2	7,4	0,53	0,033	1,26	1 867	68,9	76,9
Modder East	46,0	0,52	0,034	0,94	8 166	279,1	351,7
Geduld	38,8	0,57	0,024	1,03	11 722	259,4	345,3
SA Lands	36,3	0,39	0,054	1,33	7 503	546,1	417,1
SA Lands 2	14,3	0,37	0,045	1,19	2 804	179,3	147,0
East Geduld	50,5	0,36	0,038	0,84	9 635	534,6	366,5
Van Dyk	24,2	0,26	0,049	0,94	3 335	330,3	196,5

WHEN TREATMENT WAS PLANNED

Mt treated — year to March 31

DAM	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
New State Areas	5,200	5,579	5,653	6,465	6,860	0,319															
Springs No 1		3,552	7,260	6,840	3,057																
Springs No 2	6,705	3,218																			
Springs No 3	7,260	7,260	7,260	2,019																	
Springs No 4				5,241	1,559																
Springs No 5					3,842	0,458															
Springs No 6						3,501															
Government Areas No 1					2,851	5,584	6,098	6,044	3,734												
(Lower Apron)									3,500												
Government Areas No 2									0,026	7,209	7,260	1,205									
Government Areas No 3												6,055	7,260	1,385							
Brakpan No 1						6,811	7,150	7,225	7,065	7,260	3,413										
Brakpan No 2											3,847	3,553									
Sallies No 1														3,991	4,949	4,948	4,924	4,800	4,800	7,123	0,605
Sallies No 2																	1,072	6,447	6,446	0,335	
Modder East						1,265	4,848	4,800	6,215	6,572	6,480	7,009	7,158	1,653							
Geduld												3,707	7,260	7,260	7,260	7,260	6,053				
East Geduld														5,607	7,260	7,260	7,260	7,260	7,260	6,655	
Van Dyk																				4,670	19,360
Total	19,17	19,61	20,17	20,57	18,17	17,94	18,10	18,07	20,54	21,04	21,00	21,53	21,68	19,90	19,47	19,47	19,31	18,51	18,51	18,78	19,97
Production																					
Acid '000 t	533,1	533,3	533,3	533,3	533,4	533,4	533,3	533,4	532,8	495,8	514,1	527,3	528,0	531,7	533,4	533,4	533,3	533,3	533,4	525,2	502,9
Uranium t	184,8	216,9	245,9	196,6	158,0	127,5	114,3	106,0	139,3	138 7	149,3	148,0	142,0	143,2	144,9	144,9	148,4	166,2	166,2	177,5	200,9
Gold kg	7 291	7 297	7 235	5 942	5 415	4 659	4 959	5 676	6 128	5 219	4 626	4 588	4 802	4 692	4 704	4 703	4 541	3 732	3 730	3 530	2 847

P.T.O

Question 4:

asked firms for the reasons why they did not want to employ more

Newspapers as a source of Cape Town history

Newspapers are an excellent starting point for research into the history of Cape Town, particularly in the second half of the 19th century and in the early decades of this century.

The newspapers, and the vociferous periodical press, provide a good way into a specific topic and clues and pointers to be followed up in official publications, in memoirs and in public and private document and manuscript collections.

The surviving daily newspapers -- the Cape Times and the Argus, formerly the Cape Argus -- are particularly useful sources. The Cape Times was a daily from its inception in 1876 and the Argus went through various phases as a weekly, bi-weekly or tri-weekly before becoming a daily in the 1880s. But there were many other newspapers published in Cape Town at different times, which have not survived, and these should not be neglected.

Newspapers in the 19th century and in the early decades of this century provided a much more extensive coverage of local affairs than would be acceptable to readers today.

The papers used to provide exhaustive coverage of local affairs, reporting municipal meetings verbatim, and covering meetings of learned societies, prize givings, the affairs of charitable organisations and churches and other associations, banquets and entertainments, magistrates courts etc with a wealth of names and detail not possible today.

Letters to the editor and editorials are invaluable in tracing municipal controversies - slum clearance, health services, road maintenance, the docks, water supplies, the tramways.

Newspapers in the 19th century often published long lists of names and these are useful to the researcher -- lists of names of passengers on the mailship or on the mail train to and from the North, lists of mourners at funerals and so on.

Particularly useful are the obituaries published on the death of prominent citizens, which gave rather more information than obituaries do today.

Researchers in Cape Town are fortunate in that there is a superb collection of newspapers at the South African Library.

There is also a most useful finding aid: A checklist of newspapers which is published by the library.* Although no longer up to date in all respects, the checklist is invaluable. It tells you which libraries or archives have newspaper holdings and their extent. In other words, it tells you where to find which newspapers. The information given includes the date a paper began publication, when it ceased publication, if ceased it has, and its frequency of publication -- weekly, tri-weekly or daily -- at different times.

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* Union List of South African Newspapers November, 1949. (S A P L 1950) No 3 in the series of Grey bibliographies.

G. Shaw

Newspapers as a source of Cape Town history

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RDM 6/2/79

(214)

For growth, watch these three mines

BY ADAM PAYNE

WITH the gold price booming, investors with an eye to share growth and no immediate concern with dividends, must turn their eyes to the three developing mines — Unisel, Elandsrand and Deelkraal, although Elandsrand has just emerged as a producer.

In normal circumstances shares of developing mines always rise until production and the dividend stage, when possibly disillusionment can set in. In booming conditions they must do better because usually their feasibility studies have been carried out on much lower gold prices.

This does not mean that one should rush in to buy today because of the gold price rise, but on any reactions the shares of developing mines are surely good growth investments

Deelkraal six months ago was 130c Yesterday it closed at 275c, a rise of 53%.

Elandsrand six months ago was 460c Yesterday it was 605c, a rise of 31% Unisel was 373c Yesterday it was 490c, a rise of 31%.

Unisel is due to start trial milling next month building up to full production at 75 000 tons a month by the end of the year

Deelkraal should intersect reef this quarter and start stoping in mid-year The mill is ready to receive ore.

A Johannesburg stockbroker in examining the shares of these three mines, likes Unisel best He puts Elandsrand second.

He estimates that Unisel, with only 28-million shares in issue, should have available 108c a share in 1980-81 after repaying R7 500 000 of loans, and incurring capital expenditure of R6-million Of this 108c about 60c could be paid in dividends The estimate of earnings is based on a gold price of $220 an oz.

There is also a most useful finding aid: A checklist of newspapers which is published by the library.* Although no longer up to date in all respects, the checklist is invaluable. It tells you which libraries or archives have newspaper holdings and their extent. In other words, it tells you where to find which newspapers. The information given includes the date a paper began publication, when it ceased publication, if ceased it has, and its frequency of publication -- weekly, tri-weekly or daily -- at different times.

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G. Shaw

Mynhulp mi
RAPPORT 25/2/79 MILJOEN
minder
Les vir beleggers

Deur VIC DE KLERK (214)

DIE agt belangrike goudmyne wat nog staatshulp ontvang, gaan vanjaar goud ter waarde van minstens R400 miljoen produseer sonder veel staatshulp. Die huidige goudprys van meer as 250 dollar per ons en 'n gemiddeld vir die jaar wat al aanstap na 240 dollar per ons, het dit moontlik gemaak.

Sommige van hierdie goudmyne soos Stilfontein, Leslie en Durban Deep gaan vanjaar al weer 'n deel van die staatshulp wat hulle oor die afgelope klompie jare ontvang het, in die vorm van belasting terugbetaal.

Maar dit het nie altyd so maklik gegaan nie. Vir die jaar geëindig Desember 1977 het ERPM 'n gemiddelde verlies van R6,15 per ton gemaal gemaak. Die myn het in daardie jaar 1,6 miljoen ton gemaal en die staat moes bykans R10 miljoen bydra om die myn aan die gang te hou.

As in ag geneem word dat die myn in daardie jaar maar slegs R41 miljoen se goud geproduseer het, is dit duidelik dat die land taamlik duur moes betaal vir daardie buitelandse verdienste.

Maar ERPM kan vanjaar R60 miljoen se goud lewer en hy sal dit kan doen met slegs 'n bietjie staatshulp Die myn se produksiekoste styg ongelukkig só vinnig dat die goudprys moet uitkap om voor te bly. Tog, teen 'n gemiddelde goudprys van 250 dollar per ons kan die myn dalk vanjaar meer as net gelykbreek.

Die waarde van staatshulp word egter baie duidelik getoon by 'n myn soos Stilfontein. Die myn se aandele was glad onlangs een van beleggers gunste.

In die September-kwartaal van 1977 het die myn 'n verlies van R2,89 gemaak op elk van die 503 000 ton erts vermaal Die staat moes help met ongeveer R1 miljoen.

Vir die ses maande tot Desember verlede jaar betaal die myn belasting van meer as R6 miljoen en sy goudproduksie gaan vanjaar meer as R140 miljoen vir die land verdien.

Dit was nou 'n pragbelegging deur die staat, veral as verder in ag geneem word dat Stilfontein die uraanoksied gaan produseer vir Koeberg, ons eerste kernkragsentrale.

Nog 'n voorbeeld is Durban Deep. In sy jaarverslag vir die jaar tot 31 Desember 1977 voorspel die direksie dat die myn dalk nog in 1978 sal moet sluit en word daar half aangedui dat staatshulp nie voldoende is nie. Aan dié einde van 1978 verklaar die myn 'n dividend en word daar skielik weer gepraat van die ontsluiting van nuwe erstliggame.

Venterspos is ook 'n myn wat in dié kategorie val. Die myn het enorme goudreserwes en dis belangrik dat dit aan die gang gehou word In Maart verlede jaar het die myn R4,30 per ton verloor op die 277 000 ton wat hy in die kwartaal vermaal het.

Net die volgende kwartaal toon hy 'n wins van R5,23 per ton. Teen die huidige goudprys kan die myn jaarliks vir die land R40 miljoen verdien en sy goudreserwes is groot genoeg om dit nog baie jare te doen.

Maar die mooiste voorbeeld van wat staatshulp kan doen, is waarskynlik Leslie Vir 'n hele paar jaar wou dié ou myn maar net doodgaan. In die middel van verlede jaar kry Leslie die goeie nuus dat die staat sal uithelp

Skielik het die mynbestuur meer vertroue en oor die afgelope drie kwartale het die myn reeds meer as R3 miljoen se belasting betaal sonder dat dit 'n sent staatshulp ontvang het.

Staatshulp kan natuurlik net werk vir myne wat nog goud kan produseer en wat

Vervolg op bl. 3, kol 6

Goudmyne

Vervolg van bl. 1

nog in sekere mate lewensvatbaar is.

Ou goudmyne soos Marievale, Sallies, Simmers, Vlakfontein en selfs South Roodepoort ontvang nie staatshulp nie, al produseer sommige van hulle nog goud.

Die staatsmyningenieur gebruik deurgaans die reserwes en toekomstige potensiaal van die goudmyn as maatstaf voordat hulp toegeken word.

Beleggers kan dus hieruit ook 'n les leer. As die staat 'n goudmyn ondersteun, het die myn nog 'n kans.

Mine taxes soar 96 pc to R937m

(214)

Business Reporter

The major beneficiary of the increased profitability of the gold and uranium mines last year was the South African Government, the Chamber of Mines says in its latest monthly report.

"Estimated taxation and the State's share of profits increased from R477,4m in 1977 to R937,3m last year, a rise of 96,3 percent"

The Chamber says that the main feature in 1978 was the rapid increase in working revenue which flowed from the higher gold price

From R2 347m in 1976 it rose to R3 674m in 1978 The average gold price received increased from 119,34 dollars per fine ounce in 1976 to 194,24 dollars last year

Gold production has remained relatively static around 700 tons

"The higher revenue accruing to the industry from gold sales has, therefore stemmed from the escalating gold price rather than higher output," the Chamber says

C1. 16/3/79 214

Gold mines' concern over tax rates

JOHANNESBURG. — The average and incremental rates of tax applied to gold mines is the cause of considerable concern to the South African mining industry, Mr R A Plumbridge says in East Driefontein Gold Mining Company's annual report.

In his chairman's review, Mr Plumbridge says "this company is particularly severely affected and I sincerely hope that the forthcoming budget will include an initial meaningful step towards the elimination of the existing inequity"

During the past year, the company's average rate of formula tax, including the surcharge and compulsory loan levy, but excluding lease consideration, was 63,5 percent of taxable income

"The comparable figure for all other companies, except diamond mining companies, was a flat rate of 48 percent of taxable income," Mr Plumbridge says

The company's gross profit for the year ended December 31, 1978, was a record R212,9m, an improvement of nearly 37 percent on the gross profit of R155,9m earned in the previous year

This was attributable to the considerably higher price received for the company's virtually unchanged gold output which more than offset "a further substantial and disturbing increase in costs"

"Although there was a large increase in the world supply of gold during the past year as a result of sales by the International Monetary Fund and the United States Treasury, as well as high Russian sales, industrial demand remained firm and private investment buying was at a higher level than hitherto," Mr Plumbridge says "The additional supplies were thus fully absorbed at substantially higher prices in dollar and rand terms"

The higher prices, he says, were largely attributable to the continuing weakness of the dollar in relation to the harder currencies and to greater speculative interest arising from the many political and economic problems facing the world

"As from December, 1978, the US Treasury doubled its monthly gold sales to 1,5m ounces and the quantity on offer will continue at this level for an unspecified period,

Under normal circumstances this could be expected to have an adverse effect on the price of gold.

Oil supplies

"However, the recent disturbances in Iran have led to a disruption of oil supplies from that country and have engendered fears that this will not only lead to higher than expected increases in the price of available oil supplies and, in consequence, in the rate of inflation throughout the world, but will also retard the recovery of the economies of most countries"

Speculative interest in gold as a hedge against inflation could therefore increase, Mr Plumbridge says — Sapa

EAST DRIEFONTEIN GOLD MINING COMPANY LIMITED

(Incorporated in the Republic of South Africa)

CHAIRMAN'S REVIEW

I am pleased to report that the company's gross profit for the year ended 31 December 1978 was a record R212,9 million. This was an improvement of nearly 37 per cent on the gross profit of R155,9 million earned in the previous year and was attributable to the considerably higher price received for the company's virtually unchanged gold output which more than offset a further substantial and disturbing increase in costs

The results of operations for the year are described in detail in the technical advisers' report, to which members' attention is directed. Notwithstanding the employment of additional labour to compensate for lower productivity brought about by the shorter working fortnight, to which reference was made in my last Review, the total tonnage milled for the year, at 2 313 000 tons, was a little less than had been expected although 217 000 tons more than the tonnage milled in 1977. The reasons for the shortfall are that it took some time for the new labour to become effectively trained and because some production was lost as a result of a fire which occurred in August 1978 in the north-western corner of the mine. The average gold yield of 21,1 grams per ton milled was 2,2 grams per ton lower than in 1977, and in line with the decrease in the value of the ore reserve. However, because of the higher tonnage milled, gold production of 48 692 kilograms was only 156 kilograms lower.

Working revenue of R265,8 million was R67,3 million higher than in the previous year as a result of an increase of 34 per cent, from R4 046 per kilogram ($145 per ounce) to R5 440 per kilogram ($195 per ounce), in the average price received for gold The increased average price includes an adjusting non-recurring amount received in April 1978 following a change in the timing of payments for gold by the Reserve Bank. Conversely, total working expenditure increased by 21 per cent to R63,6 million because of the increase in the scale of operations and substantial increases in labour charges, in the cost of electricity consumed which alone rose by nearly 45 per cent, and in the cost of stores and services as a result of the continuing high rate of inflation The imposition, from July 1978, of a 4 per cent sales tax on a large portion of stores purchases and on some outside services contributed to the general increase in costs. The net result was an increase in the working profit from R149,9 million in 1977 to R202,2 million in 1978.

Interest and net sundry revenue, including an amount of R1,2 million recovered from the company's insurers for the loss of profit suffered as a result of the underground fire, totalled R10,7 million, and, as I have already reported, the gross profit was R212,9 million These higher earnings in turn attracted disproportionately higher imposts by the State by way of lease consideration, taxation and the compulsory loan levy. Together these charges amounted to R128,8 million, equivalent to 236 cents per share, and compare with R92,7 million, equivalent to 170 cents per share, paid to the State in 1977 By contrast, and after allowing for the undermentioned retentions for expenditure incurred during the year on fixed and other assets, dividends amounting to 115 cents per share, which absorbed the whole of the remaining distributable balance of R62,7 million, were paid to members in 1978 This compares with dividends of 78 cents per share, which absorbed R42,5 million, paid in 1977.

The average and incremental rates of tax applied to gold mines is the cause of considerable concern to the South African mining industry. This company is particularly severely affected and I sincerely hope that the forthcoming budget will include an initial meaningful step towards the elimination of the existing inequity During the past year this company's average rate of formula tax including the surcharge and compulsory loan levy, but excluding lease consideration, was 63,5 per cent of taxable income The comparable figure for all other companies except diamond mining companies was a flat rate of 48 per cent of taxable income

Capital expenditure for the year was R23 million, 87 per cent of which was incurred on the shafts, primary development and on underground services and equipment. This was R1 million more than had been estimated at the beginning of the year When added to the expenditure on other assets, including the loan levy of R13,6 million, total expenditure on assets was R38,4 million After utilizing R3,4 million of the R6,6 million appropriated from profits in previous years for future capital expenditure, the balance of R35 million was transferred to non-distributable reserve.

Preparations are being made for the commencement early in the second half of this year for mining of the Carbon Leader, from 30 Level up to 24 Level, east of the No. 1 Sub-Vertical Shaft area The sinking of No 1A Service Shaft, north of No 1 Sub-Vertical Shaft, has been completed since the end of the year After this shaft has been commissioned and the rock passes established, development towards the stoping horizon will be commenced to provide services for both Carbon Leader and Ventersdorp Contact Reef mining.

By the end of the year under review development on 22 and 24 Levels to the site of No 2 Sub-Vertical Shaft had been completed and the excavations for the hoist chambers were well advanced Work preparatory to the sinking of No. 1B Service Shaft was also progressing well Following a review of the programme for the establishment of the No. 5 Shaft complex, it has been decided to defer the sinking of the surface shaft for two years

The tonnage milled this year is expected to be a little higher than it was last year but there will be a further decline in the average yield as a larger proportion of lower-than-average ore is drawn from the area north-east of No 2 Shaft, as well as tonnage from the Carbon Leader which, development results have so far indicated, is of comparatively lower value On balance the gold output is therefore expected to be at about the same level as last year. Capital expenditure is also estimated to be the same as it was last year, namely R23 million.

Although there was a large increase in the world supply of gold during the past year as a result of sales by the International Monetary Fund and the United States Treasury, as well as high Russian sales, industrial demand remained firm and private investment buying was at a higher level than hitherto. The additional supplies were thus fully absorbed at substantially higher prices in dollar and rand terms. The higher prices were largely attributable to the continuing weakness of the dollar in relation to the harder currencies and to greater speculative interest arising from the many political and economic problems facing the world. As from December 1978 the U S Treasury doubled its monthly gold sales to 1,5 million ounces and the quantity on offer will continue at this level for an unspecified period. Under normal circumstances this could be expected to have an adverse effect on the price of gold. However, the recent disturbances in Iran have led to a disruption of oil supplies from that country and have engendered fears that this will not only lead to higher than expected increases in the price of available oil supplies and, in consequence, in the rate of inflation throughout the world, but will also retard the recovery of the economies of most countries Speculative interest in gold as a hedge against inflation, and other uncertainties such as the new conflict in the Far East, could therefore increase and thereby counteract the depressing effect of the increased supply of gold to the market Because of the highly fluid position in the gold price, it is not possible at this point in time to make any meaningful forecast of this year's earnings and dividend

I, and my colleagues on the board, have much pleasure in expressing our appreciation of the valuable services rendered during the past year by Mr. D. Savile Davis, the consulting engineer; by Mr. O. Davel, the mine manager, and by the staff at the mine and at head office.

R. A. Plumbridge
Chairman

Johannesburg
23 February 1979

DEELKRAAL GOLD MINING COMPANY LIMITED

(Incorporated in the Republic of South Africa)

CHAIRMAN'S REVIEW

The company's mine has reached the stage where all major surface installations have been completed and are either in use or are ready for commissioning when ore from underground becomes available for milling. To this latter end the major effort is now concentrated on development towards the reef horizon on the upper levels of the mine so that sufficient payable raises can be established to enable stoping and trial milling to be carried out towards the end of this year. As mentioned in my Review last year, the production programme has been advanced by half a year and, always provided ore is made available in sufficient quantity, milling at an initial rate of 60 000 tons per month should commence at the beginning of 1980 and build up to a rate of 120 000 tons per month by the end of that year

The good progress made during the year is described in the technical advisers' report, to which members' attention is directed. On surface, construction of the initial phase of the reduction works, in which is installed the largest and most modern autogenous mill in the country, was completed. The remaining five of nine residential blocks in the hostel complex, and the security block comprising barracks and offices, were also completed The surface refrigeration plant, which provides chilled water to the underground workings, was commissioned in time for the start-up of development.

No. 1 Shaft, which was sunk to its final depth of 2 037 metres below collar in February 1978, was fully equipped and commissioned for the conveyance of men, material and rock in September, after which development towards the reef horizon on 3, 5, 7, 9 and 11 Levels was commenced. By the end of January 1979, 2 549 metres had been advanced in footwall drives and crosscuts on these levels.

Since the end of the year No. 1 Sub-Vertical Shaft, which is a smaller-diameter extension of No 2 Shaft, has been sunk to a provisional final depth of 529 metres below its collar Equipping of both these shafts will be carried out this year and, when this has been completed, development to the reef horizon on 13, 15, 17, 19 and 21 Levels will commence

In May 1978 the company successfully raised R47,5 million by a rights issue of shares to members, thereby bringing the total amount raised to R148,3 million. Capital expenditure for the year amounted to R22,6 million and, after taking into account other net pre-production expenditure including share issue expenses, the total expenditure on the property to 31 December 1978 was R117,1 million It is estimated that capital expenditure of R17,2 million will be incurred this year, mainly on completing the shafts and on development. This expenditure will be financed out of the existing cash resources of the company

I have much pleasure in expressing, on behalf of the board, our sincere appreciation of the services rendered during the year by Mr. J D Pollard, the consulting engineer; by Mr. B C Oberholzer, the mine manager; by the staff at the mine and at head office, and by the staffs of our various contractors

R. A Plumbridge
Chairman

Johannesburg
23 February 1979

VLAKFONTEIN GOLD MINING COMPANY LIMITED

(Incorporated in the Republic of South Africa)

CHAIRMAN'S REVIEW

Since underground operations at the company's mine were discontinued in November 1977, the plant has been fully utilised in milling low-grade material obtained from the surface dump and, to a small extent, from outside sources. This operation has run smoothly and successfully and resulted in a working profit of R2 027 000 for the year ended 31 December 1978, which was an improvement of R380 000 on the working profit for the previous year.

The total tonnage milled during the year was 719 000 tons This was slightly more than the 1977 total which included 169 000 tons of ore from underground. In the absence of underground ore, the average yield per ton milled declined from 3,0 grams to 1,2 grams, and the gold output of 846 kilograms was 1 282 kilograms, or 60 per cent, less. However, working revenue of R5 391 000 was only R3 001 000, or 36 per cent lower, because of a higher average gold price received together with a substantial non-recurring balancing amount received as a result of the change, from April 1978, in the timing of gold payments On the other hand, working expenditure was halved to R3 364 000 because of the elimination of all underground costs, and the net result, as already mentioned, was an improvement of R380 000 in the working profit.

In 1977 an amount of R7 081 000, being the book value of the underground fixed assets, was written off During 1978 sales of fixed assets amounted to R404 000, of which R300 000 was in respect of reclaimed underground assets and this latter figure is included as revenue in the income statement. After taking into account net sundry revenue of R653 000, the profit before taxation was R2 980 000 Taxation, including excess recoupments tax arising from the sales of fixed assets, amounted to R1 555 000, and the net taxed profit was R1 425 000 compared to R601 000 in the previous year.

In last year's Chairman's Review members were informed that, in view of the cessation of mining operations, it was expected that the company's main source of income in the future would be from sales of redundant assets, and the directors therefore considered that as and when surplus funds became available, these should be distributed to members by way of capital repayments rather than in the form of dividends A reduction in the capital of the company from R1 per share to 90 cents per share was approved at the adjourned annual general meeting on 20 April 1978 This reduction of capital was subsequently confirmed by the Supreme Court of South Africa and the repayment of 10 cents per share, which absorbed R600 000, was made to members in August 1978 In addition to this repayment of capital, and in view of the better than expected results obtained from the dump treatment operation, a dividend of like amount was declared in December 1978 and has since been paid

It has been decided to abandon the proposal to establish a township on the mine property because no undertaking could be obtained from the local authority concerned that it would be able to provide the costly services to the township within a reasonable period Discussions are continuing with other parties who have shown an interest in purchasing the redundant mine houses which are presently being let to individuals on a monthly basis

Milling of dump material at a monthly rate of 60 000 tons, and at an average recovery grade of 1,2 grams per ton, is expected to continue throughout the current year. Gold production should, therefore, be much the same as it was last year, but no forecast can be made of the working profit because this will depend not only on the average price received for gold but also on the extent to which the profit is eroded by the effect of inflation on costs The piecemeal sale of redundant plant and equipment is sporadic and therefore it is not possible to make a reliable estimate of the revenue that will accrue from this source.

The company now has funds, equivalent to 10 cents per share, surplus to its requirements, and at the forthcoming annual general meeting members will be asked to consider and, if deemed fit, pass a special resolution reducing the authorised and issued capital from 90 cents per share to 80 cents per share Subject to the passing and registration of the special resolution; to the reduction of capital being confirmed by the Supreme Court, and to the exchange control authorities granting approval for the transfer of funds, in acceptable form, for repayments due to non-residents of the Republic, it is expected that the repayment of 10 cents per share will be made in August 1979. Consideration will be given, at the end of this year, to a further distribution to members when the results for the year become available.

On behalf of the board I wish to express our appreciation of the services rendered during the past year by the staff at the mine and at head office

C. T. Fenton
Chairman

Johannesburg
23 February 1979

MEMBERS OF THE GOLD FIELDS GROUP

Working revenue up 56p.c.

Mines enjoy three golden years

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DURING the last three years, working revenue from South African gold mines has increased by 56 percent while the average gold price received has moved up by 67 percent.

In 1976, working revenue from the primary gold producers was R2 347 million and in 1978 the figure was R3 674 million although production remained static. The main reason for the increase, therefore, was the gold price The average for 1976 was 119 dollars an ounce while the average for 1978 was 194,24 dollars an ounce.

In 1976, gold produced by the primary producers amounted to 709,1 tons and in 1977 the figure dropped to 697 tons. In 1978, the figure climbed back to 704,5 tons

Reason for the increase, says the Chamber of Mines in its January report, is the industry reacted to the increased gold price in its traditional fashion by tending to mine the lower grade ores which become viable at the higher price.

By TONY HUDSON
Finance Editor

In 1978, the average grade of ore mined at 8,85 grammes a ton was four percent lower than the figure for 1977.

One of the main reasons for the increased production was the increased capacity coming on stream Over the past few years, the mines have spent huge sums of money aimed at expanding operations on existing mines as well as bringing new ones into being

As a result of this activity tons milled rose from 74,5 million tons in 1977 to 78,2 million tons last year, an increase of nearly five percent.

A further three new gold mines are expected to open for business this year They are Deelkraal, Unisel and Elandsrand As a result, says the Chamber, a further increase in production can be expected over the next few years

However, the dampener on the mines' golden harvest is that in 1966 and 1977 working costs increased at a faster rate than working revenue. However, the trend was halted last year and working costs only increased by just over 13 percent.

The Chamber says it seems the steps taken by the industry are now working and feels these efforts will be continued in the future

Profits, too, were healthy in 1978 The total, which includes the sale of gold, uranium, iron pyrites, and sulphuric acid, was up by a massive 64 perent to R2 073 million

Major beneficiary from the increased profitability of gold mines has been the Government Estimated taxation and the State's share of the booty through mining lease fees nearly doubled from R477,4 million in 1977 to R937,3 million last year And if the gold price holds the figure for 1979 will be well in excess of the magic R1 000 million

Total dividends paid during the year by mines that are members of the Chamber amounted to R546,4 million, an increase of 61,4 percent on 1977's R338,7 million payout

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Annual reviews by the chairmen of Anglo American Corporation Group's Transvaal gold mining companies and Southvaal Holdings

WORLD MARKETS HAVE ABSORBED GOLD WITH RELATIVE EASE AND DEMAND SHOWS NO SIGN OF ABATING

– H. F. Oppenheimer, D. A. Etheredge, G. Langton

South Africa's reputation as a reliable supplier will enable local uranium industry to maintain its important position in world market

The following salient comments on the gold and uranium markets are taken from the annual reviews for 1978 by Mr H. F. Oppenheimer, chairman of Elandsrand, Mr D A Etheredge, chairman of Vaal Reefs, and Mr G Langton, chairman of Western Deep Levels and Southvaal Holdings

Gold market

During the year under review the price of gold at the London fixings continued to advance reaching a high of nearly $244 an ounce on October 31 The average market price for the year increased to $193 compared with $148 during 1977 A major contribution to this advance was the continued weakness of the US dollar in the face of that country's persistent massive trade deficit, the US Government's apparent inability to curtail inflation and the lack of a substantive energy policy On November 1 the US Government announced a $30 billion support operation for the dollar which caused the price of gold to fall back to $208 over eight fixings and from there to drop further to a low of $194 at the end of November It has since followed a rising trend to the record price levels in the region of $250 This latter recovery has been generated largely by speculative demand following the recent unrest in Iran and South-East Asia and the latest increase in oil prices, as well as by fears in some quarters that despite support the dollar may continue to weaken Meanwhile European central bankers have agreed that the gold used to back the European currency unit will be valued at a market related price, a move which will further strengthen gold's position as a monetary asset

"Another factor has been the continued substantial industrial demand for gold Current estimates are that this off-take was in the region of 1 275 tons during 1978 This was more than the combined production of South Africa and Russia, the two largest gold producers Industrial demand has been helped by the fact that while the price has risen strongly in dollar terms this movement has been less pronounced in the case of many other currencies

"The Second Amendment to the Articles of the International Monetary Fund, in terms of which central banks are permitted to trade in gold, came into effect on April 1 1978 This enabled the South African Government to alter its gold payment procedures with the result that the mines now receive a market-related price for their gold immediately it is sold to the South African Reserve Bank, In addition, the mines received a one-off boost to revenue in the June quarter arising from the final reconciliation of [illegible] between the Reserve Bank and the mi[illegible]

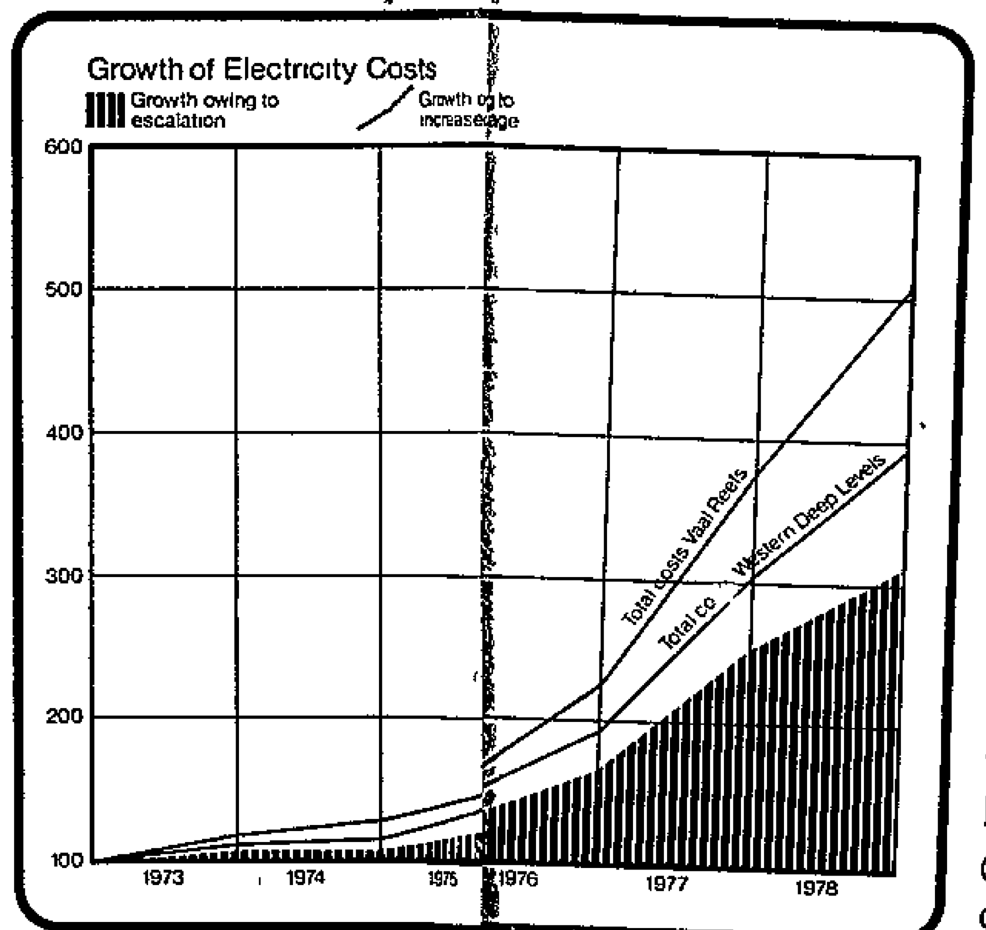
curtailed during the past three years This has been brought about partly by opposition from environmentalists, but more so by the downward revision of forecasts of growth in energy demand There is now, however, some evidence to indicate a growing international awareness that further delays in the construction of not only nuclear, but also conventional, power stations cannot be allowed without industrial growth generally being inhibited It is still too early to detect a significant market response to the OPEC decision to increase the price of oil by nearly 15 per cent or to the political unrest in Iran and its resultant cut-back of production Such factors, however, might be expected to provide some additional stimulus to nuclear energy programmes

The uranium price rose more than sixfold between 1973 and 1977, but did not improve in real terms in 1978 There is little indication of a further significant increase in the near future, bearing in mind the possible effects of new production primarily from Australia and Canada and slippage in nuclear energy programmes in a number of countries This notwithstanding, the primary objective of electric utilities is not so much to obtain uranium in the cheapest market but to ensure security of uranium supply, particularly as the cost of the uranium feed constitutes a relatively minor part of total nuclear energy generation and distribution costs Undoubtedly, therefore, South Africa's reputation for reliability and lack of governmental interference in its uranium marketing will enable the local industry to maintain its important position in the world market

Wages

For the third successive year the annual wage award to white mine-workers of less than seven per cent – substantially below the rise in the Consumer Price Index – demonstrated the employee associations' and unions' willingness to join in the efforts to contain inflation The award to black mineworkers over the same period averaged 12 per cent The higher percentage increase should be viewed in relation to the lower average earnings of the unskilled labour force and the relative impact of continued inflation on the purchasing power of this wage group We express appreciation to the white workers for not opposing the policy of differential awards

The second report of the Franszen Commission, which was examining the feasibility of the five-day working week, pointed out that over the period covered by the eleven-shift fortnight the additional revenue flowing from the higher gold price has been used to a significant extent to finance escalat[illegible] the Commission [illegible]



development had been completed. This was assisted by special permission from the Minister of Mines to develop for seven days a week and by the cutting of main haulage two levels from Western Deep Levels, one of which joined up at the beginning of February 1979 with a development end being excavated simultaneously from Elandsrand This has provided adequate services and ventilation facilities for production to begin in the stoping area immediately adjacent to the eastern boundary Another significant departure from previous practice is the degree of mechanisation underground, particularly the use of pneumatic and hydraulic drill rigs supported by diesel load-haul dumpers and matching rail-mounted hoppers The refrigeration plant has been sited on surface for ease of maintenance its ability to chill downcast air as well as service water for underground use is sufficient to maintain temperatures below 27°C wet bulb at all working places, thereby eliminating the need to acclimatise workers This will also have a favourable impact on overall productivity the plant run-of-mine milling has been adopted thus doing away with screening and sorting and two ar e mills, [illegible] tons a month, have been

VAAL REEFS

Further comment by Mr D. A. Etheredge

Financial and operating results

Consolidated profit before tax, including net sundry income but after deducting the royalty payment to Southvaal Holdings Limited, rose by 109 per cent from R86 553 000 to R180 682 000 The main reasons were a nearly twofold increase in gold working profit to R146 822 000 and tripling of uranium working profit to R50 511 000 Taxation at R37 164 000 was 160 per cent higher than in 1977, and after providing for this, the heavy capital expenditure appropriation of R84 771 000 and the transfer to general reserve of R4 000 000 available profit for the 12 months was R54 747 000 Out of this dividends of R53 200 000 or 280 cents a share (1977 115 cents) were declared leaving a balance of R1 547 000 which raised the retained profit to R12 469 000

I would like to draw attention to the very substantial royalty of R28 233 000 paid to Southvaal Holdings (1977 R8 462 000) which led to the payment of a record dividend by that company in which we hold a 25 per cent interest Apart from the higher gold price, the larger royalty payment was also attributable to an increase of 21 per cent in gold production in the South Lease area despite the persistence of faulting and uncertain values there A further reason was the application of the consumer loan to finance the after-tax cost of the new South uranium plant, thereby permitting expenditure on the plant to be excluded from the royalty calculation Nevertheless, as I stated last year, repayments of the consumer loan are to be made over the period 1981 to 1983 and [illegible] the royalty

trend in the industry towards mining previously unpayable ore and supplementing underground ore with fines washed from current waste and surface dumps

Concurrently, there has been a steady decline in labour productivity to the point where it is now a matter of grave concern to mine managements In 1972 the annual centares mined at Vaal Reefs per underground employee was 61, by 1978 this figure had dropped to 52, a decline of 15 per cent A reason for the decline specifically related to the last two years has been the introduction of the eleven-shift fortnight to which I refer later, but over the longer term one of the prime causes has been the increasing depth at which mining operations are conducted Associated with this are rising temperatures and a generally more hostile environment requiring ever-greater refrigeration and improved support systems (particularly in the light of the increased level of seismic activity at Vaal Reefs)

Another factor as the mines get older has been the greater proportion of remnant mining which is more difficult than normal stoping and usually involves larger stoping widths with a consequent decrease of grade Nevertheless, at current gold prices it is profitable to mine these old areas and indeed it has the advantage of achieving a more balanced grade over the life of the mine In addition, exploratory and access development work has increased, particularly in the South Lease area, resulting in the need to enlarge the underground labour force with a consequent diminution in the level of unit productivity

Moreover, as operations move progressively further away from the shaft systems increased transport costs and travelling times are involved

Power consumption has risen from 674 kilowatt-hours per centare mined in 1972 to 1 013 in 1978, an increase of 50 per cent, caused principally by greater ventilation and refrigeration requirements and by the expansion in uranium plant treatment capacity During the same time, the unit cost of power to Vaal Reefs has risen by 212 per cent Another factor contributing to higher working costs has been the rise in the price of stores Taking steel as a representative example since the mines use large tonnages in one form or another, the delivered cost of steel plate over the period 1972 to 1978 has risen by 257 per cent Over the same period the company's black wages have increased by 300 per cent In the past it was felt that the rates paid to black workers need only be adequate to attract sufficient workers into the industry This policy was applied until the end of 1971 when, with the improvement in the price of gold, a positive decision was taken to increase black wages so that the general standard of living of the workers and their families could be improved and at the same time a higher calibre of worker could be attracted to the industry Associated with the increase in wages, more emphasis on training and development, an area which will have long-term rewards, has raised employment costs and there has been a general improvement in living conditions

Two other areas where completely different levels of activity pertain in 1978 as compared with 1972 are research and development and gold promotion and marketing through Intergold This company contributes to the expenditure incurred on research and development by both the Anglo American Corporation Group and the Chamber of Mines Annual expenditure in this field has risen from approximately R4 million to R24,6 million Research expenditure nonetheless remains low in relation to turnover of the industry and also relative to the possible future problems which the industry could face in attracting men to work at greater depths under more difficult physical conditions

As mentioned, Intergold is now operating world-wide and total expenditure has grown from an insignificant sum in 1972 to R24,5 million in 1978 Part of this expenditure is financed by the jewellery trade and the rest by the gold mines of the industry In 1979 the South African gold mining industry alone will spend an estimated R22 million to which the jewellery trade is forecast to add another R10 million

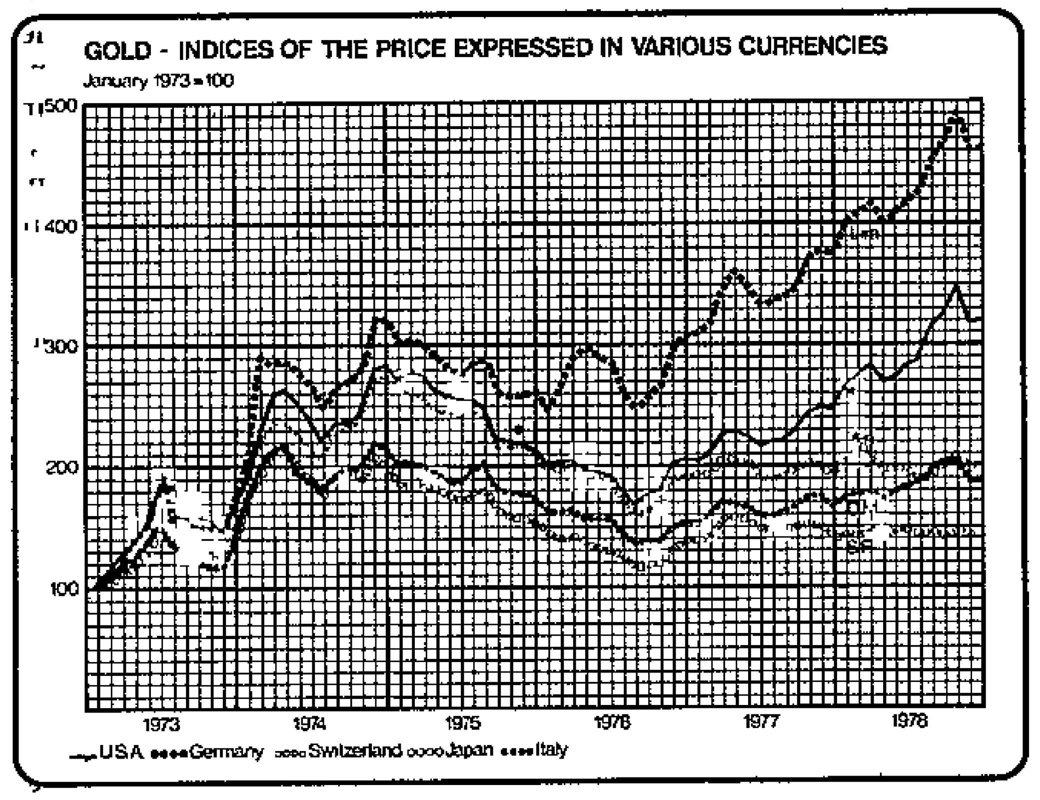
It is clear from the developments outlined above that management faces a growing challenge to improve productivity so that shareholders may continue to earn a reasonable return on their investment new sys em o pu ymen

The IMF continues to be a large supplier to the market with its monthly auctions The quantity on offer was reduced in June 1978 to 470 000 ounces, the balance being reserved for those developing countries who wished to take their share of the auction profits in gold rather than paper money The developing countries have elected the gold alternative to a far greater extent than was foreseen and it now appears that the 55 000 ounces a month set aside for these countries will be inadequate

"On May 23 the first of a new series of gold auctions was conducted on behalf of the US Treasury in an effort to bolster the dollar, foreign governments and central banks being dissuaded from bidding After the sale of 300 000 ounces a month for six months the quantity on offer was increased to 750 000 ounces in November and then to 1,5 million ounces in December at which rate the auctions are continuing in 1979

The combined sales of the IMF and the US Treasury, including the IMF sales to developing countries, amounted to 11,3 million ounces or 353 tons during 1978 The market has absorbed all of this gold, equivalent to half of South Africa's production, with relative ease and the first few auctions of 1979 have shown no evidence of the demand abating

The strong interest shown in gold during the year is also reflected in the record volume of Krugerrand sales Six million coins amounting to 187 tons of gold were sold during 1978, absorbing over a quarter of South Africa's production, compared with 3,3 million coins in 1977 Approximately 370 000 coins were sold by the industry in the first two months of 1979 but it is anticipated that demand will strengthen again in the second quarter Canada intends to start production of a one ounce gold coin later this year and the United States will begin marketing gold "art medallions" in both one ounce and half ounce sizes towards the end of the year While these new coins or medallions will certainly influence the Krugerrand market, sales of the South African coin are expected to continue as an important outlet for the South African production In any event the gold sold in coinage form, whether Krugerrands or not, can only have a beneficial impact by increasing the amount of gold held by the general public and reducing the supply of bullion to the market



There can be no doubt that the market promotion activities of International Gold Corporation had a marked effect on gold consumption in the major jewellery manufacturing centres in Europe Intergold is also responsible for the marketing of Krugerrands and certain new trial marketing campaigns, particularly in the United States, have indicated an enormous untapped potential Intergold is now expanding its operations in the United States and in Hong Kong where it has recently opened an office to expand the market in the Far East

Overall 1978 was a most satisfactory year for gold During 1979 the supply to the market will probably be considerably larger than last year although this depends on the sales policy of the US Treasury Nevertheless, it is anticipated that in the current year the average price will be significantly above $200 an ounce but there may continue to be major fluctuations owing to current political and economic developments

Uranium

Throughout the world nuclear energy programmes have been delayed or most recent rise in the gold price should not be used as a justification for the introduction of a system which would further increase costs

Although the effects of the eleven-shift fortnight arrangement on production and costs cannot be ignored, the Commission has recommended that it should continue until technology and/or work procedure is adapted to the extent that a five-day working week could be introduced on a roster basis without prejudicing production, working costs or safety Meanwhile, management and labour should devote their attention to over coming the problems associated with the eleven-shift fortnight

ELANDSRAND

Further comment by Mr H. F. Oppenheimer

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Opening of mine

The mine was officially declared to be in production on December 19 1978 when the first bar of gold was poured more than two years ahead of the target set in the prospectus The total expenditure to complete the capital works included in the first phase up to initial production will be in the region of R183 million This is nearly R17 million less than the escalated estimate of just under R200 million quoted in the 1977 report Total cash requirements until the mine becomes self-financing will largely depend on gold price movements over the next few years and the gold values obtained from initial stoping operations At current gold price levels, providing grade meets expectations, the short-term funds required in addition to existing cash resources will most probably be raised in the form of bridging finance

Historical summary

I would like to describe briefly the important developments leading up to the mine's commissioning in December from the date of the go-ahead decision in July 1974 No feasibility study at the conceptual stage, however painstaking the estimates and specifications, can encompass all eventualities emerging during the detailed design and construction phase or fully pre-determine the decision path As such the base project yield, on which a go-decision is taken, rests upon the best knowledge available at the time Consequently, Elandsrand's management adopted the flexible attitude from the outset that if new ideas were put forward during the design period which saved time, improved the financial return and were found, after investigation, to be practicable, they should be accepted The testing of ideas, in terms of their effect on financial return, was made easier by the use of a sophisticated computer programme which could simulate mining operations throughout the life of the mine for each alternative and at the same time project the relevant cash flows

The initial plan for the establishment of the mine involved the traditional four-step sequence, namely a shallow pre-sink of the shafts, followed by headgear construction which would then allow main sinking operations to begin and finally development to start On the principle outlined above it was decided to pursue the first two activities concurrently with the use of temporary headgears on a mobile floating raft and combine the latter two operations using mid-shaft loading facilities Thus, by the time the two shafts had been sunk to their final depths, much of the necessary station cutting, excavation of pump chambers, installation of pumps and haulage

Labour

The turnover of black labour in the mining industry has in general decreased during the year under review This is attributed to higher wages improved living conditions and the high unemployment levels in southern Africa caused by the economic recession At present 75 per cent of the mine s labour force is South African the remainder being drawn from Lesotho and Mozambique

In 1979 mechanisation will be extended to stoping operations To succeed with this system of mining we must attract a greater proportion of skilled urbanised blacks who view mining as a career and then give them intensive training A new enterprise always provides a good opportunity to develop an environment with a better quality of life In this regard the initial phase of the Wedela village to house senior black employees and their families of both Elandsrand and Western Deep Levels has been completed The present village will eventually house 600 families and a school is being built Planning is already well under way for a medical clinic, shopping complex and a market area to be supplied from agricultural plots allocated to residents An elected council will be responsible for the administration of the village

The same concept of raising living standards has been applied to accommodation for single employees This comprises single, double and three-storey blocks standing in their own gardens There are 10 separate dining halls served by a large central kitchen A shopping complex is planned, as well as a variety of sporting facilities, some of which have already been completed

Similar care has been paid to the design of the village for white employees which will ultimately have 680 houses A special feature is the absence of regimentation that is often found in mine residential areas The company has applied to the authorities for the township to be proclaimed as a suburb of Carletonville thus allowing mine employees to purchase their homes, a development which will increase stability of labour

The mine is in the process of establishing consultative councils for all employees We believe that the company's broad objectives in fields such as mechanised methods of mining and consequential changes in work practice can only be fulfilled by gaining the full understanding and consent of the workforce through the process of dialogue This principle equally applies to any industrial relations issues which are not handled by the trade unions or officials' associations Following the recommendation by the Franszen Commission that the eleven-shift fortnight should continue until technology and/or work procedure is adapted to the extent that a five-day week could be introduced on a roster basis without prejudicing production, working costs or safety attention is currently being directed at ways of overcoming the problems associated with the present arrangement

The year ahead

Capital expenditure for 1979 is estimated at R70 million of which nearly R25 million will be spent on development The planned gold production in the first full year of operation is 6 000 kilograms to be obtained by milling one million tons at a recovered grade of 6,0 grams a ton The forecast grade may appear to be conservative in comparison with the development values being encountered, but caution is essential since a large proportion of milled tonnage will be from reef development, some of which is scheduled to take place in areas where lower values have been predicted Furthermore, in the first quarter particularly, recovered grade is expected to be low due to lock-up of gold in the various process units in the treatment plant during the build-up period

The directors have decided that changes in the forecasts will only be published if they are considered to be significant in the quarterly reports

General

During my long association with the Group I have had the good fortune to be involved in many great projects but I must say that I have taken particular pride in the development of Elandsrand and wish to congratulate all those associated with it

Centares mined currently in yield – ... underground activity – rose to 1 609 052 from 1 575 871 in 1977 Tonnage milled increased again from 7 165 000 tons to 7 822 000 tons through better plant availability which permitted the treatment of additional fine fraction tonnage from dump washings and other surface sources The latter together with a lower sorting rate, was partially responsible for the drop in grade of 0 33 grams to 8,62 grams a ton, but more important factors were the restriction of operations at the high-grade No 2 shaft arising from increased seismic activity there and the problems in the South Lease area mentioned above In spite of these difficulties, gold production rose by five per cent from 64 126 kilograms to 67 438 kilograms This together with the higher gold price received of $196 an ounce (including a one-off reconciliation payment to which I refer later) against $148 in 1977, accounted for the substantial improvement in gold profit

Uranium oxide production in 1978 increased by 43 tons to 1 060 tons The sharp rise in profit derives from an increase in the average contract price received and the greater quantity marketed as a result of spot sales at the ruling world market prices Uranium is steadily increasing in importance as a source of income to the company and the programme to expand our uranium treatment capacity is proceeding well ahead of schedule The extensions to the West uranium plant have been completed and are now fully operational Construction of the new South uranium plant and extensions to the treatment capacity of the East plant are expected to be completed during March 1979 with commissioning to follow in the second quarter The short time scale by international standards within which these projects will have been completed is a tribute to the teamwork between the company s project management and the various contracting companies

Safety

It is with great regret that I report to members that 102 people lost their lives on the mine during the course of operations during 1978 Of these, 41 of our employees died in a fire which occurred on December 1 in a stope on the 73 level of No 8 shaft The area was sealed off and the fire has since burnt itself out This is the worst single accident at Vaal Reefs since mining operations began and an official investigation to determine the cause is proceeding The deaths of these men serve to emphasise the importance which should be attached to fire prevention and detection in order to minimise danger to underground workers A fire detection system similar to one which has proved to be most effective on another Group mine is to be installed at all operating shafts In addition, the vigorous campaign of inspections of underground workings for potential fire hazards is to be continued and reinforced Many of the other fatal accidents were due to falls of rock underground, which relate particularly to increased seismic activity in the area of the Klerksdorp goldfields All means of preventing such falls are being pursued, including the improvement in the design and density of support work and the possibility of filling mined-out areas with slime The complexity of this problem cannot be minimised and will require constant research and application

Working costs

Shareholders are aware that over the past six years cost escalation in the mining industry has been at a rate greater than the general level of inflation in South Africa This is in marked contrast to the years prior to 1972 when the industry had to live with a fixed gold price and annual escalation in costs was low Even so, profit margins were being eroded, the long-term future of even the most profitable gold mines was limited and, in fact, more and more mines needed State assistance to survive In 1972, however, the gold price was freed to find its own price level on the market, and since then has increased at an average rate of 28 per cent a year This has obviously had a major impact on planning and over this relatively short time span has afforded us the opportunity of extending the life of some of our older shafts and, consequently, of the mines themselves

Over the same period the rate of milling at Vaal Reefs has risen by 48 per cent, but centares mined increased by only eight per cent and gold production by only two per cent This illustrates quite clearly the general

Decentralisation of management

I believe it is worth reminding members that the company's mining complex is vast in terms of production and personnel From its eight operating shaft systems Vaal Reefs hoists and mills nearly four times as much ore as an average gold mine in South Africa and produces almost 10 per cent of South Africa's gold output It is worth noting, also, that the company produces more gold than Canada, which is ranked as the world's third largest producer The total number of persons employed on the mine is about 41 000 and places it amongst the world's largest concentrations of people within a single business complex I referred in my statement last year to the need to re-organise and strengthen the management structure of the mine in order to allow it greater autonomy in its operations Certain senior Anglo American Corporation technical and administrative officials were seconded to the mine in 1977 and the structure of middle and lower management has since been re-aligned to give effect to this new organisation Early indications are that this special concentration of high-level skills at the mine has improved the quality of management control, especially in regard to major capital projects

Labour

At Vaal Reefs the average earnings of black employees are now R128 per month exclusive of other benefits such as the cost of accommodation, food and medical aid Special inducements are being offered to encourage black employees to return from their homes within specific time periods The effect of these factors, together with the generally high unemployment levels prevailing in other industries as a result of the economic recession, has been to stabilise considerably the labour force and to make the mining industry more competitive with the industrial sector Whereas in previous years it was traditional for the industry to experience considerable seasonal fluctuations in the labour supply, this was not the case in 1978 I am hopeful that this development is the precursor of a stabilised labour force which looks to the mining industry to provide it with permanent career opportunities, a vital condition for the industry's future well-being

Efforts are being made to improve working conditions which will lend added impetus to the move towards a stabilised labour force, particularly in the more skilled categories At Vaal Reefs, plans are well advanced for the construction of 1 000 houses over the next four years which will be allocated to key employees thus enabling them to take up permanent residence with their families on the mine Considerable progress is being made on projects to improve the quality of life of those employees who are housed in single hostels As an example the No 9 shaft hostel, presently under construction, incorporates modern design features which try to avoid the monotony of some of the older buildings by dividing the housing into smaller communities In addition, a shopping centre is being constructed this year which will allow retailers to offer employees a wider range of goods and services than those provided by existing facilities

Capital expenditure

During 1978 advantage was taken of the higher gold price to accelerate work on the various uranium plants and the No 9 shaft system resulting in capital expenditure of R94 million, about R22 million higher than originally forecast Approximately R56 million was spent on increasing uranium treatment capacity and R18 million on the No 9 shaft By the year-end all preparatory work had been completed and the shaft sunk to a depth of 480 metres Moreover, apart from continuing construction of the hostel, the surface engineering workshops and the first stages of the shaft offices and change houses have also been erected

The year ahead

Planned gold production for 1979 is 66 880 kilograms to be obtained by milling 7,6 million tons at a recovery grade of 8,8 grams a ton of which the South Lease area will contribute 2,5 million tons at a grade of 10,0 grams a ton Capital expenditure for 1979 is expected to be R80 million, of which R32 million will be spent on completing the programme to extend the mine's uranium treatment capacity and just over R16 million on continuing the development of the No 9 shaft system where it is planned to sink a further 1 262 metres during 1979 and to begin station cutting As is evident the bulk of the capital expenditure will be incurred in the South Lease area where the amount to be spent is estimated at R58 million To maintain last year's record working profit after allowing for predicted cost escalation and profit on uranium oxide sales, but before taking the royalty to Southvaal Holdings into account, an average gold price of about $214 is required Uranium oxide production is planned to be 1 400 tons of which 650 tons relate to the South Lease area

The directors have decided that in future changes to the forecasts will only be published if they are considered to be significant in the quarterly reports

WESTERN DEEP LEVELS

Further comment by Mr G. Langton

22/3/79

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Financial and operating results

The company's profit before tax showed a marked increase from R95 232 000 in 1977 to a record figure of R153 356 000 After deducting taxation and State's share of profit, which increased from R45 054 000 to R75 492 000, profit after tax was R77 864 000 Of this amount, R33 360 000 (1977 R21 608 000) was appropriated for capital expenditure and R7 500 000 was transferred to general reserve to provide for loan levies The directors were able to increase the dividend significantly from the 82,5 cents paid in 1977 to a total of 147,5 cents a share for the year under review This absorbed R36 875 000 leaving a balance of R129 000 which raised the retained profit to R7 420 000

I must draw attention to the proportion of this year's working profit paid to the State Taxable income from mining operations after deducting capital expenditure rose by about R28,6 million or 30 per cent when comparing 1975 with 1978 Lease and formula tax showed a similar percentage increase However, because the loan levy as a proportion of formula tax was raised from five per cent in 1975 to 15 per cent in 1978, it jumped nearly four times and was therefore one of the main reasons for the total dividend of R36 875 000 being identical for both years despite the improved profit Already, in 1975 the industry was concerned that the State was reaping too large a share of the profit and since that time the shareholders' position has been further eroded, particularly if the depreciation of the rand is taken into account The Government ought surely to take steps to reduce this burden to a more acceptable level

While the higher average gold price received for the year at $196 an ounce, including a one-off reconciliation payment to which I refer later, had a significant impact on profits (1977 $145 an ounce), the improved performance of the mine also played an important part As I stated last year, one of the most effective yardsticks with which to judge a mine's performance is to look at the centares mined and in this respect the 18 per cent increase is noteworthy The tonnage milled rose by eight per cent to 3 223 000 tons and despite a marginal drop in grade, gold production increased by five per cent to 45 657 kilograms I referred in my last statement to the steps being taken to reduce the frequency and severity of underground fires There is no doubt that the improved results are in part a result of the effectiveness of the early warning fire detection system and to a re-organisation of proto teams which ensures that any fires which do start underground are tackled within a very short time after detection Another major factor has been the improvement in our ability to recruit and retain skilled white miners brought about by an intensive recruiting and training programme combined with an increase in contract rates

Uranium oxide production increased by ten per cent to 183 tons but profit from sales fell from R3 249 000 to R2 341 000 Last year I advised shareholders that every effort was being made to increase uranium production and thereby reduce the amount of uranium which we anticipated the company would have to purchase during 1978/79 to meet its contractual commitments I also stated that arrangements had been concluded to purchase the shortfall A purchase was made in 1978 at the ruling spot price which was higher than the company's contractual selling price and this transaction therefore had the effect of halving the profit on uranium oxide sales It would seem that as a result of maximising the existing plant's capacity this problem is now behind us and that no further purchases should be necessary unless there is some unforeseen curtailment of output

Labour

Since January 1978 the turnover of black mineworkers has steadily decreased, partly as a result of high unemployment levels in southern Africa and also the higher wage structure in the mining industry The rapid increase in earnings over the last few years is now making the mining industry more competitive with the industrial sector and it will be possible, with further improvements, to move towards establishing a workforce largely comprising career mineworkers The benefits of such stabilisation of employees, when combined with additional experience and training, will lead ultimately to improved productivity Active steps are now being taken to change the working pattern of team leaders and other employees in similar categories and within a comparatively short period of time the majority in this group will be working on a normal leave cycle system Our long-term objective is to have a large percentage of the labour force employed on this basis instead of on the current intermittent pattern

An experimental production incentive scheme for stope labour was recently introduced The primary objective is naturally the improvement in productivity of the overall underground workforce We are confident that we shall achieve the many benefits to be derived from a significant improvement in stope productivity, which include more concentrated mining methods with better supervision and more effective ventilation and refrigeration leading to lower overall mining costs Moreover, the numbers of workers exposed to the arduous conditions of deep level mining will be reduced and those who continue will have the opportunity of significantly increasing their earnings

The initial phase of the Wedela Village to house senior black employees and their families of both Western Deep Levels and Elandsrand has been completed The standard of housing, the layout of the village and the amenities provided are exceptionally good and compare favourably with other such schemes elsewhere in the world Western Deep Levels can be proud of the fact that it is involved in such a development, and will ultimately reap the benefits flowing from a more motivated supervisory group of black employees enjoying a much improved quality of life

Working costs

The continued increase of costs in the mining industry, at a rate which is higher than the general rate of inflation in South Africa, is of great concern to the industry In the recently published chairmen's reviews of the Group's Orange Free State mines, reference was made to the significant increases in the cost of labour, stores and services Since the rate of inflation in the country started to accelerate from 1972 through to 1978, the company's black wages have increased by 347 per cent and the price of steel plate and power by 257 and 215 per cent respectively These factors have affected all mines equally, but I thought shareholders would be interested in some of the factors which aggravate the situation in a deep level mine such as ours

Whereas in shallow mines a working area is normally served from the surface by a single-tier shaft system through which all the men and materials necessary for the total mining operations are transported, the mining of an ore body situated at great depth requires a multi-tier shaft system In the case of this mine two three-tier systems similar to the one illustrated are necessary It will be readily appreciated that the logistical problem of getting thousands of men to and from the working place through this system is extremely complex and leads to increases in travelling time with a correspondingly shorter time at the working face This is compounded by the fact that the same system is used for the movement of all the materials required for mining at depth and the hoisting of rock Not only has the cost of operating and maintaining the shaft systems at Western Deep Levels risen significantly as mining operations descend to lower levels but, because of shorter effective working times, productivity has been adversely affected

An analysis of the heat generated in deep underground workings indicates that 32 per cent of the heat results from increase of air pressure due to depth, 37 per cent is transferred from the rock face and 31 per cent is generated by the presence of men and the use of machinery While the third factor is by and large constant irrespective of depth, the rock face temperature increases as the mine gets deeper and in addition auto-compression of air further raises the environmental temperatures Consequently, the amount of power required for refrigeration to maintain acceptable environmental conditions throughout our mine has more than doubled between 1972 and 1978

During the last seven years the proportion of centares broken at a depth greater than 3 000 metres has increased from 19 per cent to 43 per cent In order to alleviate the higher energy release rate associated with greater depth and thus reduce the incidence of rockbursts, improved but more costly support systems such as rapid-yielding hydraulic props have been systematically introduced into the deeper sections of the mine

These trends continue, but management is actively pursuing all possible avenues which could lead to increased labour productivity, this would reduce the logistics problem and, by confining mining to more concentrated areas, would lessen refrigeration and ventilation requirements Alternative methods of support, particularly slime or waste stowing, are also factors which could reduce costs and improve environmental conditions

Capital expenditure

The capital expenditure in 1978 exceeded the original estimate of R26 million by R5,1 million due almost entirely to the acceleration of the uranium plant extension which is now scheduled to come on stream at the beginning of 1981 The major items of capital expenditure besides the uranium plant were R10,1 million on underground development, R6,4 million on black and white housing and R3,6 million on underground equipment

Capital expenditure for 1979 is estimated at R77 million, almost two and a half times the expenditure in 1978 which in itself was the highest amount spent in any year since the mine's inception The largest single item is R36,7 million to be spent on the new uranium plant However, the continued rise in recurrent capital expenditure required to maintain the developed ore reserves and keep the mine in production is reflected in the forecast expenditure of R11,5 million on development and R8,4 million on underground equipment and compressed air A further R4,7 million will be spent on housing

The borrowing of short to medium term funds either through consumer or acceptance credits is being considered in order to assist with the financing of this large sum and thus reduce the impact on dividend payments

The year ahead

The planned gold production is 45 045 kilograms from 3 150 000 tons milled at a recovered grade of 14,30 grams a ton compared with 45 657 kilograms achieved in 1978 To maintain last year's record working profit after allowing for predicted cost escalation and profit on uranium oxide sales, an average gold price of approximately $211 is required Uranium oxide production is planned to be 181 tons

The directors have decided that in future changes to the forecasts will only be published if they are considered to be significant in the quarterly reports

SOUTHVAAL HOLDINGS

Further comment by Mr G. Langton

Financial results

The royalty payment to the company from Vaal Reefs Exploration and Mining Company Limited climbed over threefold to R28 233 000 from R8 462 000 in 1977 Profit before tax was R28 809 000 (1977 R9 089 000) and after deducting tax of R12 095 000 profit amounted to R16 714 000 compared with R5 184 000 the previous year After transferring R1 500 000 to general reserve in respect of loan levy payments, the directors declared a record dividend of 57 cents a share (1977 21 cents) which absorbed R14 820 000 The balance of R394 000 increased retained profit to R453 000

South Lease area operating results

Centares mined during 1978 rose by 19 per cent reflecting a considerable increase in underground activity However, mining operations continued to be hampered by erratic payability and faulting in places and production was further affected by hoisting difficulties at No 8 shaft Commissioning of the dual purpose hoist during 1979 should alleviate the hoisting problems Tonnage milled at 2 595 000 was 22 per cent higher owing to better plant availability, but grade dropped by 0,12 grams to 9,65 grams a ton Because of the improved tonnage, gold production increased by 4 318 kilograms to 25 034 kilograms This, together with the higher gold price received of $199 an ounce (including a one-off reconciliation payment to which I refer later) compared to $148 in 1977, led to a 120 per cent increase in gold working profit to R65 111 000 Vaal Reefs' share of profit from the tribute arrangement with Buffelsfontein Gold Mining Company Limited, the terms of which are given in the Directors' Report, was R2 684 000 against the loss of R842 000 incurred in 1977

Uranium production rose by 25 per cent to 335 tons, whereas profit on sales increased nearly fourfold to R11 874 000 from R3 080 000 in 1977 reflecting higher sales volume and an improvement in the average contract price received

On December 1 1978 a fire occurred in a stope on 73 level which regrettably led to the death of 41 miners The area was sealed off and the fire has since burnt itself out This is the worst single accident at Vaal Reefs since mining operations began and an official investigation to determine the cause is proceeding The deaths of these men serve to emphasise the importance which should be attached to fire prevention and detection in order to minimise danger to underground workers A fire detection system similar to one which has proved to be most effective on another Group mine is to be installed In addition, the vigorous campaign of inspections of underground workings for potential fire hazards is to be continued and reinforced

South Lease area capital expenditure

During 1978 the higher gold price enabled Vaal Reefs to accelerate work on the South uranium plant and No 9 shaft system, resulting in capital expenditure in respect of the South Lease area of R58 million, about R12 million more than originally forecast In terms of the decision taken by the Vaal Reefs board to which I drew attention last year, the consumer loan which is being used to finance the after-tax cost of the new uranium plant considerably enhanced the royalty payment as expenditure of about R31 million on the plant was excluded in determining the surplus on which the royalty is calculated However, when Vaal Reefs repays the loan over the period 1981 to 1983, the relevant instalments will be deducted in the computation of the royalty

In respect of the No 9 shaft system, on which R18 million was spent in 1978, sinking began in the last quarter after completion of preparatory work A total of 480 metres was achieved and it is planned to sink a further 1 262 metres in 1979 as well as to start station cutting In addition to hostel construction which is continuing, the surface engineering workshops and the first stages of the shaft offices and change houses have been erected

The year ahead for the South Lease area

Capital expenditure for 1979 is forecast to be R58 million This includes nearly R25 million to be spent on the uranium plant which is expected to be commissioned during the second quarter of 1979 and just over R16 million on the No 9 shaft system Planned gold production is 25 000 kilograms to be obtained by milling 2,5 million tons at a recovery grade of 10,0 grams a ton Uranium production is forecast to be 650 tons

SA LANDS

Comment by Mr N. F. Oppenheimer

Operations and financial results

The company's operations rely entirely on the treatment of waste rock and crushing-plant slimes to produce gold, and 1978 was a very good year Operating profit amounted to R2 077 000 compared with R860 000 in 1977 Net sundry income of R807 000 was only slightly higher than the previous year's figure of R761 000, but normal tax was significantly higher at R1 166 000 compared with only R197 000 in 1977, and after-tax profit of R1 718 000 was consequently only 21 per cent above the previous year's figure The sale of redundant capital items realised R247 000 after recoupments tax – a marked drop on the net amount of R1 305 000 realised in 1977 The final result, therefore, was an after-tax surplus of R1 965 000 compared with R2 729 000 the previous year, and a dividend of 25 cents a share, absorbing R1 650 000, was declared on January 18 1979 in respect of the year 1978, leaving retained profit of R4 701 000

Throughout the first half of the year, gold-bearing materials were supplied solely by one company However, other sources were found to be available during the year for profitable treatment at prevailing gold prices, and arrangements were made with two other companies for the supply of additional waste rock for processing After making some modifications to the plant to receive material from the new sources, it was possible to increase mill throughput to an average of 95 000 tons a month in the latter part of the year – substantially higher than the target of 80 000 tons a month Indeed, a five year record mill throughput of 104 000 tons was achieved in November and, in January and February this year, all-time records were established when 111 000 tons were processed in each month

While the tonnage milled from dumps totalled 965 000 compared with 897 000 in 1977, the higher gold price enabled lower grade material to be treated, and the average yield for 1978 was 1,28 grams a ton compared with 1,82 grams a ton in the previous year Gold production amounted to 1 236 kilograms compared with 1 631 kilograms in 1977 but operating revenue of R7,6 million was considerably higher than the 1977 revenue of R6,7 million The 1978 figure was, however, inflated by a one-off boost to revenue in the June quarter arising from the final reconciliation of account between the Reserve Bank and the mines on moving over to the new gold payment procedure introduced in April A further significant feature of 1978 was the reduction of over R1 million in operating costs to R5 827 000, largely because of the reduction in the labour force to the level required for current activities, after completing the bulk of operations to salvage redundant capital plant and equipment during 1977

Planned production

While it would be imprudent to say that the company has entered a new era in its long life, one can say that if the gold price holds up well in relation to operating costs, there should be sufficient quantities of gold-bearing materials in various dumps owned by other companies in the East Rand area which could enable the company to continue operating on the present basis for at least another year or two There is now greater flexibility in the plant to allow different types of material to be accepted from different sources, and this should enable an average mill throughput of 90 000 tons a month at an average recovery grade of between one and one and a half grams a ton to be achieved in 1979 There will, of course, be fluctuations in tonnage and grade but members will be kept informed through the company's quarterly reports In fact, for the months of January and February 1979, the tonnage and grade were significantly higher than expected, resulting in a total output of 348 kilograms of gold for the two months It is emphasised, however, that this result may be "a flash in the pan" and accordingly should not be regarded as the pattern for the rest of the year On the above basis, however, the company should produce more than 1 200 kilograms of gold in 1979

Prospecting

The current prospecting programme envisaged completion of the two exploratory drill holes SRK1 and SWP 1, in the area to the south and south-west of the company's plant, before the end of 1978 Members will recall that the results of SWP 1 were particularly disappointing, and drilling in that hole was completed in July 1978 Subsequently, drilling in SRK1 has been plagued with difficulties As recorded in the quarterly report published on January 19 this year, the borehole failed to intersect the reef horizon because of a minor fault and, since then, attempts to deflect just above the reef horizon have been unsuccessful A deflection from 2 713 metres is in progress and it is hoped to intersect the reef before the end of May provided no further difficulties are experienced As previously stated, a decision as to whether additional boreholes should be drilled will be taken only after drilling results at SRK1 have been evaluated

The cost of drilling SWP 1 and SRK1 amounted to R875 000 up to December 31 1978, of which R299 000 was spent in 1978 This was considerably less than the expenditure of R462 000 in the previous year, because of the completion of SWP 1 in July 1978 and of the very slow progress in SRK1 It is still expected that the final cost of the two boreholes will be about R1 million

Dividend policy

The dividend of 25 cents a share in respect of the 1978 financial year was the first declared since the 2,5 cents a share in mid-1976 As stated in the dividend announcement on January 19 1979, the directors decided to declare a dividend of 25 cents because the company's gold recovery operations had proved more profitable than expected and, as a result, the company's cash balance was well in excess of possible requirements for the following year or two in the event that a decision was taken to continue prospecting after the results of borehole SRK1 were known

Future dividends will depend on the profitability of the ongoing operations on the one hand and any requirements for prospecting on the other

The annual general meetings of members will be held at 44 Main Street, Johannesburg on Thursday April 26, 1979 at the following times

Western Deep Levels Limited	10h15
Elandsrand Gold Mining Company Limited	10h40
Southvaal Holdings Limited	11h15
Vaal Reefs Exploration and Mining Company Limited	11h40
East Daggafontein Mines Limited	14h15
The South African Land & Exploration Company Limited	14h40

Western Deep wants $211 as grade falls

RDM 22/3/79 (214)

By DON ROBERTSON
Mining Editor

WESTERN Deep Levels needs an average gold price of $211 an oz in the current financial year to maintain profits at last year's record of R77 864 000, says the chairman, Mr G Langton, in his report for the year to December.

Suprisingly, the mine plans a reduction in mill throughput to 3 150 000 tons compared with 3 223 000 tons in 1978 to produce 45 045kg of gold against 45 657kg Average grade is expected to decline to 14,30g/t from 14,47g/t last year

Uranium oxide production is expected to fall to 181 tons from the 183 tons last year

Last year, profits from uranium production fell marginally because of the need to buy stocks from outside sources to meet contractual commitments This halved profits from uranium sales, but it is not expected that any further purchases will have to be made

Capital expenditure in the current year is forecast at R77-million, half of which will be spent on the new uranium plant The company is considering borrowing short to medium funds to assist financing this amount to reduce the impact on dividends

While making no forecast on dividend policy, Mr Langton says that tax has taken an inordinantly large portion of profits over the past three years In 1975, the gold mining industry was concerned about the large share of profits paid to the State and since then, the shareholders' position has been further eroded

"The Government ought to take steps to reduce this burden to a more acceotable level," according to Mr Langton

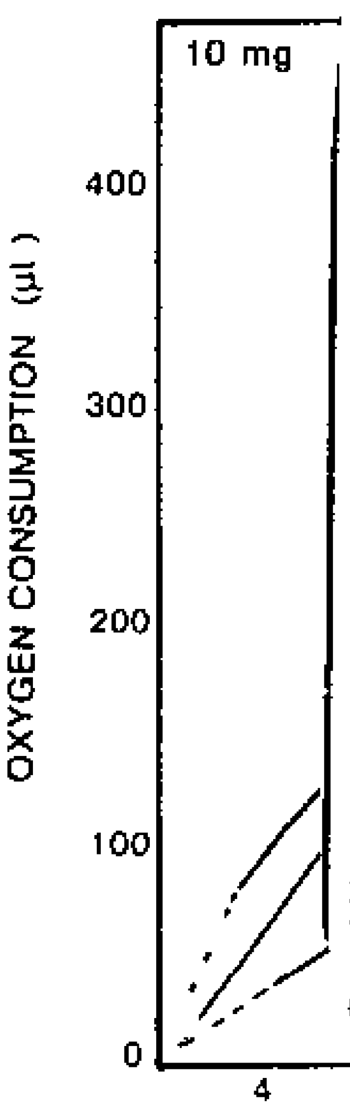
S A Lands should be able to continue operations at the present level for at least another year or two, says the chairman, Mr N Oppenheimer, in his annual report

In the first half of last year, the company was supplied with gold-bearing material from only one source However, other sources of material were found in the second half which were economical to treat at the then gold price.

There is now a greater flexibility in the plant to allow different types of material to be treated from different sources and this should enable an average mill throughput of 90 000 tons a month an a grade of between 1g/t and 1,5g/t

In the first two months of the current year, tonnages and grades reached record levels and gold production was 348kg

Mr Oppenheimer warns, however, that this production may be a "flash in the pan", although it is expected that gold production this year should be about 1,200kg compared with 1 236kg in 1978



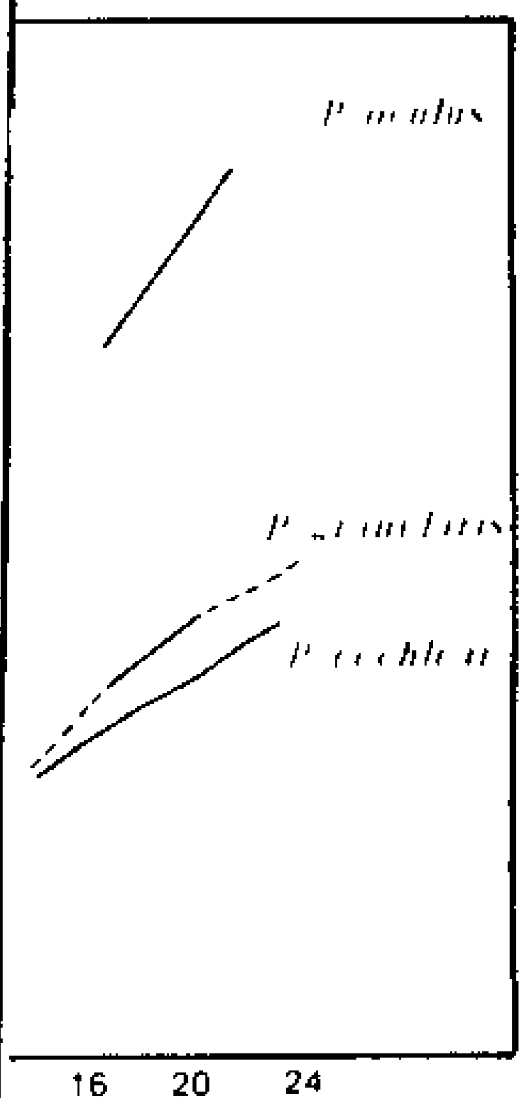


Fig. 6. Pate... nal cycles. ... tidal and diurnal ... standard individuals of 10, 100 and 500 mg tissue weight. Energetic ... calculated by the conversion 5.05 µl O_2 = 1 calorie

of large individuals increases while that of small individuals declines (Fig. 5A). This is predictable in view of the different rates of respiration of small and large limpets in air and water (Fig. 3). Thus, the daily respiration of *P. cochlear* is essentially aquatic and little affected by the brief and mild elevation of rate during the day-time low tides.

In contrast, the mid-shore *Patella oculus* increases its metabolism considerably during the day-time low tide (Fig. 5B). The length of exposure is greater, and body temperatures rise far higher (up to 32°C) on the drier rocks of the midshore. Larger individuals tend to be exposed more than juveniles and they respire faster in air than water, further increasing their respiration during low tide.

Due to migration up the shore, larger *Patella granularis* are subjected to very long periods of exposure, when body temperatures may rise to 32°C, but they minimise metabolic expenditure during this period because their respiratory rates are low in air. The Q_{10} between 17°C in water and 28°C in air is only 1.33. Conversely, there is a dramatic drop in respiration at night from the rate at 17°C in water to that at 15°C in air (Fig. 5C), the Q_{10} being 7.80. Thus, the low rate of aerial respiration not only keeps down day-time rates when temperatures are high at low tide, but results in a considerable saving of energy at night when air temperatures are low.

Th... , showing the effec... ierial and aquat... rates of oxygen co... ulated tidal cycles for different-sized individuals, allow calculation of budgets of daily oxygen consumption (and hence respiratory energy losses) for the 3 limpet species. These are shown in Fig. 6, from which it is evident that metabolic energy expenditure in the mid-shore *Patella oculus*, which experiences an abundant food supply, is much higher than in the other two species. The lower-shore *P. cochlear* and the upper-shore *P. granularis* both have a much lower metabolic energy expenditure than *P. oculus*, and this is especially evident in the larger individuals.

Conclusions

Patella cochlear occurs very low on the shore where algal growth is potentially high, but under conditions of intense intraspecific competition most algae are eliminated, leaving lithothamnia (which are heavily calcified and have a low calorific value) as the main food. Feeding occurs during submergence and is thus fairly prolonged. Territorial spacing and stacking of juveniles on the shells of adults diminish but do not eliminate competition (Branch, 1975b). Populations are very stable and longevity high: up to 30 years. These circumstances favour a low growth and low reproductive output fm 13/4/79 214

SALLIES

Golden dumps revisited

Has Sallies been holding back on details of its dump retreatment activities? In the past year, Sallies shares have undergone a re-rating from 65c to 170c. It is a rise which is scarcely merited by the current drilling programme or dump retreatment on disclosed life expectations. It appears, however, that part of the reason for the rise could be due to profit-sharing schemes with outside contractors, which have resulted in substantially improved profitability and prospects.

Sallies has apparently entered into contracts with the owners of dumps in the neighbourhood. The dump owners are responsible for getting the material to Sallies' plant. One contractor reckons that on presently available dumps, Sallies has enough material to sustain operations for about seven years This compares with the, at least, one or two years mentioned in chairman Nicholas Oppenheimer's statement last month. Currently recovery grades probably average around 2,2 g/t.

The basis of the scheme, apparently, is that the contractors take 55% and Sallies 45% of profits after all costs have been deducted. Costs are calculated at 45c/t for loading, 7,5c/t per km for transport and R3/t for treatment

At a bullion price of $240 the mine could expect to receive 45% of R9,70 pre-tax Given a sustained monthly mill throughput of 105 000 t its total revenue should be around R5,7m pre-tax, equivalent to about 40c per share after tax. This could be distributed fully as the company's cash balances do not warrant further retentions at present. However, if borehole SRK 1 on Rooikraal farm discloses payable reef, retentions could become the order of the day, with further drilling authorised.

Asset value

The latest balance sheet shows that the mine has net current assets of about 86c per share and plant worth about 30c per share On break-up, shareholders would probably get something less than 120c

Some of the dumps contain uranium which Sallies cannot recover But there is probably no reason why they should not eventually be treated at neighbouring Ergo. One of the major contractors supplying about half of Sallies mill throughput is Johannesburg Mineral Company, a privately-owned company with dumps all over the East and West Rand. JMC's operations are now apparently reaching such proportions that the company is thinking of seeking JSE listing in about a year If the details I have, which I have been unable to confirm with the house, are correct, Sallies at 172c seems underpriced. On my earnings figures, the share yields 23,3% to a local investor and 35% to an overseas investor coming in through the FR *Peter Pittendrigh* of our senses and the mind, to ever-recurring cycles of existence and becoming - to birth and death.

The Buddha enunciated the Four Noble Truths and the Eightfold Path as the most effective way to achieve Insight (Vipassana) into the operation of the Paticcasamupadda. He set out the various hindrances and taints within man's mind which must be overcome in order to divest it of the strictures of wrong views, delusion and ignorance. And he gave methods of focussing our consciousness into a greater awareness of the truth of Being and Becoming and which can ultimately lead us to Nibbana - "the Unborn, Unoriginated, Unmade, Unconditioned". But, he said, just ... so one must accept ... the ... nderstood ... n ... Four ... incredible ... and essential ... the world of mind ... erally contained in the Sutras and further not only anticipated the discoveries of ... ly, still ahead of our present conceptual ... l world.

... scientific model of today reduces all ... ields which, in the strictest sense, only ... ality of the actual physical world as we ... owever, is so far removed from the tangible ... through our senses, that it loses all ... to our physical state of being.

A glass ... ingful as a liquid that can quench our thirst. In this context it is senseless therefore to think of it as a molecular substance composed of two gasses (H2O). And the ultimate "reality" of water as a cloud of non-material energy particles is so un-real in terms of our everyday experience that it must forever remain a conceptual oddity. Yet all states of water - the liquid, molecular and atomic - co-exist simultaneously as "Reals" in their own right even though they may be perceptually divorced from one another.

Therefore, when the Buddha speaks of Existence as a flux of mental functions and phenomenal events; as a complex chain of psychophysical causes and effects - he is not denying the "reality" of our flesh and blood world anymore than the nuclear scientist does when he describes matter in terms of protons, electrons and neutrons. He only provides the means of gaining deeper insight into a higher reality of Being and Becoming, just like the properties of water - such as its ability to change into steam and ice - remain mysterious unless one understands the molecular processes behind these altered states. Indeed, our mundane existence, with its characteristics of Anicca, Anatta and Dukkha, can only be transformed into the supramundane reality of Nibbana by gaining perfect Insight (Vipassana) into the true nature of things by "seeing things as they really are". In other words, our ignorance (Avijja) must be expelled by Wisdom (Panna) through Insight if we are to free ourselves from our mundane illusions and wrong views. This is the essence of the Buddha's teaching.

Just as one cannot observe sub-atomic particles except through indirect and artificial means, and then only in terms of their effects and interactions, so do the constituents of existence and the processes of

Income Tax 27/3/79

586 Dr Z J DE BEER asked the Minister of Finance:

(1) What amount of income tax was collected in the financial year 1977-78 from (a) individuals, (b) gold mining companies, (c) other mining companies and (d) other companies;

(2) what was the total amount of (a) income tax and (b) loan levy collected during that year.

The MINISTER OF FINANCE:

(1) (a) Individuals	R1 879 192 920,65
(b) Gold Mining Companies	R347 623 616,00
(c) Other Mining Companies	R108 951 852,00
(d) Other Companies	R1 680 521 335,83
(2) (a) Total income tax	R4 016 289 724,48
Interest	R6 494 621,58
Total	R4 022 784 346,06
(b) Total loan levy	R440 513 540,00

Rapport 15/4/79 2/4

KAMER

[...]ier van Mynwese boor raak in valuta

Deur Daan de Kock

DIE Kamer van Mynwese, wat reeds die afgelope drie maande besig is om in die opbrengs van Krugerrande handel te dryf, is vinnig besig om 'n volwaardige valutahandelaar te word.

Kenners meen dat hierdie nuwe funksie ook besondere voordele vir die Kamer inhou In sommige gevalle word geskat dat die Kamer 'n wins van tot 1 miljoen dollar per jaar kan toon.

Die rede wat aangevoer word, is dat die Kamer vanweë die relatiewe skaarste aan dollars die dollaropbrengs van Krugerrande teen sowat een-tiende persent hoër op die mark kan verkoop as die amptelike wisselkoers tussen die dollar en die rand.

Die nuwe funksie van die Kamer is 'n regstreekse voortvloeisel van die aanbevelinge van die De Kock-kommissie dat daar 'n meer vryer valutamark in Suid-Afrika tot stand moet kom

In die verlede is die buitelandse valuta-opbrengs op Krugerrande deur die Suid-Afrikaanse Reserwebank gehanteer

Verwelkom

Handelaars by vooraanstaande banke in Johannesburg sê hulle verwelkom die stap dat die Kamer van Mynwese nou in die valuta-opbrengs van Krugerrande kan handel dryf, want die vrye mededinging het tot gevolg dat beter koerse verkry kan word as wat voorheen die geval was

Sekere handelaars is van mening dat die Kamer daagliks, afhangende van marktoestande sowat R4 miljoen se dollars uit die afset van Krugerrande hanteer Indien hy hierdie valuta teen ongeveer een-tiende persent beter as die bestaande wisselkoers tussen die dollar en die rand kan verkoop, kan dit beteken dat hy 'n wins van tot 4 000 dollars per dag kan maak

Op 'n jaargrondslag kan dit tot 'n miljoen dollar beloop Hierdie syfer kan moontlik aan die optimistiese kant wees as in ag geneem word dat daar soms 'n oorskot van dollars op die mark kan wees in welke geval die Kamer 'n verlies kan maak.

Aangesien die Kamer van Mynwese 'n nie-winsgewende organisasie is sal enige winste wat hy uit die transaksies maak, moontlik na die goudmyne gaan

Krugerrande is 'n baie belangrike verdiener vir Suid-Afrika aan buitelandse valuta Verlede jaar is altesame 5 905 000 Krugerrande ter waarde van 1 044 600 000 dollars in die buiteland van die hand gesit Dit was weens die hoer gemiddelde goudprys aansienlik meer as die vorige jaar

In die eerste paar maande van vanjaar was daar 'n afplatting in die afset, maar kenners meen dat dit later weer kan verbeter Die verloop van die goudprys kan natuurlik ook 'n groot uitwerking op die verdienste van Krugerrande hê

Die Kamer van Mynwese wou geen kommentaar lewer oor die omvang van sy winste tot dusver nie, maar het bevestig dat hulle wel 'n wins maak. Die Kamer sê tot dusver het die oorskakeling na die nuwe reeling heeltemal glad verloop. Handelsbanke sê hulle vind ook geen probleme met die nuwe reeling nie

All Anglovaal mines advance; Harties up R1m

2/4

C Times 18/4/79

JOHANNESBURG. — Higher gold prices in the March quarter more than offset reduced mill tonnages and all gold mines of the Anglovaal group increased their after-tax profits: Hartebeestfontein's figure was more than R1m higher at R15 663 000, ETC's was up R233 000 at R1 031 000 and Loraine's (no taxation) rose to R583 000 (December quarter: R538 000).

The illegal strike by some members of the mine workers' union did not affect production, the lower tonnages being caused by several factors including the shorter working quarter and the annual fall in productivity because of the heat encountered underground at this time of year

Consequently, unit costs were higher at all mines, but total costs were little changed on the December quarter

The average grade at ETC rose to 7,6 (6,5) g/t, but the figures are not strictly comparable as the mine has been decreasing the amount of low-grade slimes retreated in order to carry out repairs to its metallurgical plant and to conduct metallurgical test work Grades at Loraine and Harties were little changed

Taxation and state loan levy figures for the quarter have been adjusted to allow for the changes announced in last month's Budget

The group's copper/zinc producer, Prieska, made a record profit of R6 423 000 (R2 191 000) following increased despatches and higher metal prices The results of Consolidated Murchison, the antimony producer, continued to improve mill throughout and sales were both higher, while profit rose by R1m to R2 296 000

Main points

Other points from the quarterly reports include

ETC. Tonnage milled decreased to 74 250 (85 000) tons because of the shorter working quarter and because retreatment of low-grade slimes was reduced to enable the mine to effect repairs to its plant and to carry out some metallurgical test work Underground production remained unchanged, but because of the reduction in slimes treated the yield increased to 7 6 (6,5) g/t The better grade combined with higher gold prices was also partly responsible for a R10,24 rise in revenue at R50,79 a ton

Although there was a sharp increase in unit costs because of the lower tonnage, total costs were R10 000 lower at R1 757 000 and, with the increased revenue at R3 771 000 (R3 447 000), working profit rose to R2 014 000 (R1 650 000)

Non-mining income increased to R102 000 (R74 000), while prospecting expediture was R5 000 lower at R40 000 The increased profit, combined with lower capital expenditure, led to another increase in taxation at R1 045 000 (R911 000), leaving the after-tax profit figure at R1 031 000 (R798 000) The state loan levy dropped to R33 000 from R127 000 in the March quarter

Estimated capital expenditure for the year has been reduced by R100 000 to R700 000

In development 1 004 metres were sampled and assayed 1 229 cm g/t

Hartebeestfontein The shorter quarter, high underground working temperatures and problems with some equipment caused a reduction in ore milled at 701 000 (735 000) tons With grade increasing slightly to 10,8 (10,7) g/t - because of increased waste rock sorting — and higher gold prices, revenue rose by R8,73 to R72,72 a ton The mine continued to stockpile ore on surface during the period and this, combined with the lower tons milled, adversely affected unit costs — which increased to R37,96 (R35 62) a ton — but total costs were virtually unchanged at R26 612 000 (R26 180 000) The net result was that working profit from gold rose to R24 366 000 (R20 854 000)

The uranium recovery plant treated 701 000 (735 000) tons, producing 79 478 (101 171) kg of oxide Sales declined, leading to a R6 846 000 (R8 585 000) profit from this source

Non-mining income was up at R1 591 000 (R1 058 000) After deducting interest paid of R60 000 (R67 000) and taxation and state's share of profits of R17 080 000 (R15 997 000), the after-tax profit rose to R15 663 000 (R14 433 000) The state loan levy was estimated at R1 809 000 (R1 694 000)

In development 1 762 (2 272) metres were sampled, assaying 1 353 (1 712) cm g/t gold and 23,58 (26,69) cm g/t uranium oxide

The company is negotiating with Vaal Reefs to mine about 52,6 hectares of that company's lease area from its No 4 shaft workings

President Catering Supplies — Taxed profit R492 000 (R383 000) in 1978 Earnings per share 15,2 cents (11,8), profit before tax R839 000 (R672 000), tax R347 000 (R289 000) The company said it is now a subsidiary of Trade and Industry Acceptances Corp and because its year end has been changed to June 30 and the current trading period reflects 16 months it has decided not to declare a dividend at this stage The company also said it intends recommending a capital reeduction of 50 cents payable to all shareholders — Reuter

SA Trade and Industry Acceptance Corp had a taxed profit of R1,4m (R1,1m) in nine months ended March 31 Earnings per share were 50 cents (36), profit before tax R1,8m (R1,6m), tax R0,5m (R0,4m)

FM 20/4/79

GOLD QUARTERLIES

Bullion recovers

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Once bullion had broken below its $239 support level, the opinion of many chartists was that there would be nothing to stop the rot before $200 was reached But at least for the time being, the pessimists could be proved wrong Bullion buyers, who have steered clear of the metal at prices above $240, initially took heart from Tuesday's US Treasury auction and chose to look at the number of bids rather than the final auction prices

Cut-off price for the Treasury's high grade metal (99,5%-99,94% pure) was set at $230,13 and for the low grade material (89,9%-91,7% pure) $229,27 What first attracted buyers back was the news filtering through that the Treasury's auction had been twice oversubscribed But with the trigger of lower US Treasury offerings, bullion buyers will be scrambling back into the game as fast as they can.

Now, according to the bulls, the price turnround means that normal buyers will return to the market in some force, helped by a price underpinned by Central Banks holding around 60% of their reserves in the metal

The other factor on the local gold mining scene, uranium, is subject to as many diverse opinions as there are analysts

In general, Three Mile Island seems to have resulted in optimism as far as SA's producers are concerned. Though there is as yet nothing concrete to go on, the industry's feeling is that Three Mile Island will lead to tighter controls on exports from Australia and Canada and that the longer-term position will be exacerbated if mine development delays in those countries are coupled with a cessation of breeder reactor developments worldwide

In any event, as far as can be determined, uranium spot prices are holding up well with a couple of SA producers rumoured to have made sales within the past week or so at almost $50/lb What it will mean is that existing producers could find themselves living high on the hog while mines with uranium development plans in the pipeline could find it more difficult to negotiate necessary consumer financing

Meantime, March quarter results from the industry have been marked by little out of the ordinary Mill throughputs have generally been lower, though this has not led to any runaway unit cost increases

Kloof: With completion of the No 3 shaft, the mine now seems to be in a position to reach its targeted full-monthly milling capacity of 180 000 t by end-June Capex continues for sinking the No 3A service shaft, but should start tailing off next year unless development starts south of the mine With 57,8c a share retained during the first three quarters, and despite the fact that R7,7m capex remains to be spent during the current quarter, a final of at least 60c appears to be on the cards

Doornfontein: The lower than expected yield will make difficult the attainment of the unchanged gold production mentioned in the last annual report At least near term, with capex needed to open ground bought from GFSA and a continuing need to explore beyond the mine's western boundary, it is difficult to foresee any great dividend generosity

Libanon: Mill throughput is being maintained though with an inevitably declining yield However this means that unit costs are being kept well under control Main reef development is coming up with few surprises

Even if gold recovery drops below 7g/t this quarter and capex accelerates to reach the year's planned level of R5,5m, there is scope for a final dividend of 100c following the 50c interim

Ventersport: Every opportunity is being taken to mine low-grade ore, though the adverse effects of this are apparently being offset to an extent by lower development rates Perhaps the mine's most important task is to maintain mill throughput as near capacity as possible The effect on unit costs of a lower milling rate is all too clear from the March quarter's results However, with gold not set to go into a near-term decline, maintaining mill throughput on marginally lower gold recovery grades should not be impossible There is little capex in sight to restrain dividends, though repayment of State Aid will take a toll

West Drie: With R4,8m remaining to be spent in the final quarter of the year's R9m planned capex and outstanding authorised capex of R29m at end-March, a major capex build-up seems inevitable during the next few quarters During the first three quarters of the current year, the mine has retained R46,6m, equivalent to 330c per share With the inevitable grade decline setting in as mining emphasis shifts towards the lower-grade eastern part of the mine, market opinion is that announcement of possible developments to the north of East Drie cannot be much longer delayed

East Drie. The mine has to all intents and purposes reached steady state operations with capex now simply needed to maintain production

Harmony: The mine's recent performance is hardly calculated to set the share alight Gold recovery is set to decline as increasing tonnages are drawn from Merriespruit, though this should be offset by increased uranium sales when the new uranium plant comes on stream next year Uranium revenue will be helped by the gradual phasing out of older, lower-priced contracts

Blyvoor: It has been clear for some time that Carbon Leader reef grades decline towards the west, but the March quarter's gold recovery grade drop was more substantial than had been expected

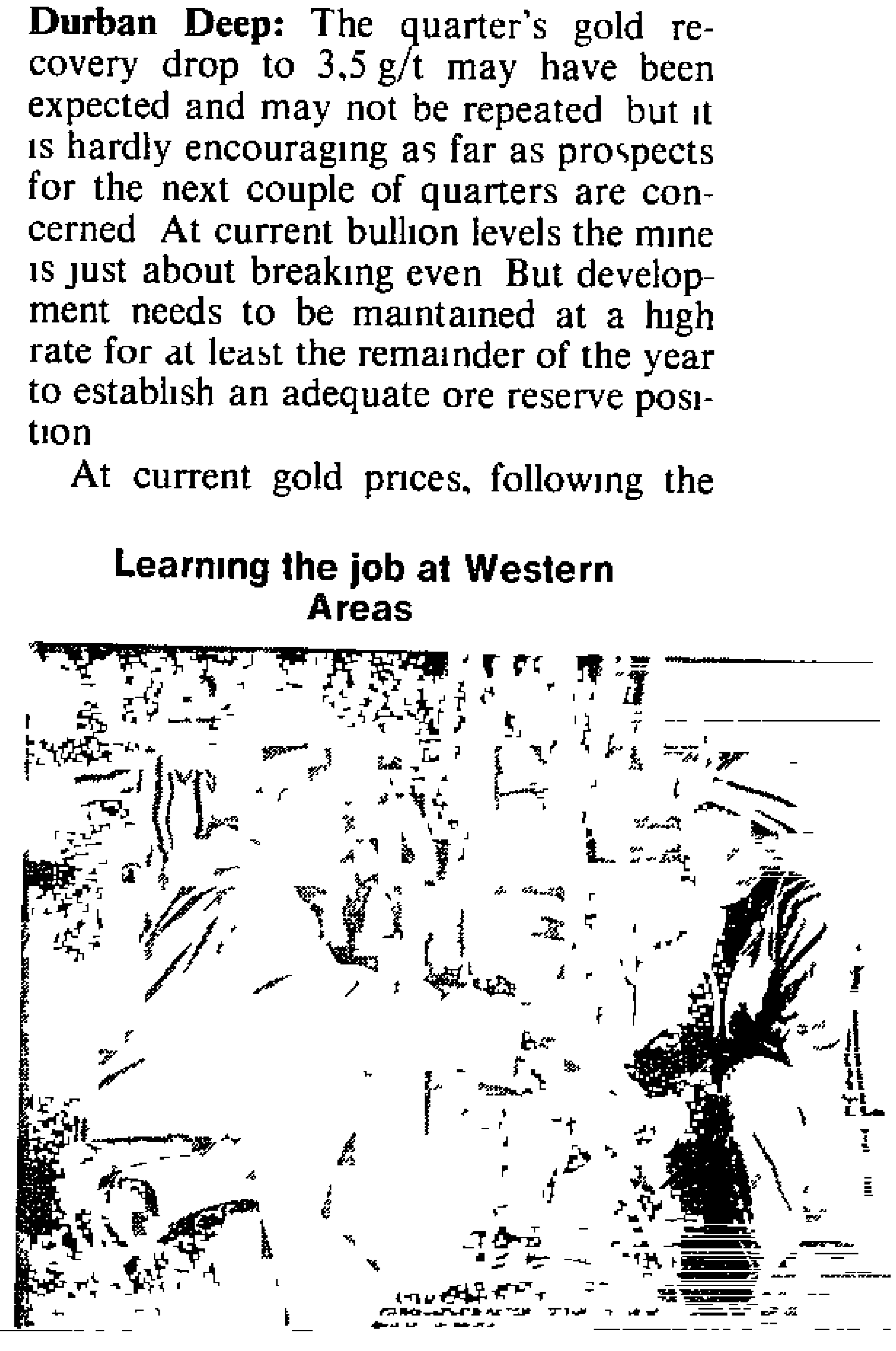
Fortunately, uranium plant extensions appear to be playing an increasingly important role, with uranium mill throughput marginally higher and the uranium working profit increase at least partly compensating for lower than expected gold recoveries However, if gold recovery does continue to fall faster than previously expected, the share could fast lose its attraction With capex of R3,4m remaining in the June and final quarter, anything much better than a 45c final may not be possible

ERPM: It is difficult to see gold recovery and mill throughput being maintained simultaneously, so any advance on current milling rates will probably be accompanied by lower recovery Before state aid, that means that the mine will probably operate at a loss this quarter and next, especially if grade is cut Capex remaining for the rest of the year is R5,4m, which will act as a major restraint on dividend distributions

Durban Deep: The quarter's gold recovery drop to 3,5 g/t may have been expected and may not be repeated but it is hardly encouraging as far as prospects for the next couple of quarters are concerned At current bullion levels the mine is just about breaking even But development needs to be maintained at a high rate for at least the remainder of the year to establish an adequate ore reserve position

At current gold prices, following the

Learning the job at Western Areas



first quarter's 40,5c distributable earnings, there should be little difficulty paying total dividends of 100c this year But much depends on grade trends and future plans to open up previously unpay reserves

Western Areas: Justification of continuing development on the uranium rich Middle Elsburg reefs could be difficult after June unless uranium sales contracts are negotiated by then The mine is currently involved in two major capex programmes with the SV3 and SV4I sub-shafts, and additional capex for Middle Elsburg exploration is simply not on unless a uranium contract is in prospect

Meantime, the mine can probably maintain its current 5,5 g/t recovery grade with the prospect that mill throughput will stabilise at an annual rate of 4,4 Mt as from the current quarter Capex this year is planned at R14m and presumably a start to uranium developments would restrain the year's total payout to not much more than 1978's 20c If uranium expenditure is deferred, however there should be little difficulty in achieving a 30c payout

Randfontein: A further small recovery grade drop from the March quarter's 7 0 g/t is expected before recovery stabilises But starting this quarter, it should be possible to maintain gold mill throughput at monthly capacity of 350 000 t At the same time uranium mill throughput should approach gold's figure this quarter

On this basis, and with higher uranium recovery as technical problems at the Cooke section mill are overcome, management expects uranium production to be at least three times the March quarter's 46,9 t Gold production will probably increase marginally despite the expected recovery grade decline

Capex for the remaining three quarters will have to be substantially higher than the March quarter's R4 1m if the R30m R35m target for the year is to be met This latter figure does not include any provision for a start on establishment of Cooke No 3 shaft but this would presumably be financed largely through additional consumer loans

The mine has controlled costs well though there are a few problems Unpay ore blocks disclosed at Cooke No 2 shaft have meant that development there has been accelerated to maintain ore reserves However, this is more than outweighed by the near completion of all modifications to the mine's uranium plants meaning that uranium production should reach planned capacity by the second half of the year As yet, no uranium deposits capable of supporting independent mines in the Karoo have been disclosed

FT Cons: The company's various mines have few problems Also the lower grade, higher-tonnage Agnes mine is exceeding expectations After the 15c interim payment, distributable earnings for the first nine months of the current year total 27,2c, so even if management adopts a cautious attitude and retains earnings in anticipation of capex next year, a 30c final could be on the cards

Loraine: The share has some speculative appeal given the mine's uranium potential and possible developments once richer blocks of ore in the north of the lease area are opened up But the time to buy on this sort of speculation is not now. Under present circumstances the mine is unable to operate at a profit without State Aid and even if uranium recovery was to be initiated, the capital cost would put paid to any dividend prospects until well into the Eighties As it is, there is little likelihood of dividends until bullion breaks above $300

Hartes: Successful negotiation of the proposed tributing agreement with Vaal Reefs would mean an extension to the mine's No 4 shaft's life and a better mining balance with improved cost control. But this is a long-term influence At this stage there seems little reason to change my earlier estimate of a final dividend of 190c this year following the 110c interim.

Jim Jones

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Nefport 22/4/79

Goudmyn-kwartaalverslae

	Ton, gemaal 000 MRT	DES	Opbrengs in gram/ton MRT	DES	Koste R per ton gemaal MRT	DES	Koste per ons in dollar MRT	DES	Inkomste per ons in dollar MRT	DES	Netto wins R'000 MRT	DES
GOUDVELDE												
Wes-Drie	645	645	21,0	22,1	32,95	32,70	57-58	53,0	239,0	218	27 144	28 227
Vlakfont	180	180	1,2	1,2	4,67	4,47	146,0	138,0	241,0	214	330	353
Doornfont	360	360	8,3	8,8	33,29	33,59	146,0	136,0	242,0	219	4 040	3 930
Venterspost	308	323	5,1	5,3	30,66	28,65	223,0	194,0	244,0	218	1 102	1 310
Oos-Drie	600	600	20,3	19,8	28,05	27,49	50,68	49,60	242,0	218	28 259	30 811
Kloof	495	490	14,7	14,6	33,81	33,84	84,33	82,75	238,0	217	14 036	12 404
Libanon	410	405	7,7	7,9	27,18	27,08	129,50	122,60	239	218	4 894	4 795
RAND MINES												
Blyvoor	470	470	9,71	10,10	32,48	31,20	123	110	245	219	10 813	9 138
Dbn Roodepoort	537	514	3,53	4,04	22,26	22,01	231	195	243	216	1 521	2 239
ERPM	479	495	5,17	5,17	35,61	34,51	253	239	239	218	1 112	1 253
Harmony	1 726	1 773	4,58	4,34	25,94	25,0	245	206	306	220	15 723	15 743
JCI												
Randfont	945	774	7,0	9,0	24,92	24,75	129,2	98,1	235,6	219,7	20 417	20 520
Wes Areas	1 083	1 051	5,5	5,5	26,24	25,17	173,2	163,7	239,3	232,2	8 650	8 319
ANGLOVAAL												
E.T Cons	74,25	85	7,6	6,5	23,65	20,79	113,93	111,93	244,52	218,33	1 031	798
Hartebeest	701	735	10,8	10,7	37,96	35,62	129,0	116,48	247,09	209,03	15 663	14 433
Loraine	294	321	5,3	5,4	41,60	38,63	289,39	214,23	248,51	251,09	583	538
UNION CORP												
Bracken	195	195	6,4	6,4	18,45	18,44	106,0	102,78	245,0	214,96	1 834	1 660
Grootvlei	390	390	4,0	4,0	15,72	14,85	145,0	132,42	245,0	218,25	2 061	1 780
Marievale	240	240	2,0	2,6	7,71	7,71	142,0	105,78	245,0	234,77	635	808
St. Helena	480	480	9,0	9,0	23,03	22,35	94,0	88,61	247,0	215,12	7 995	6 452
Leslie	255	255	4,2	4,2	18,01	17,77	158,0	150,98	244,0	214,75	1 148	937
Kinross	395	395	6,5	6,8	20,10	19,43	114,0	101,94	243,0	211,93	3 847	3 672
Winkelhaak	525	525	7,2	7,5	16,49	15,99	84,0	76,06	244,0	214,67	6 462	6 152
GEN MIN												
Stilfontein	463	494	8,52	8,68	40,68	39,81	173	164	243	516	4 751	4 249
Buffels	782	798	8,27	8,38	34,90	33,96	157	147	239	218	12 781	11 785
ANGLO AMERICAN												
FS Geduld	784	773	12,02	12,25	32,06	30,51	97,91	89,10	238,0	219,0	21 312	21 492
Pres. Brand	802	761	9,76	9,62	28,08	27,55	105,55	102,40	239,0	216,0	20 795	15 990
Pres Steyn	877	813	7,46	7,13	28,26	29,35	138,98	147,30	239,0	216,0	11 276	7 040
Welkom	543	525	5,83	5,92	26,55	26,32	167,03	159,10	238,0	216,0	4 378	3 473
FS Saaiplaas	316	306	3,37	3,58	23,34	23,41	253,93	234,0	238,0	214,0	4 973	(252)
W Holdings	794	740	9,24	10,12	24,61	25,21	97,75	89,10	237,0	217,0	13 904	11 743
Western Deep	770	797	14,04	13,50	36,13	34,75	94,47	90,10	241,0	212,0	23 144	22 699
Vaal Reefs	2 070	1 949	8,32	7,93	28,96	29,65	127,75	130,80	238,0	212,0	36 303	48 129

BOSTAANDE tabel gee die belangrikste statistiek oor die resultate van die goudmyne vir die kwartaal wat op 31 Maart ten einde geloop het.

Een van die uitstaande kenmerke van die afgelope kwartaal se resultate is dat die gemiddelde goudprys wat deur die myne ontvang is aansienlik hoër as die vorige kwartaal was.

Weens die hoër goudprys het die meeste myne ook besluit om hul ertsgrade te verlaag. Afgesien hiervan het die myne weens die hoër goudprys nogtans daarin geslaag om in die meeste gevalle hulle winste te verbeter. Danksy die goeie samewerking van mynamptenare het die onwettige sesdaagse staking van sekere mynwerkers geen nadelige uitwerking op die produksie van die myne gehad nie.

Ou hope kan nuwe lewe kry

RAPPORT 6/5/79 214

Deur DAAN DE KOCK

DANKSY die nuwe goudherwinningsproses wat vandeesweek deur die Nasionale Instituut vir Metallurgie aangekondig is, gaan daar moontlik binnekort op groot skaal met die ontginning van goud uit ou goudmynhope begin word.

Mynhuise is in hierdie stadium versigtig om enige kommentaar te lewer, maar is dit eens dat die proses baie moontlikhede inhou vir die ontginning van ou mynhope.

Een van die groot voordele van die nuwe proses is dat dit ongeveer die helfte minder kapitaalintensief is as die prosesse wat tans deur die goudmynbedryf gebruik word. Dit kan gevolglik 'n betekenisvolle vermindering van die herwinningskoste tot gevolg hê, veral in ou mynhope waar die oorblywende goud baie laag is.

Die nuwe proses kan ook tot gevolg hê dat nuwe myne geopen kan word waar die ertsgraad baie laag is en wat onlonend sou wees as die bestaande proses van die herwinning van goud gebruik word.

Die nuwe proses word reeds deur Golden Dumps gebruik, wat onder andere South Roodepoort oorgeneem het.

Dit was seker een van die redes waarom Golden Dumps kans gesien het om met goudproduksie by South Roodepoort voort te gaan nadat General Mining besluit het dat dit onlonend sou wees.

Die feit dat Union Corporation se Beisa Mines, wat maandeliks sowat 100 000 ton erts gaan behandel, ook die proses gaan gebruik, is 'n bewys dat die proses baie voordele vir myne inhou waar die ertsgraad besonder laag is.

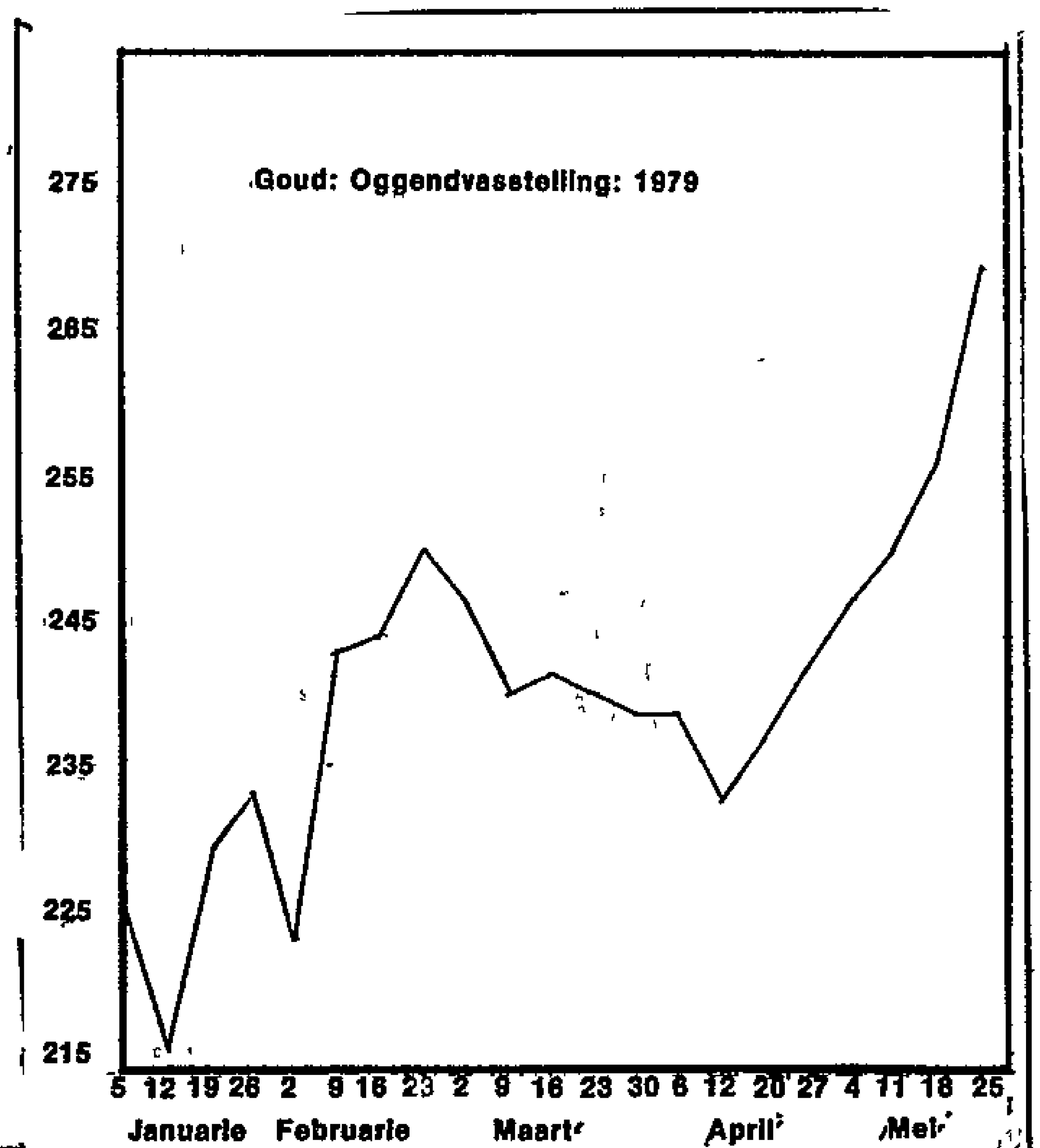
Suid-Afrika het nog aansienlike goudreserwes, maar vanweë die hoe koste verbonde aan die herwinning van goud uit die erts, is dit op die oomblik onlonend om hierdie erts te ontgin. Die nuwe proses kan moontlik ook tot gevolg hê dat nuwe myne in die toekoms geopen kan word wat andersins nie die geval sou wees nie.

Mine fire sealed off

14/5/79
RDM
214

AN UNDERGROUND fire which broke out at the Ventersspost gold mine near Westonaria on Thursday was expected to be sealed off late last night The fire, which started on the 22nd level, cut production to less than 25%, a Goldfields spokesman said in Johannesburg yesterday

The spokesman added that production, which has now returned to 85%, would remain below maximum for some time after the fire had been sealed off — Sapa



R1 000 miljoen meer uit goud verdien

Rapport 27/5/79

(214)

Deur DAAN DE KOCK

DIE Suid-Afrikaanse goudmynbedryf, Suid-Afrika se grootste verdiener van buitelandse valuta, kan vanjaar uitsien na 'n besonder goeie jaar indien die goudprys sy huidige vlak behou. Dit geld ook vir Suid-Afrika se platina-bedryf, wat ook die grootste in sy soort ter wêreld is.

Goud en platina het vandéesweek weer sterk onder die soeklig gekom toe die prys van dié twee metale op die internasionale markte sterk toegeneem het, veral vanwee die probleme wat met die lewering van olie aan die westerse lande ondervind word

Die goudprys het Vrydag 'n hoogtepunt van 270 dollar per ons bereik, en kenners meen dat die prys voor die einde van dié jaar moontlik so hoog tot 300 dollar per ons kan toeneem

Op die oomblik is die gemiddelde goudprys vir die jaar sowat 240 dollar per ons, wat aansienlik hoër is as die gemiddelde prys van 193,97 dollar per ons verlede jaar.

Koste in toom

Op hierdie prys, en indien aanvaar word dat Suid-Afrika se goudproduksie vanjaar min of meer dieselfde as verlede jaar sal wees, behoort die myne byna R1 000 miljoen meer uit goud te verdien

de grensmyne, waar die ertsgraad besonder laag is en die produksiekoste per ton erts vergruis hoog is

Platina

Hierdie myne sluit onder meer Durban Deep, ERPM, Leslie, Loraine, Stilfontein, West Rand Cons en Wit Nigel in

Suid-Afrika se twee groot platina-myne, Rusplat en Lydenburg Plats, behoort vanjaar ook besonder voordeel te trek uit die hoer platinapryse Hierdie twee myne het die afgelope tyd hulle produsenteprys gereeld aangepas vanwee die styging in die vrye markprys van platina Op die oomblik is die produsenteprys van die twee myne 350 dollar per ons, wat aansienlik hoer is as byvoorbeeld 'n jaar gelede

Die vrye markprys van platina het saam met die goudprys versterk en die metaal verhandel op die oomblik op die vrye mark teen ongeveer 450 dollar per ons

Die platinaprys beweeg natuurlik in ooreenstemming met die goudprys en indien die vooruitskattings vir die goudprys vir die res van die jaar bewaarheid word, is daar geen rede waarom platina-myne ook vanjaar besonder goed hoef te vaar nie

leningsheffings wat vanjaar in die Begroting deur die Minister van Finansies, sen Owen Horwood, aangekondig is.

Kenners is ook van mening dat die koste van goudmyne vanjaar redelik in toom gehou sal word deur die pogings wat deur die myne aangewend word om produktiwiteit in die myne te verhoog Die kostestygings by die goudmyne is verlede jaar tot 14 persent per ton vergruis beperk nadat dit die vorige jaar 'n styging van 24 persent getoon het.

Kenners is van mening dat dit vanjaar nie meer as 10 tot 15 persent behoort te wees nie

Dividende

Na verwagting sal die vermindering in bobelasting en die leningsheffing, afhangende van die huurformule en die winsgewendheid van die betrokke myne, vanjaar 'n styging van tussen 10 tot 12 persent in die toedeelbare winste van die goudmyne tot gevolg hê

By die myne met 'n hoe koste (veral die myne wat 'n laegraadse erts ontgin) sal die voordeel uit die aard van die saak minder wees en sal dit feitlik heeltemal verdwyn waar die myn baie min belasting betaal

Aandeelhouers kan gevolglik ook vanjaar uitsien na aansienlik hoer dividende indien daar niks onvoorsiens voorval nie

Die myne wat natuurlik baie baat vind by die hoër goudprys, is die sogenoem-

GOLD DIVIDENDS

FM 15/6/79

214

Golden bonanza

Apart from a few special situations, such as Maries and Vlakfontein, gold mine dividends are substantially higher due to the higher gold price One interesting comparison is that between Kloof and East Driefontein East Drie's June payment amounted to 55c, Kloof paid an interim of 80c East Drie's final was only 75c, so a higher final of around 130c could be declared But, Kloof's No 3 shaft, which should be in operation next quarter, will enable it to push production up to 540 000 t a quarter, close on the heels of East Drie's 600 000 t

Both mines have problems East Drie with flooding, Kloof with hanging walls and crumbling ceilings Although East Drie's yields are higher at around 19 g/t, compared with Kloof's 14 g/t, Kloof has only 32,5m shares to service, while East shafts, which have been recently re-opened The removal of pillars under an old mill is said to be a factor which could increase grades considerably in the next two years

Peter Pittendrigh

y during

Act No 64 of 1977 and by s 27 (1) (c) of Act No

ompany, director, officer or person for failure to med by it or him by or under this Act, may, in rt imposes, order such company, director, officer uch period as the Court may fix

APTER XVII

AND COMMENCEMENT OF ACT

pecified in Schedule 5 are hereby repealed to the nt Schedule

ncement.—This Act shall be called the Companies on the first day of January, 1974, except sections on on promulgation of this Act, and except such the Minister which shall come into operation on a date fixed by the State President by proclamation in the *Gazette.*

Schedule 1

TABLE A

ARTICLES FOR A PUBLIC COMPANY HAVING A SHARE CAPITAL

Interpretation

1. In these articles, unless the context otherwise indicates—

(*a*) "the Act" means the Companies Act, 1973, and

(*b*) "foreign committee" means a committee appointed under article 64 of these articles

Commencement of Business

2. The directors shall have regard to the restrictions on the commencement of business imposed by section 172 of the Act

Shares and Certificates of Shares

3. Subject to the provisions, if any, of the memorandum, and without prejudice to any special rights previously conferred on the holders of existing shares, any share may be issued with such preferred, deferred or other special rights, or subject to such restrictions (whether in regard to dividend, voting, return of share capital or otherwise) as the company may from time to time determine, and the company may determine that any preference shares shall be issued on the condition that they are, or are at the option of the company, liable to be redeemed

4 Every person whose name is entered in the register of members shall be entitled to one certificate for all the shares registered in his name, or to several certificates, each for a part of such shares Every share certificate shall specify the number of shares in respect of which it is issued Every original member shall be entitled to one share certificate free of charge but for every subsequent certificate the directors may make such charge as from time to time they may think fit Provided that if a share certificate is defaced, lost or destroyed, it may be renewed on payment of such fee, if any, not exceeding twenty-five cents, and on such terms, if any, as to evidence and indemnity as the directors may think fit

5 Share certificates shall be issued under the authority of the directors, or the foreign committee when authorized thereto by resolution of the directors, in such manner and form as the directors shall from time to time prescribe If any shares are numbered all such shares shall be numbered in numerical progression beginning with the number one, and each share shall be distinguished by its appropriate number, and, if any shares are not numbered, each share certificate in respect of such shares shall be numbered in numerical progression and each share certificate distinguished by its appropriate number and by such endorsement as may be required under section 95 (2) of the Act

6. A certificate for shares registered in the names of two or more persons shall be delivered to the person first named in the register as a holder thereof, and delivery of a certificate for a share to that person shall be a sufficient delivery to all joint holders of that share

Variation of Rights

7. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed at a separate general meeting of the holders of the shares of the class, and the provisions of section 199 of the Act shall *mutatis mutandis* apply to the said resolution and

"NORTH" DRIEFONTEIN

Green light imminent?

(214) FM 15/6/79

"If you want to hold the gold share likely to be among the next few week's top performers, do not ignore West Drie." That is the advice of at least one London broker with contacts at Cons Gold. According to these sources, London-based Cons Gold is confident that the farms north of East Drie will be mined within the next couple of years and that an official announcement from GFSA and West Drie is due within a few weeks ... granted less onerous tax and lease formulae than those applying to West Drie's present operations.

West Drie's present formula is calculated as y=60-360/x, and the lease is calculated on the formula y=21-210/x. The tax formula for the new area will probably be y=60-480/x, and lease calculated by y=15-90/x. The precedent for this has already been established by the Receiver of Revenue agreeing to a ...

Presumably, the arrangements envisage an issue of West Drie shares to Texas Gulf. It is unlikely however, to hold them for long as it could soon need funds for its projected chrome/platinum development on the UG 2 reef in the Western Transvaal. But even if these shares are sold through the market, they will hardly constitute a tap. GFSA will no doubt retain its new West Drie shares, again, lessening the risk of any downward pressure on West Drie's share price.

And, should bullion hold at current levels, West Drie could be able to finance the new development without cutting its dividend. This stems from the fact that initial capital costs, which I guess will not be much more than R25m, can immediately be offset against profit for tax and lease purposes.

Jim Jones in London

Star 17/7/79

(2 14)

Rand Mines gold profits up by 11 pc

By Stephen Suckley

Gold producers in the Rand Mines group have shown some improvement in overall taxed profits in the quarter ended June and cost per ton milled has been well held in all cases

Results for the group's four gold producers show that total taxed profit was a fraction below 11 percent higher at R32,4m, and costs were an average R29,84 a ton milled — just 2,6 percent up on last quarter

Costs were held to this figure despite white salary increases which took effect during the quarter

MARGINAL

Rand Mines is the second mining house to publish quarterlies for June so far — the first being Gold Fields last week

But unlike Gold Fields, which pointed out that the gold price had been kind, Rand Mines points out that benefits from the price were only derived during the latter part of the period and this together with a quiet uranium front made for only a marginal improvement

Total tonnage milled was slightly higher than in the last three months — up 2,74 percent at 3,3m tons, and gold production moved 2,5 percent higher to 17,279 kg.

COSTS DOWN

A look at the individual mines shows that

● Costs at Harmony actually dropped during the quarter from R25,94 to R25,24 a ton milled following an increase in the tonnage milled from 1 726 000 tons to 1 784 000

The tax bill at the mine was R2,4m lower at R4,4m following a doubling in capital expenditure to R10m Future capex calls for an amount of R7,7m — R4,4m of which is earmarked for the new uranium plant

Gold production was higher at 8 095 kg (7 909 kg), and taxed profits were nearly R2m higher at R17 76m

● The group's other gold/uranium producer, Blyvoors, showed only a small increase in costs and at R34,13 a ton these were only R1,65 a ton higher than previously

Although there was R2,5m rise in working profits on gold at R17,74m, this was offset by a drop in uranium sales Taxed profit amounted to R11,44m — up R626 000, and a rise in tonnage milled and higher yields resulted in gold production of 4 777,3 kg (4 562,8 kg)

● Durban Roodepoort Deep claimed less State assistance at R501 000 (722 000) Costs per ton milled increased from R22,26 to R23,18, and gold produced was higher at 1 921,6 kg

There was only a marginal increase in taxed profits, however, from R1 521 000 to R1 605 000

● ERPM, the other marginal mine in the group claimed more in State assistance — up R100 000 to R1 605 000 Costs per ton milled were contained to a little more than a rand higher at R36,81, but gold production was only 10 kg higher at 2 485,8 kg (following reduced tonnage milled after a fire in the mine's F shaft area) End results showed taxed profit R444 000 up to R1 556 000 The milling rate is expected to improve in the next two quarters

Mennonite Central Committee se konferensie oor 'Die Rol van Geskiedkundige Vredeskerke', Gaborone, ... ana Verhandeling voorgelê oor. 'The Role of

navorsings-Fellows het aansienlik tot die Sentrum se program bygedra dr Sheila T. van der Horst, afgetrede mede-professor van Ekonomie, U.K., en professor J L Boshoff, gewese Rektor van die Universiteit van die Noorde.

LIDMAATSKAP

Soos voorheen gemeld, is die Sentrum vir Intergroepstudies geregistreer as 'n maatskappy. In die Memorandum en Statute van Vennootskap word voorsiening gemaak vir die benoeming van eenhonderd lede. Tans is daar 57 lede en hulle sluit die volgende in:

a) Drie stigterslede

Mnr J.G Benfield
Mnr H.L. Kennedy
Mnr P.G.T. Watson

b) Sewentien persone wat gedurende die afgelope 10 jaar lede van die Beheerraad was (* dui stigterslede aan):

Professor E.V. Axelson
Professor J.F. Beekman
Professor J.F. Brock
Mnr C.S. Corder*
Professor W.H B Dean
Dr J.P. Duminy*
Professor G.F.R. Ellis
Biskop A.W. Habelgaarn
Mnr E.V.E. Howes*
Professor M.F Kaplan
Ds. W.A. Landman
Mnr G.K. Lindsay
Sir Richard Luyt
Professor S.J. Saunders
Professor H.W. van der Merwe
Mede-professor D.J. Welsh
Professor Monica Wilson

Mennonite Central Committee se Konferensie oor: 'Die Rol van Geskiedkundige Vredeskerke', Gaborone, Botswana Verhandeling voorgelê oor. 'The Role of Churches in Promoting Justice in Southern Africa' (Oktober).

Konferensie van die Afrikaanse Calvinistiese Beweging, Potchefstroom (Oktober).

(c) Deelname aan Welsyns- Professionele en Openbare Organisasies

Die Direkteur het aktief gebly in die Suid-Afrikaanse Instituut vir Rasse-Verhoudinge as 'n lid van die Weskaap-Distrikskomitee, die Nasionale Uitvoerende Komitee en van die Raad.

Hy is Voorsitter van die Quaker Service Fund in die Kaap, die diensafdeling van die Godsdienstige Vriendekring (Quakers), wat gemeenskapsontwikkeling op die platteland en in die stadsgebiede bevorder.

[illegible] ekies as lid van die Raad van die

June gold output down

Star 17/7/79 (214)

South Africa produced less gold in June this year when compared with May due mainly to seasonal fluctuations.

Figures from the Chamber of Mines show that total gold output in June fell 1 888 kg to 58 698 kg but was higher than the 57 985 kg of June last year.

But output in the January to June period shows a slight increase over the same period of last year.

In this six months the country produced 351 826 kg up from 349 552 kg for January to June 1978.

During the month of June members of the Chamber produced 56 999 kg while other producers were responsible for the remaining 1 699 kg.

Finance Minister Senator Owen Horwood said recently the country should produce between 715 and 720 tons of gold this year from 704 tons in 1978.

With the half year figures at hand this means in the next six months between 364 and 369 tons will have to be produced for this target to be met.

Die Universiteit van Kaapstad het benewens 'n bydrae tot die bedryfskoste van die Sentrum, ook vir die Sentrum sedert sy stigting in kantoorruimte voorsien. Met die uitbreiding van personeel het ons die huisie op die laer

navorsings-Fellows het aansienlik tot die Sentrum se program bygedra dr Sheila T. van der Horst, afgetrede mede-professor van Ekonomie, U.K., en professor J L Boshoff, gewese Rektor van die Universiteit van die Noorde

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Professor M.F.Kaplan
Ds. W.A. Landman
Mnr G.K. Lindsay
Sir Richard Luyt
Professor S.J. Saunders
Professor H.W. van der Merwe
Mede-professor D.J. Welsh
Professor Monica Wilson

214 Star 19/7/79

Unicorp gold mine profits up by 7pc

By Jean Moon

Union Corporation's stable of gold mines increased total profits after tax and lease considerations by 7 percent to R25,7m for the second quarter Working revenue rose 7,4 percent to R107,4m, but total working costs were more than R2m higher at R45,8m Tons milled rose by 10 000 to 2,5m, thanks to Marievale's 15 000 increase to 255 000, which more than made up for Bracken's 5 000 fall to 190 000

The best performer for the period was Grootvlei, which increased its total profits by 26,3 percent to R2,6m Working revenue was 21,5 percent higher at R12,6m and gold production 12,5 percent up at 1 755 kg But working costs rose 9,3 percent to R17,18 a ton, equal to $140 an ounce

At the other end of the scale St Helena's profits slumped 1,9 percent to R7,8m on unchanged gold production of 4 320 kg The mine experienced an above average rise in working costs of 5 percent, but remained well below the average at $90 an ounce.

Marievale appears to be defying prior indications of its life drawing to a close, not only by increasing milling throughput, but by pushing total profits 24,6 percent higher to R791 000

Working costs for this lightweight are still well above average at 134 dollars an ounce but its working revenue increased 13,4 percent to R3,6m, while revenue improved 6,7 percent to 261 dollars an ounce

MEDIOCRE

The group's heavyweight Evander mine Winkelhaak pushed 12,7 percent ahead on profits to R7,3m, producing a working revenue of R27,5m Revenue was an average 260 dollars and working costs were held at a low level — 3,2 percent higher than the first quarter, at 84 dollars an ounce

Kinross's performance was mediocre, producing a profit rise of 4,9 percent at R4m. Revenue received was higher than average at 266 dollars an ounce and working costs were fractionally higher at 123 dollars an ounce.

ALARMINGLY HIGH

Speculative Leslie produced an unchanged 1 071 kg of gold, but thanks to a higher gold price increased its profits by 8,4 percent to R1,2m Working costs remain at an alarmingly high level of 169 dollars

Bracken edged forward to increase profits by 3,5 percent to R1,9m and working revenue was less than 1 percent higher at R8,3m Working costs, held in check, rose 3,1 percent to 115 dollars an ounce

Fin 27/7/79 (216)

GOLD QUARTERLIES

Maintaining the pace

Maintenance of bullion's upward momentum without a breather was too much to expect But following Wednesday's London morning fix set-back to $303 from Tuesday's record $306,50, investors may be premature in assuming that major cracks will appear in golds

Wednesday's bullion breather was fairly short-lived. Though the gold market is becoming an increasingly risky place to be, bullion buyers still have their eyes fixed on the world's — and particularly the US's — growing economic problems By Wednesday afternoon, they were back at the trough, lifting gold marginally to $303,30

Near-term, there remain grounds for caution No doubt helped along by such "inspired" leaks as New York reports that the US Treasury is to again increase its gold offerings But investors who are not distracted by such short-term and unlikely considerations are probably well in the majority Even so, after last Thursday's *RDM* gold index spurt to 308,1 by Wednesday of this week, the index at 297,3 was 5,0 points below its level of a week ago.

Ergo: The operation is nearing its downward-revised 5 500 kg annual gold production target But if shareholders had been hoping for some indication on when, if ever, the initial 7 000 kg target given in the prospectus would be met, chairman Harry Oppenheimer was unable to tell them at last Friday's agm And though last quarter's uranium output was above expectations, Oppenheimer was prepared only to state that this arose because of [illegible]-than-expected recoveries It was not achieved, he said, because of proportionally greater treatment of the higher gold and uranium grade Springs No 1 shaft So assuming equal production from the three slimes dams being treated gold recovery is averaging about 26% and uranium 24%

With first quarter available earnings of 10,5c, there should be little difficulty achieving this year's targeted 40c distribution And if, as an expression of faith alone, should gold and uranium prices hold up at current levels, a higher distribution could be on the cards However, though the bulk of the project's capex has been completed [illegible] of plant test work aimed at devising a method of lifting recoveries to near originally expected levels, relatively heavy capex funded from retentions could be incurred later this year Again, Oppenheimer was unable to give shareholders details of when this was likely and what the cost would be

Western Deep. Longwall mining means there is little scope for grade cutting as the gold price advances On this basis, maintenance of bullion above $300 points to a final payout higher than the 95c interim However, the mine still has R47,7m capex planned for the rest of the year which could restrain dividends depending on how much is financed by consumer loans

From first-half profits R5,3m — 21,3c per share — has been retained, so management apparently has few worries about financing this half's capex It is now reported that the uranium slimes retreatment plant is expected to come on stream in the first quarter of 1980 Once it does and loans are repaid with a slowdown in capex, distributions should advance sharply

Vaal Reefs: Nothing new has been divulged on developments at Afrikander Lease, though production from that mine is slated to start in December Commissioning of the new South uranium plant contributed to the improvement in treatment rates at the South section and should impact fully on profit this quarter

With Af Lease on stream capex could fall next year from this year's slated R96m However, this may be only a short-lived reduction Anglo is involved in a major drilling programme on ground north of Af Lease, apparently with encouraging uranium indications If this is exploited and Vaal Reefs is used as the vehicle, another heavy slug of capex could be on the way In any event, capex during the current six months will probably absorb a further R40m-odd of profit Following the 190c interim, a 250c final could be paid

Elandsrand: Planned capex for this year's second half is R33,4m, indicating relatively heavy short-term borrowings no matter what happens to bullion However, if bullion does maintain its current levels, a start to dividends could be possible in just over two years

SA Lands: [illegible] problems are delaying the [illegible] no [illegible] of the old [illegible] possible. [illegible] a [illegible] grade [illegible] at $300 would [illegible] of a grade [illegible] though [illegible] target is met, [illegible] bullion holds [illegible]

Western Holdings The March quarter's grade reduction and stoping [illegible] increase which appeared to indicate a trend towards mining lower-grade, readily-accessible ore, seems to have been a flash in the pan If the June quarter's results can be taken as an indication, management appears to have foregone any plans for extending the mine's life by mining lower-grade Leader reef However, at current gold prices, this must be an increasing attractive option, especially as Leader reef development sampling rates are trending upwards

Welkom: Deliveries to the JMS are building up though full potential will only be reached once extensions to President Brand's uranium plant are completed next year

Basal reef life expectancy has probably been increased beyond the currently estimated six years by gold's recent performance As with Western Holdings, mining the lower-grade Leader reef is probably becoming more attractive. However this would mean a relatively substantial grade drop and probably cannot be contemplated unless there is the sweetener of Basal reef ore. Meantime, there are no further indications from drilling of prospects beyond the mine's eastern boundary

Free State Saai Despite lower deliveries to the JMS as Welkom's contribution built up, profit from this source increased. At current gold prices, the mine should be better than breaking even on gold alone, thereby relieving some of the pressure for funding remaining capex

Even so, dividends are probably still some years off unless gold goes into orbit. The share's main attraction remains its gearing to the gold price

President Steyn The mine is apparently aiming to better the current year's 3,4 Mt mill throughput rather than meet the originally planned 8g/t gold yield But

P.T.O

with a drop to around R5m likely this quarter and substantially higher gold prices, the mine's distributable earnings capacity seems to be fast improving If bullion holds at above $300, a final of over 80c could be paid

President Brand: On-mine capex this quarter should be little more than R1m, though at current gold prices and ahead of any sharp escalation of capital costs, it may be decided to advance development in the south and sink a new shaft In any event, there appears to be no urgency on management's part to retain earnings in anticipation of shaft sinking, pointing to full distribution with the final

St Helena. At current gold prices there could be some incentive to slow down the rate of extraction of higher-grade pillars in the northern part of the mine If so, there is scope for yields to drop fairly sharply from the current 9g/t to around 8g/t But counteracting this, to an extent, would be improved working cost control That is particularly necessary with increased development rates pushing unit costs up 5% to R24,18/t last quarter With 70c of retained earnings thus far this year, a final of 140c seems easily attainable

Stilfontein Geological problems, which a few months ago threatened the milling rate, appear to have been overcome On higher mill throughput of 515 000 t for the quarter, helped by processing of surface sludge, unit costs were chopped from R39,16/t to R37,41/t And that was despite an increased development rate Needless to say, yield suffered with a drop of 8,06g/t, but there seems to be no reason why production should not stabilise at the last quarter's levels

Pre-production commissioning of the 85%-owned uranium slimes retreatment plant has started ahead of schedule, with the possibility of a positive contribution to earnings by early next year Following the 35c interim, at current gold prices a 50c final could be paid

Buffelsfontein: Lower mill throughout hammered unit costs which advanced 5,3% on the quarter to R36,74/t As expected the March quarter's exceptional uranium profit was not repeated, but at least there should be a contribution from the 15% stake in the joint slimes treatment project with sister mine Stilfontein next year This year, dividends totaling at least 250c are attainable

West Rand Cons· Apart from a brief announcement that good progress is being made with exploitation of Luipaardsvlei, there is little new on the uranium front Capital expenditure of R3,4m is slated for the final two quarters and while operations continue at a loss, there is little possibility of any substatial dividend improvement until earnings from Luipaardsvlei start flowing through

South Rood: There should be little surprise at the June quarter's R300 000 capex which chopped mining income to R17 000. But policy appears to be to charge everything now rather than wait Once this round of capex is complete, mining operations should enjoy greater flexibility and higher yields

Wit Nigel: Marginally higher mill throughput and milling grade have helped maintain costs per unit of gold production reasonably steady But it remains to be seen whether mill throughput can be increased sufficiently to impact on unit costs Whatever happens, dividends could be restained for some years with the pending relatively heavy capex programme

Jim Jones

GOLD QUARTERLIES

	Gold									Uranium				Profit		EPS after capex & loan levy
	Cost			Revenue		Milled		Recovery		Milled		Recovery		Gold	Uranium & other	
	R/kg	$/oz*§		R/kg	$/oz	§	*000t	g/t	*	*000 t		*kg/t		R'000	R'000	c
ANGLO AMERICAN																
Elandsrand	6 704	247	(494)	7 126	262	130	(52)	4,8	(2,9)					331	77	(26,9)
Ergo				6 916	254	4 842	(4 557)	0,3	(0,2)	4 842	(4 557)	0,12	(0,09)	8 621		19,5
Free State Geduld	2 562	94	(98)	7 022	259	789	(784)	12,6	(12,0)	†668	(660)	0,09	(0,10)	43 876	2 465	109,4
Free State Saai	6 978	257	(254)	7 040	259	324	(316)	3,4	(3,4)	†466	(635)	0,24	(0,23)	199	7 249	(6,7)
President Brand	3 078	113	(106)	6 998	258	807	(802)	9,3	(9,8)	†768	(408)	0,08	(0,08)	28 818	1 959	33,2
President Steyn	3 703	136	(139)	7 016	258	913	(877)	7,4	(7,5)	†1 347	(1 697)	0,11	(0,10)	23 655	4 211	51,0
Vaal Reefs	3 783	139	(128)	7 036	259	2 014	(2 070)	8,4	(8,3)	1 359	(1 206)	0,20	(0,21)	55 335	13 802	80,1
Welkom	4 630	170	(167)	7 028	259	552	(543)	5,8	(5,8)	†249	(37)	0,20	(0,21)	7 924	882	23,8
Western Deep	2 450	90	(94)	6 956	256	814	(770)	14,7	(14,0)	223	(228)	0,22	(0,22)	54 286	1 924	50,4
Western Holdings	2 397	88	(98)	7 023	259	790	(794)	10,4	(9,2)	†1 026	(1 048)	0,09	(0,10)	38 715	2 352	162,7
ANGLOVAAL																
ET Cons	3 162	116	(114)	7 423	273	80	(74)	7,1	(7,6)					2 416	86	13,4
Hartebeestfontein	3 330	123	(129)	7 314	269	717	(701)	11,3	(10,8)	717	(701)	0,15	(0,11)	32 361	13 381	#111,7
Loraine	8 460	311	(289)	7 238	266	306	(294)	5,0	(5,3)					(1 882)	2 325	(0,9)
GENERAL MINING																
Buffelsfontein	4 327	159	(155)	7 038	256	773	(782)	8,5	(8,3)	770	(763)	0,21	(0,21)	17 798	2 003	81,8
Stilfontein	4 641	171	(175)	7 020	256	515	(463)	8,1	(8,5)					9 876	(964)	27,9
WR Cons	16 538	609	(594)	6 932	256	437	(408)	1,5	(1,5)	294	(279)	0,31	(0,31)	(6 092)	5 643	(11,5)
GFSA																
Doornfontein	4 025	148	(147)	6 972	257	360	(360)	8,4	(8,3)					8 997	563	26,9
East Drie	1 483	55	(51)	6 898	254	610	(600)	20,1	(20,3)					66 741	2 040	39,5
Kloof	2 224	82	(84)	6 920	255	525	(495)	15,1	(14,7)					37 405	1 456	40,9
Libanon	3 792	140	(130)	7 001	258	420	(410)	7,5	(7,7)					10 173	601	46,3
Venterspost	7 073	260	(223)	7 060	260	299	(308)	4,8	(5,1)					13	‡996	14,3
Vlakfontein	3 842	141	(146)	7 066	260	180	(180)	1,3	(1,2)					758	177	6,2
West Drie	1 628	60	(58)	7 025	258	645	(645)	20,3	(21,0)	306	(292)	0,23	(0,25)	71 072	6 165	168,5
JCI																
Randfontein	4 450	164	(129)	6 992	257	973	(945)	6,0	(7,0)	876	(654)	0,12	(0,07)	14 840	4 115	270,8
Western Areas	4 955	182	(173)	7 118	262	1 110	(1 083)	5,4	(5,5)					12 961	24	7,7
RAND MINES																
Blyvoor	3 401	125	(123)	7 113	262	476	(470)	10,0	(9,7)	405	(461)	0,16	(0,16)	17 736	5 040	31,3
Durban Deep	6 598	243	(231)	7 082	261	547	(537)	3,5	(3,5)					930	†675	39,9
ERPM	7 301	269	(253)	7 050	259	493	(479)	5,0	(5,2)					(626)	‡2 261	16,2
Harmony						1 784	(1 726)	4,5	(4,6)	1 297	(1 300)	0,11	(0,11)	22 204		#26,6
UNION CORP																
Bracken	3 119	115	(106)	7 204	265	190	(195)	6,1	(6,4)					4 734	112	12,0
Grootvlei	3 819	141	(145)	7 179	264	390	(390)	4,5	(4,0)					5 897	(35)	20,1
Kinross	3 351	123	(114)	7 243	267	395	(395)	6,2	(6,5)					9 533	147	19,0
Leslie	4 590	169	(158)	7 119	262	255	(255)	4,2	(4,2)					2 708	30	7,1
Marievale	3 641	134	(142)	7 110	262	255	(240)	2,0	(2,0)					1 769	33	16,0
St Helena	2 689	99	(94)	6 933	255	480	(480)	9,0	(9,0)					18 342	256	69,4
Winkelhaak	2 300	85	(84)	7 082	261	525	(525)	7,4	(7,2)					18 578	614	52,2
INDEPENDENT																
South Rood	5 804	214	(219)	7 011	258	100	(66)	2,6	(3,7)					20	4	1,2
Wit Nigel	6 497	239	(238)	7 405	273	74	70	4,4	4,3					292	33	4,5

* Figures in parentheses refer to previous quarter † Deliveries to Joint Metallurgical Scheme
‡ Includes State Aid §Calculated at R1=$1 183 when $ price not given by company
#Excludes consumer loans

growing contribution from uranium, but it remains to be seen whether this will compensate for a steady gold yield decline

Harmony: Though the mine claims that lower uranium profit was due to lower "cyclical" demand, the final quarter's results were hardly exciting Any quantum improvement in uranium profits probably has to await commissioning of the Merriespruit plant four quarters from now Meantime, though capex should start slowing down, the mine has yet to reach its full dividend-paying potential Phasing out of older uranium contracts will help profits this year and if all goes well, a total dividend of up to 140c could be on the cards

Durban Deep: Unit costs are advancing more rapidly than the industry average on the back of an increasing development rate While this persits as the mine seeks to establish a sound ore reserve position, profits will remain highly geared to the gold price Another problem as far as distributable profits are concerned is the fall in State Aid receipts as bullion advances

From first-half distributable earnings of 80,4c an interim of 40c has been declared There should be little difficulty at current gold prices in lifting the final to 60c Much more may not be on the cards especially if retentions are being earmarked for capex beyond the R1,2m estimated for the second half and repayment of the special State Loan is necessary

ERPM: Strategy is apparently to hold the line on unit costs by increasing mill throughput But as expected, this has resulted in lower yield as accessible lower grade ore was mined

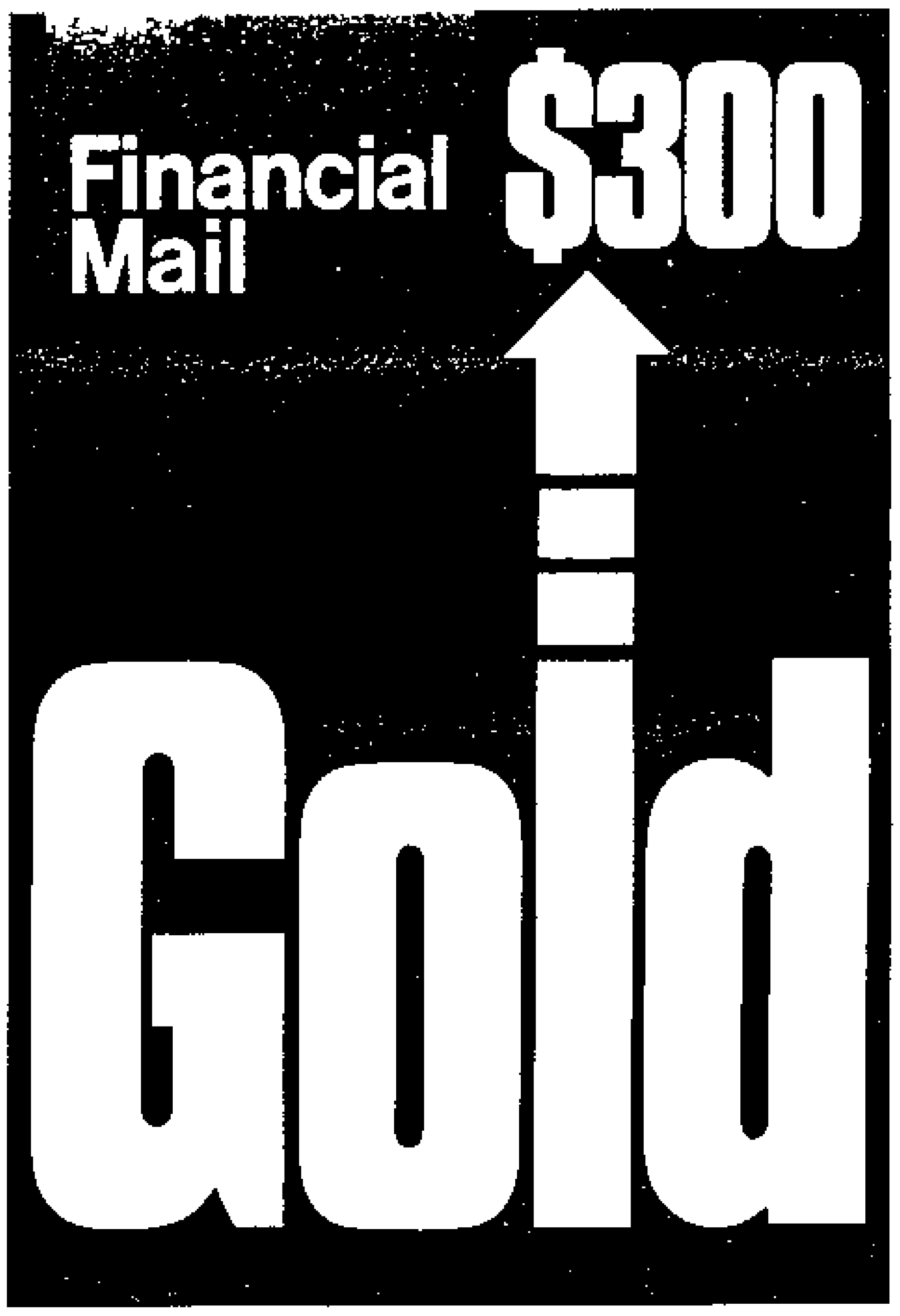
The pattern is likely to be repeated for the remainder of the year, though the effect on costs and production of the recent major pressure burst still have to be reflected in the current quarter's results Yield will probably fall below 5g/t for the remaining two quarters, though if gold remains above $300, the mine could break even at the operational level However, there seems little likelihood of an escape from reliance on State Aid, especially as higher gold prices could encourage further relatively heavy capex Following the 10c interim, $300 gold could point to a 20c final

Loraine: If there was ever an example of the dangers of buying into a sub-marginal mine in anticipation of better gold prices, it is Loraine Increased development rates aimed at establishing a wider spread of ore reserves keep costs advancing steadily, while the grade drop as more-readily accessible low-grade ore is mined has offset the benefits of higher bullion On a cost per ounce basis, the mine is operating well in the red even at current gold prices and it appears that in an effort to conserve resources, planned capex for the year has been cut from R4m to R3m

There seems little likelihood of a resumption of dividends this year no matter what happens to bullion

ET Cons The influence of higher tonnage from the lower-grade but higher-tonnage Agnes mine is clear Unit costs were reduced in the final quarter and should remain well under control during the current year Mill throughput will probably advance on last year, probably to around 28 000t per month with a further decline in yield But this will be a small price to pay for tight cost control, especially if gold advances beyond current levels

An average gold price of $300 could mean a total payout of 75c for the current



year, though this estimate could be high if the mine participates in Anglovaal's projects in the neighbourhood

Hartes· Final-quarter results were helped by an almost doubling of uranium profit Even so, after capex, the mine distributed marginally more than it earned from operations

This year, the expanded uranium production facility will come on stream, though its full impact on profits will only be felt in the following period The mill is operating at almost full capacity, so there is probably only little scope for increasing throughput However, it should be possible to maintain the final quarter's increased sorting rate with a beneficial effect on yield while maintaining good cost control Details of this year's planned capex will have to await the annual report, but at $300 gold there should be little difficulty in distributing 500c

Grootvlei. That yield should increase to 4,5g/t on a higher average gold price receipt is decidedly fishy That is the view of several analysts who believe that the mine has incorporated previously-recovered gold held at the mine in the June quarter's figures And if they are correct, reported gold yields should be well maintained for at least the remaining two quarters

Looking back at plans in previous reports, the mine steadily excluded blocks of ground which had become unpay And, logically, it might have been thought that with this year's gold price performance they would have been returned to reserves and exploited with a corresponding drop in yield This is especially so as unit costs advanced 9,3% on the quarter to R17,18/t despite unchanged mill throughput On a maintained yield and gold averaging $300, there is scope for a 60c final following the 36c interim

Marievale: Mill throughput increased at an unchanged 2,0g/t yield, but despite gold's performance, there is no indication that underground operations can be extended much beyond the next few months

Kinross: As I understand it, mill yield has bottomed at 6,2g/t Though this level will probably not be bettered this quarter, a steady improvement should be seen thereafter as mining moves towards the higher-grade No 2 shaft area

Capex remains at a low level, and with no further major capex likely for a couple of years, the mine should pay out earnings in full After the 32c interim, a final of at least 40c seems attainable if gold holds its current level

Winkelhaak: Development results from the mine's northern block where most development is taking place remain reasonably encouraging Though the line is being well held on mill throughput and yield, capex will cream off some profits with inauguration of a programme to instal additional underground refrigeration equipment

With adequate ore reserves, there is probably little hurry to exploit the newly-acquired ground beyond the eastern boundary However a decision to go ahead might be accelerated if higher bullion fails to add significantly to Bracken's current two-year life expectancy and that mine's mill has to be kept full A final of up to 100c could be on the cards if retentions are not made to expand output

Bracken. Development sampling results continue to be satisfactory, but with lower mill throughput and lower yield, there appear to be strains in maintaining output as the ore reserve position deteriorates. There is still no sign of further capital repayments, again pointing to the mine's break-up value equating to the outstanding 90c per share capital

Leslie: At current gold prices the time might be ripe to cut milling grades and increase mill throughput to full monthly capacity of 136 000 t, especially as unit costs are moving up fast With retained available earnings of 5c remaining $300 gold this quarter points to a final of 15c.

Jim Jones

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GOLD QUARTERLIES

Beyond $300

FM 2/7/79

Normally share prices tend to lead trends in gold, but last week investors appear to have lacked the courage of their convictions And after pushing the RDM gold index down from 298,3 at the start of last week to a low of 291,8 last Friday, they started taking heart only on Tuesday this week when it became clear that no one was prepared to believe that President Carter's half-baked energy plans would do anything for the dollar

Once American investors got the bit between their teeth and started selling Wall Street, gold surged strongly through the $300 mark to hit $303,85 at Wednesday morning's fix in London before weakening to $302,15 in the afternoon At the same time, bullion traded in Paris at a franc price equivalent to $320

Johannesburg investors who had dithered throughout the whole of last week finally got the message on Monday with buying pressure lifting the RDM gold index 8,3 points to 302,3 on Tuesday But that level was only briefly maintained as the index continued its advance to 308,1 on Wednesday

There are some investors still crying caution But now the $300 barrier has been breached, speculative demand coupled with the potential for large gold purchases by Middle Eastern oil producers seeking a safe home for excess oil revenues could be pointers to a further steady advance over the rest of the year However, anyone involved should be prepared to use fancy footwork in what will be a volatile situation

During the June quarter, the mines' gold receipts averaged only around $260 But that was enough to elicit some sound dividend declarations No doubt a sustained advance through $300 will lead to increased mining of previously unpay but more easily accessible ore as the mines aim to contain unit cost increases

Randfontein Management feels that the mine's gold yield should stabilise at 6 g/t to restore some of the share's earlier glamour until technical problems at Cooke section plant have been resolved At this stage, though Cooke section should achieve full mill capacity by December, it seems that recoveries will not come up to expectations until next year

Even then, dividends will be under restraint as the mine's next round of capex gets under way In the near future a decision will be taken to refurbish the old No 2N shaft — needed to bottom Randfontein section's ore reserves — at a cost of about R15m spread over 18 months But as gold continues its advance, an early start will need to be made on Cooke No 3 shaft and plant if full advantage of tax offsets is to be gained.

Slightly longer term, a fourth shaft could be sunk at Cooke section if joint exploitation of Western Areas' uranium-bearing Middle Elsburg reefs is undertaken

There is still nothing new on the joint uranium exploration programme with parent JCI in the Karoo

Though capex is set to increase, it should be possible to pay a final of at least 300c following the 250c interim

Western Areas: Operations are stable with monthly mill throughput of 270 000 t Though gold yield could be cut further this will only be done if benefits accrue from extending the operational life of the North shaft Meanwhile, advancing bullion means that on immediate profit considerations alone, it is less attractive to switch production to the lower gold grade uranium-bearing Middle Elsburg reefs

Management is confident that a uranium sales contract will be agreed within the next few months With the mine's improved cash flow stemming from the higher gold price front-end financing is increasingly likely It may be possible to defer construction of a uranium plant if facilities become available at Randfontein's nearby Cooke No 3 shaft area

Original planning for uranium production was done on the basis of potential reserves in the UE 1A and E9 E/C reefs alone Encouraging underground drilling results on the E9 reef are fast coming to [illegible] potential Capex for uranium developments will probably restrain distributions for the next couple of years or so, but the mine remains an increasingly attractive investment for the medium-term haul

Pioneer [illegible] matter what happens to gold, the mine still faces the problem of declining Carbon Leader reef grades as the focus of operations shifts to the west. In addition [illegible] capex will be adversely affected [illegible] implementation of the revised mining plan There should be a

Prag-kwartaal vir goudmyne

Rapport 22/7/79 (214)

DIT was 'n prag-kwartaal vir die goudmyne teen 'n gemiddelde goudprys van 260 dollar per ons, bedryfskoste van 128 dollar en 'n gemiddelde winsgrens van 132 dollar, of meer as 50 persent.

Nou staan die goudprys op 300 dollar per ons en al sou koste skerp styg tot 140 dollar per ons kan die land se goudmynbedryf nogtans 'n winsgrens van 160 dollar per ons vir die September-kwartaal behaal, 'n styging van 21 persent bo Junie.

Vir die afgelope kwartaal het die goudmyne 173590 kg goud geproduseer, (5,58 miljoen ons) en daarvoor R1224 miljoen ontvang. Indien hierdie produksie-tempo gehandhaaf kan word, sal die kwartaallikse produksie teen die huidige prys R1 400 miljoen werd wees Of, anders gestel, R5 600 miljoen per jaar.

Die myne het die afgelope kwartaal pragtige kostebeheer behaal en die gemiddelde koste om 'n ton erts te vermaal, was R28,40, slegs 8,5 persent hoër as vir dieselfde kwartaal verlede jaar. Die produksiekoste per ons het egter gestyg van 102 dollar tot 128 dollar, gedeeltelik as gevolg van die styging in die waarde van die rand en ook omdat die myne gemiddeld 'n laer graad erts vermaal het as 'n jaar gelede.

Die gemiddelde graad die afgelope kwartaal was 8,19 gram per ton teenoor 9,08 g/t in Junie verlede Die myne moet dus ongeveer vier ton se erts vermaal om een ons goud te produseer.

Die staat het byna gelykop met die myne gedeel in die totale wins wat vir die tydperk getoon is. Die myne het R367 miljoen oorgehou nadat die staat se aandeel in belasting, asook leningsheffing-betalings R328 miljoen was. Op 'n jaarbasis lyk dit asof die goudmyne binnekort 'n totale bydrae van soveel as R1 300 miljoen per jaar tot die staatskas kan maak.

Die myne is nog steeds besig met groot uitbreiding en R 157 miljoen van hul winste, of 42 persent, is aangewend vir kapitaalbestedings Hierdie bedrag sluit nie die kapitaalbestedings in van nuwe myne wat nog nie goud produseer nie

Dit is 28 persent meer as verlede jaar en wys duidelik dat die myne nog steeds besig is om uit te brei, terwyl vaste investering in die ander sektore van die ekonomie maar traag bly.

Uraan bring nog steeds sy kant en wins uit die bron van ...

SEPTEMBER — DIVIDENDE

Myn	Reeds beskikbaar (Sent per aandeel)	Verdienste Sept Kwartaal (c p a)	Totaal Beskikbaar (c p a)	Dividend (c p a)
BRACKEN	10c	15c	25c	25c
FREGULS	210	125	335	250
KINROSS	21	22	43	40
LESLIE	5	8	13	13
PRES BRAND	195	150	345	200
PRES STEYN	105	65	170	100
ST HELENA	70	75	145	145
WELKOM	35	29	64	60
WEST HLDGS	174	200	374	350
WINKELHAAK	63	60	123	110

DIE huidige goudprys gaan verseker dat die Vrystaatse myne van die Anglo-groep en Union Corp se Evandermyne vanjaar baie vet finale dividende in September gaan verklaar

Bostaande tabel toon eerstens wat die myne reeds in die sakkie het ná nege maande se produksie en die interim-dividende wat in Maart vanjaar verklaar is

Die tweede syfer toon ons skatting van die verwagte verdienste per aandeel in die September-kwartaal, en saam met die eerste kolom gee dit die totaal beskikbaar vir 'n dividend aan die einde van September.

Die myne verklaar egter nie altyd die volle bedrag beskikbaar as 'n dividend nie. Soms word 'n bedrag teruggehou vir toekomstige kapitaalbestedings

Die laaste kolom gee dan ons ramings van wat die September-dividend kan wees

Nog tabelle op bl. 3

die afgelope kwartaal, of 39 persent meer as vir dieselfde tydperk verlede jaar.

Teen die huidige goudprys van 300 dollar per ons beloof die September-kwartaal nog meer rekord-syfers en sal dit waarskynlik nie vir die staat nodig wees om enige hulp aan die myne te verleen nie.

In die afgelope kwartaal het vier myne nog staatshulp ontvang.

(2-14)

RAPPORT 22/7/79

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MYNHUISE . PRODUKSIE EN INKOMSTE VAN GOUD · JUNIE 1979

Groep	Goud Geproduseer kg	Bedryfs koste (R'000)	Inkomste (R'000)	Belasting (R'000)	Kapitaal Wins (R'000)	besteding (R'000)	Uraan-wins (R'000)
ANGLO	66621	215642	469205	107514	16745	103109	26060
GFSA	4113292243		287422	125163	81259	16255	2725
UNION CORP.	15149	45842	107400	39956	22762	476	-
GEN MINING	11348	58155	79737	8703	18002	6744	6946
JCI	11832	55661	83482	5814	26042	8276	3847
RAND MINES	17279	92099	122124	14885	31117	14876	2725
ANGLOVAAL	10229	41868	74763	25868	20600	7592	12371
TOTAAL	173590	R601m	R1224m	R328m	R367m	R157m	R66m

BOSTAANDE tabel toon die hoeveelheid goud wat elke mynhuis se myne geproduseer het tydens die Junie-kwartaal, wat dit gekos het, hoeveel daarvoor ontvang is, wat die staat se aandeel was en hoeveel vir die aandeelhouers oorgebly het

Let daarop dat hoewel GFSA 'n kleiner wins gemaak het as Anglo, het dit nogtans meer belasting betaal omdat sy myne deurgaans baie winsgewend is en slegs 'n klein bedrag aangewend is vir kapitaalbesteding

Dit is ook duidelik dat daar nie meer veel ruimte is vir verdere uitbreiding aan die Union Corporation-myne nie, vandaar die baie lae vlak van kapitaalbesteding

PRODUKSIEKOSTE VAN DIE MYNHUISE

GROEP	KOSTE PER ONS JUNIE 1978	1979	PERSENTASIE VAN GOUDPRODUKSIE
ANGLO	96	119	38,6%
G F S.A	70	83	23,7%
RAND MINES	162,50	196,50	10%
UNION CORPORATION	95	111,50	8,7%
J C I	111	173,50	6,8%
GENERAL MINING	156	169	6,5%
ANGLOVAAL	123	151	5,9%
			100%
GEMIDDELDE KOSTE	102	128	
GEMIDDELDE PRYS	205	260	
WINSGRENS	103	132	

BOSTAANDE tabel toon die gemiddelde produksiekoste per ons van die myne wat bestuur word deur die onderskeie mynhuise. Teen die huidige goudprys maak die ryk myne soos Wes- Drie en Oos- drie in die GFSA-groep 'n wins van meer as 200 dollar per ons, maar terselfdertyd neem die staat 'n baie groot deel van die wins as belasting.

Die laaste kolom in die tabel toon die relatiewe belangrikheid van elk van die mynhuise in Suid-Afrika se totale goudproduksie

JAARVERSLAG
1978

SENTRUM VIR INTERGROEPSTUDIES
(Geregistreer as The Abe Bailey Institute of Inter-Racial Studies Limited (Beperk deur Garansie))

Posadres:
p/a Die Universiteit van Kaapstad
Rondebosch
Republiek van Suid-Afrika
7700

Kantooradres:
Leslie Social Sciences Building
University Avenue
Groote Schuur Campus

Telefoon: 65-4145, 69-8531 Uitb. 766

INLEIDING

Gedurende die eerste nege jaar van sy bestaan het die Sentrum vir Intergroepstudies gereeld 'n jaarverslag oor sy werksaamhede gepubliseer. Om die Sentrum se 10de verjaarsdag op 1 April 1978 te vier is die jaarverslag in 1977 vervang deur 'n Oorsig oor die Eerste Tien Jaar.

DIE OORSPRONG EN DOELSTELLINGS VAN DIE SENTRUM

Die Sentrum word grootliks gefinansier deur die Abe Bailey-Trust wat ingevolge die testament van Sir Abe Bailey gestig is. Dit is geregistreer as The Abe Bailey Institute of Inter-Racial Studies Limited (Beperk deur Garansie) - 'n maatskappy beperk deur garansie en sonder 'n aandele-kapitaal kragtens die Maatskappywet 1973 (Wet Nr. 61 van 1973).

~~213~~ 214

Beukes, has been held without declared wrongful and unlawful

Mine blast bodies found

RDM 30/8/1979

Staff Reporter

THE bodies of two men who went missing about 3km underground at the Western Deep Levels Gold Mine after a pressure burst on Tuesday, were recovered yesterday, bringing the final death toll to nine

Eight men, who were injured in the burst, are all in satisfactory conditions in the Western Deep Levels Hospital

Seven of the bodies were recovered on Tuesday night

The names of the victims — all black migrant workers — have been withheld until their next of kin have been notified

The miners were working 3 180m below surface in the No 3 shaft when the accident occurred

A spokesman for the owners, Anglo American, said "Rescue teams worked in four hour shifts and were prepared to go on until the two missing men were found although they did not hold much hope that they would be found alive

"The accident happened because the level on which the miners were working was very deep The hot gas built up pressure until, eventually, the rock split open "

The accident is the worst since May last year when 20 miners were killed in a rockfall at Buffelsfontein

8/1979

Star 8/8/79 (214)

New system holds promise for gold mining

Recent performance trials carried out with an experimental reciprocating flight conveyor by the Chamber of Mines' research organisation has produced promising results

Substantial benefits will accrue to the gold mining industry if the system can be developed to full production status, the chamber says

The RFC — designed to mechanise and speed-up the removal of ore from the stope face in a gold mine — is currently undergoing trials at Vaal Reefs where it was first installed towards the end of last year

The equipment is operating in an almost fully mechanised stope system comprising a mechanised blast barricade, drill rig guide rail and a mechanised hydraulic support system

According to the chamber's latest monthly report, mining operations are being carried out in one-shift cycles with 24 shifts each month and blasting taking place in 21 of the shifts

The most pro... ..g results were reported during the June operating month The rate of mining amounted to 736 sq metres, almost 100 sq metres more than the original target set, while the rate of face advance along the 40 metre stope was 17,9 metre.

A rate of 20m a month in two-shift cycles is regarded as exceptional in the industry and very seldom attained

A significant improvement in labour productivity was recorded — Sapa

lede

Bosman	Mnr H.W. Middelmann
ssor A. Cupido	Eerw. M.T.L. Moletsane
Daniels	Professor A.D. Muller
chmat Davids	Sheik A. Najaar
ssor R.J. Davies	Mnr Victor Norton
ssor J.J. Degenaar	Professor N.J.J. Olivier
né de Villiers	Mnr L. Phillips
du Plessis	Professor H.P. Pollak
sor J J.F. Durand	Mnr W.J. September
sor J B du Toit	Mnr Franklin Sonn
Flederman	Mnr P.M. Sonn
sor R.F. Fuggle	Regter J.H. Steyn
I. Gerwel	Mnr R. Tobias
Guma	Professor R.E. van der Ross
or A. Paul Hare	Professor J.H. van Rooyen
rud Heydorn	Mev. S. Walters
. Jacobs	Professor F.A.H. Wilson
. Jimba	

e-Fellows:

ssor J.L. Boshoff
eila T. van der Horst

ie Algemene Jaarvergadering van die Maat-
pi en kies elke drie jaar 'n verteenwoordiger
aad. 'n Verkiesing is in 1978 gehou en die
aer is Biskop A.W. Habelgaarn. Terwyl geen
an lede opgelê word nie, word hulle geraad-
nd met sake wat die Sentrum se program raak.

NAVORSING

erslagjaar het die navorsing van die
gende behels:

en Politieke Verandering in Suid-Afrika

is 'n paar jaar gelede aangepak. 'n Onder-
kleurling bevolking van die Kaapse Skier-
neem. 'n Aantal tydelike navorsings-

Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings toegespreek en senior beamptes van die Carnegie Corporation, van Community Relations Services van die Departement van Justisie van die Amerikaanse regering, van die American Friends Service Committee en kollegas verbonde aan verskeie universiteite besoek.

Gedurende Augustus en September het die Direkteur Engeland, Nederland, Switzerland, Swede, Israel en Zambië besoek Hy het vooraanstaande joernaliste, Suid-Afrikaanse diplomate, senior amptenare van die Suid-Afrika-Stigting en verskeie regerings betrokke by Suid-Afrikaanse belange ontmoet. Hy het besprekings gevoer met stigtings, trusts en opvoedkundige verenigings. As gevolg van sy besoek aan Nederland het hy 'n toelae vir die Konstruktiewe Program ontvang van die Algemeen Diakonaal Bureau van die Gereformeerde Kerken in Holland

Professor J.L Boshoff, ere-Fellow van die Konstruktiewe Program, het met 'n aantal instansies, wat universiteite in Natal en Transvaal insluit, en met verskeie handels- en industriele firmas in Natal, kontak opgebou.

(b) Konferensies

Gedurende 1978 het die Direkteur die volgende konferensies bygewoon

Jaarlikse Konferensie, Nasionale Uitvoerende Komitee- en Raadsvergadering van die Suid-Afrikaanse Instituut vir Rasseverhoudinge, Kaapstad (Januarie)

Suid-Afrikaanse Jaarlikse Vergadering van die Religious Society of Friends, Stutterheim (April)

Negende Wêreldkongres van Sosiologie, Uppsala, Swede. Verhandeling voorgelê in Werkgroep 6 en vergaderings bygewoon van die Raad van die Internasionale Sosiologiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

Anglo American Gold Investment Company Limited

Incorporated in the Republic of South Africa

C Times 10/8/79

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DIRECTORATE *Chairman:* J Ogilvie Thompson
Directors J N Clarke *(British)*, J M P Desmidt, A B Dickman, D A Etheredge O.B.E., B E Hersov, D B Hoffe, G Langton, H F Oppenheimer, G W H Relly, G H Waddell, W D. Wilson,
Alternate Directors G. M Holford, M W King, W R Lawrie, C S Menell, G Y. Nisbet, M C O'Dowd, N F Oppenheimer, B W Pain *(British)*

Interim report

The following are the estimated results of Anglo American Gold Investment Company Limited and its subsidiaries for the half-year ending August 31 1979 together with figures for the eight months ended August 31 1978 and the fourteen months ended February 28 1979 Investment income for the six months ending August 31 1979 is comparable with that for the eight months ended August 31 1978 These results should be read in conjunction with the notes below

	Estimated for half-year ending 31 8 79	Eight months ended 31 8.78	Fourteen months ended 28 2 79
	R000's	R000's	R000's
Investment income	54 190	32 101	74 374
Interest earned and other income	699	492	2 375
	54 889	32 593	76 749
Deduct			
Administration expenses, interest paid, prospecting and mineral rights expenses	2 548	2 949	4 843
GROUP PROFIT BEFORE TAXATION	52 341	29 644	71 906
South-African normal taxation	—	—	425
GROUP PROFIT AFTER TAXATION	52 341	29 644	71 481
Preference dividends paid and accrued	1 313	446	1 737
EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	51 028	29 198	69 744
Ordinary dividends	38 416	21 952	54 880
RETAINED PROFIT	12 612	7 246	14 864
Number of ordinary shares in issue	21 952 012	21 952 012	21 952 012
Earnings per share — cents	232,5	133	318
Dividend per share — cents	175	100	250

NOTES:

1 It should not be assumed that the results for the first half of the year are necessarily proportionate to the results for the financial year ending on February 29 1980 since investment income does not accrue evenly during the year and certain costs, particularly those incurred on prospecting and mineral rights, vary materially from time to time

2 Particulars of the group's listed investments and the net asset value are as follows

(a) Listed Investments

	*At 8 8.79	At 31 8 78	At 28 2 79
	R000's	R000's	R000's
Market value	1 155 599	999 027	1 095 077
Book value	207 188	206 952	206 580
Appreciation	948 411	792 075	888 497

*The last practical date before publication of these results

(b) Net asset value which includes unlisted investments at book value (at 28 2 79 unlisted investments at Directors' valuation) — cents per ordinary share	5 214	4 411	4 917

For and on behalf of the board
J OGILVIE THOMPSON
H F OPPENHIEMER *Directors*

Interim dividend

Interim dividend No 63 of 175 cents a share (1978 100 cents) for the year ending February 29 1980 has been declared payable to shareholders registered in the books of the company at the close of business on August 24 1979 and to persons presenting coupon No 63 marked 'South Africa' detached from share warrants to bearer

The transfer registers and registers of members will be closed from August 25 to September 7 1979, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about October 4 1979 Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on September 25 1979 of the rand value of their dividends (less appropriate taxes) Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the offices of the company's transfer secretaries on or before August 24 1979

The effective rate of non-resident shareholders' tax is 15 per cent

The dividend is payable subject to conditions which can be inspected at the head and London offices of the company and at the offices of the company's transfer secretaries, Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001, and Charter Consolidated Limited, P O Box 102, Charter House, Park Street, Ashford, Kent TN24 8EQ, England

Holders of share warrants to bearer are notified that the dividend is payable on or after October 5 1979 upon presentation of coupon No 63 (marked 'South Africa') only at the offices of Barclays National Bank Limited, Stock Exchange Branch, Diagonal Street, Johannesburg 2001, South Africa — Union Bank of Switzerland, Bahnhofstrasse 45, Zurich, Switzerland — Credit du Nord, 6 & 8 Boulevard Haussmann, Paris 9e, France and Banque Bruxelles Lambert, 2 Rue de la Regence, 1000 Brussels, Belgium Coupons must be left at least four clear days for examination

NOTE

Proceeds of dividends in respect of coupons marked 'South Africa' may, at the request of the depositors, be converted through an authorised dealer in exchange in the Republic of South Africa, into any currency The effective rate of exchange for conversion into any such currency will be that prevailing at the time the proceeds of the dividends are deposited with the authorised dealer in exchange

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries

per H J E STANLEY
Companies Secretary

Head Office
44 Main Street Johannesburg 2001
August 10 1979

FINANCE

GOLD PRICE ABOVE 300 IN NEW YORK

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Argus 10/8/79.

THE gold price rose above 300 dollars an ounce in New York last night to 300,35 dollars following the shock news that the US wholesale price index has jumped 1,1 percent in July.

In London today the rise in the price was maintained, and the metal opened at 300,25 dollars an ounce.

The gold price has become increasingly volatile in the past four weeks.

On July 12 it was 290 dollars. Two weeks later on July 26 it reached a new peak of 307 dollars only to fall back to 282,70 last weekend.

DEMAND

The news that the oil producers may price oil against a basket of currencies instead of the dollar stimulated an increased demand for gold at the beginning of this week. And this demand has now apparently been given a further boost by fears of a big increase in the US inflation rate.

The announcement of the July wholesale price index initially resulted in a substantial drop in the dollar against other major currencies. But later it rallied, possibly on intervention by the Federal Reserve, the American Central Bank, dealers said.

PLAY DOWN

Although the Opec states have tended to play down the report that they are considering changing the basis of their oil pricing policies, Iran, one of Opec's more militant members, has confirmed that such a plan is being mooted.

The chairman of the National Iranian Oil Company, Mr Hassan Nazih, was quoted by an Iranian newspaper yesterday as saying that the head of the United Arab Emirates has proposed a meeting to discuss the problems arising from the decrease in the value of the dollar. Iran would take part, he added.

Defy again passes dividend

DEFY INDUSTRIES, one of the country's major manufacturers of white goods, has begun the year well with a taxed profit of R455 000 for the six months ended June.

This represents a profit swing around of about R1 000 000 from the first half of last year when the company had a taxed loss of R541 000.

The loss in the first half of last year was attributed to the depressed state of the consumer durables market and to the absorption of some duplicate costs following the acquisition of SA General Electric's appliance division.

The improved results in the first half of this year, therefore, indicate an improvement in the consumer goods markets, and this the company confirms.

VOLATILE

However, it points out that the market is volatile and the uncertain effects of the fuel crisis on consumer spending makes future profits forecasts difficult.

Nonetheless, Defy says it does expect the improved trend to continue for the remainder of the year.

Defy is not paying an interim dividend. It last paid a dividend in August 1977 of 4,0c.

Turnover in the six months ended June was R33,4-million against R25,4-million in the same period last year. Profit before tax was R539 000 (541 000 loss). — Derek Tommey.

14

Mennonite Central Committee se Konferensie oor. 'Die Rol van Geskiedkundige Vredeskerke', Gaborone, Botswana ...

...llows het aansienlik tot die Sentrum se dr Sheila T van der Horst, afgetrede van Ekonomie, U.K., en professor J L. Rektor van die Universiteit van die Noorde.

LIDMAATSKAP

...emeld, is die Sentrum vir Intergroepstudies 'n maatskappy. In die Memorandum en nootskap word voorsiening gemaak vir die enhonderd lede. Tans is daar 57 lede en volgende in:

...gtersledе

3

Gold mine dispute settled

R.D.M. 1/9/77

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X

Pretoria Bureau

TWO Transvaal gold mines and a mine officials' association have settled their dispute in the Pretoria Supreme Court over a "go slow" strike.

A settlement between Randfontein Estates Gold Mining Company (Witwatersrand) Ltd, Vaal Reefs Exploration and Mining Company Ltd and the South African Technical Officials' Association was made an order of court by Mr Justice Gordon yesterday.

According to papers supporting the original application in June, it was claimed that "go slow" actions by the association's members had caused production losses at one mine of about R955 500 in a 10 day period.

The dispute arose over pay demands by the association, which were followed by a purported work-to-rule in operating lifting hoists with a result that the number of trips each hour dropped.

This resulted in delays in getting miners to the surface after shifts, in moving equipment and supplies and produced a drop in the tonnage of ore-bearing gold and uranium taken to the surface for milling.

As a result of the delays in taking miners back up to the surface there had been instances of unrest, it was claimed.

In terms of the settlement, a rule nisi granted against the 19 respondents on June 20 was withdrawn against three — Mr P F Fourensteyn, Mr J C Schoepers and Mr Q V Ingram.

The settlement also states "that the remaining respondents did unlawfully and in breach of the Industrial Conciliation Act retarded the progress of work within the meaning of the said Act on the mines, the property of the applicants, by going slow, purporting to work to rule and or causing the hoists under their control to make fewer than normal trips per operating hour or in any other manner."

The parties have agreed to pay their own costs.

214 Star 14/9/74

300 black miners face dismissal over strike

Three hundred black miners at the Balmoral gold mine in Germiston face dismissal today unless they return to work.

Officials are worried at the prospect of the first strike in nearly half a century spreading to the two other mines in the group. The miners are striking for higher wages.

Mine officials presented the strikers with an ultimatum: return to work or have your contracts cancelled.

Security policemen and officials from the mine and the Department of Co-operation and Development are agreed that the strike is illegal.

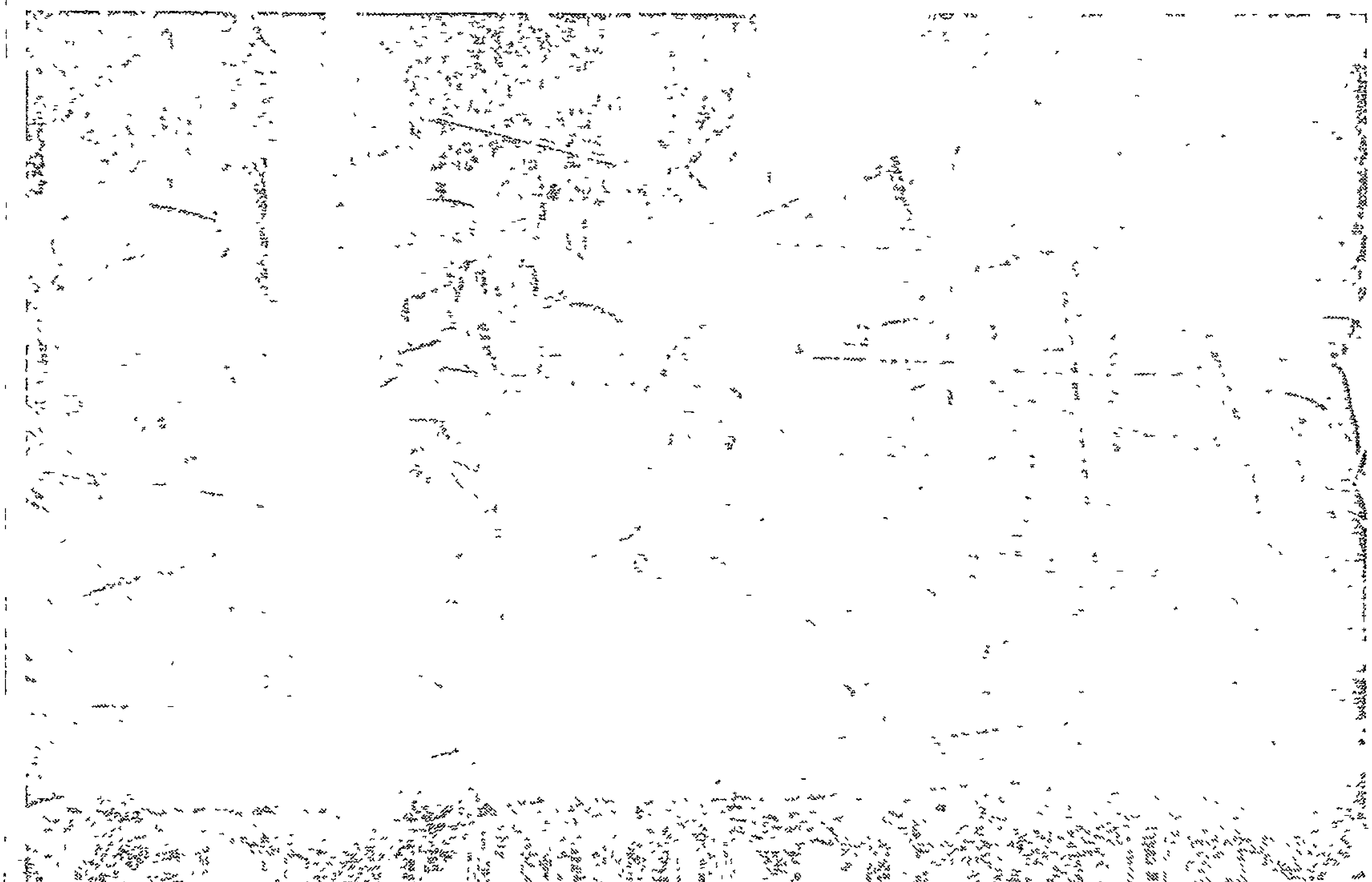
Earlier today an official from the Department of Co-operation and Development spent nearly an hour discussing the dispute with the miners. Negotiations reached a stalemate as miners were adamant in their call for higher wages.

Officials called on the strikers to nominate leaders to discuss the problem while the others returned to work.

The miners refused.

Riot police are on stand-by.

O Balmoral is a producer of gold — [illegible] on a small scale. It is a [illegible] mine and is not a member of the Chamber of Mines.



(214) Sun · Times 16/9/79 (210)

High hopes for rich Lowveld gold field

REPORTS of exciting drilling results in the Eastern Transvaal have raised hopes of massive new impetus for South Africa's booming gold industry.

JOHN SPIRA —— reports

Drilling in the Kaapse Hoop area has prompted suggestions that a brand new gold field — "possibly larger than the Evander area" — is in the offing.

Should the exploration figures prove that large-scale mining is viable (and indications are that they will), South African gold production, which is expected to decline gradually over the next several years, will resume its upward climb.

This would mean a hefty shot in the arm for the country's economy.

The Kaapse Hoop area, which lies between Nelspruit and Waterval Boven (north-west of Barberton), is situated on top of the escarpment in a region where, I understand, drilling has intersected the Black Reef at a depth of about 150m and the Dominion Reef "at a somewhat greater depth."

Exploration work is being conducted jointly by Anglo American and Middle Wits (a company in the Anglovaal group). Through various subsidiaries, these companies have bought the mining rights on 15 farms in the area and are currently negotiating to purchase several more.

Spokesmen for the two companies declined to comment on these purchases and on the exploration results

Although it has not been possible to establish the potential tonnages and grades which the area might hold, it is believed that in addition to some highly encouraging gold values, the cores have disclosed traces of uranium.

In geological terms this is a most significant development, pointing as it does to the possibility that the Dominion Reef in this area bears characteristics similar to those of the Witwatersrand field.

Gold has, of course, been a feature of the Eastern Transvaal for the past 100 years, with Pilgrim's Rest and Barberton being synonymous with large gold nuggets gleaned from erratic outcrops of the shallow Black Reef

The Black Reef is part of a relatively young (2 200-million years old) sedimentary succession of rocks making up the Eastern Transvaal escarpment.

It is principally the youth of these rocks which renders the Black Reef so fragmented, with high gold values occurring in small and irregular veins

However, below the sedimentary rock lies a layer of quartzites supported by basement granite which is some 3 000-million years old

The Dominion Reef, which runs through the quartzites, is therefore a good deal older than the Black Reef and is accordingly more stable — a factor which would justify a viable mining operation provided the gold (and uranium) values are high enough

While the extent of the possible new field is mooted to approximate that of the Evander area, the ore tonnages which it might contain is pure guesswork at this stage.

It is nevertheless of interest that the Evander field contained 180-million tons of viable gold-bearing ore.

Should the Kaapse Hoop area contain a like quantity of gold with a net yield of (say) 6,5 grams per ton (this would be lower than the gold industry's average), then gross gold revenues at $335 an ounce would total R11 000-million.

Spread over a period of (say) 30 years, the equivalent annual figure would be in excess of R350-million.

This is, it should be noted, a gross figure and with an assumed grade of 6,5 g/t the profit margin would tend to be rather slim. Since, however, exploration work is still proceeding, such conjecture is premature

●To Back Page

(C14) FM 21/9/79

GOLD MINE REPORTS

Long-term confidence

Gold's rapid advance to within striking distance of $400 is fast changing ideas within the houses Though managements caution that setbacks are possible, they are not dragging their feet on new developments And the near-turn picture — especially at lower-grade mines which held back on capital plans — is of strong near-term capex advances

That should not unduly restrain dividends Judging by recent quarterlies and the latest batch of annual reports, unit cost advances are better controlled than they were a year ago And, even if bullion slips back to the $300 area, the greater scope for mining readily-accessible and previously sub-marginal ore should assist in keeping working cost advances within reasonable bounds

As I see it, this year's dividend prospects (see table) are adequate justification for current share prices On fundamentals, golds still look remarkably cheap for investors who reckon that any bullion setback will be short-lived

Doornfontein: Chairman Robin Plumbridge's view of the mine's future within the present lease area is gloomy Life on the remaining Carbon Leader reef is put at four years, while development prospecting on the Main reef has been terminated because of consistently unpayable values

Whether the Main reef remains unpay and whether Carbon Leader reserves have increased with the current gold price (Plumbridge wrote his review in August when bullion was around $300) cannot be determined But the mine is negotiating a revised lease formula in conjunction with acquiring ground from GFSA down-dip of the southern boundary, and it hardly pays to be optimistic in talking to the Government Mining Engineer

Nothing is said about possible extensions beyond the Carbon Leader erosion channel and the western boundary Development has yet to be carried out but, at current gold prices, even low-grade ore could now be highly attractive

Meantime, the capital cost of establishing operations in the south is estimated at R73m, with R16m slated for the current year On this basis, Plumbridge estimates that dividends are unlikely to exceed 60c in the immediate future — though that estimate could be proved highly conservative if bullion advances beyond $400 and stays there

If mining remains confined to the Carbon Leader horizon, it should be possible to maintain recovery grades above 8g/t Even though Main reef mineralisation is sporadic throughout the lease area, mining the horizon could be attractive at bullion's present level, with lower working costs than those likely should mining be confined to the deeper Carbon Leader to the south

As in the past, Doornfontein remains relatively highly geared to the gold price, but investors who are confident that gold can maintain its advance could find this an attraction

West Drie At least for the present, shareholders remain in the dark on possible life extensions through mining ground north of East Drie (*Fox* June 15) The house has yet to reveal results from drilling in the area, but grades are unofficially estimated at between 14g/t—18g/t, with enough ore to add about six years to West Drie's high-grade life

This year could see average gold recovery falling below 20g/t as mining emphasis swings increasingly towards the lower-grade eastern sector of the mine However, an increased monthly milling rate of 225 000 t should help offset inevitable unit cost increases with mining of the more difficult eastern area

With removal of the No 2 shaft pillar — meaning necessary expenditure to alter haulage facilities as the shaft becomes inoperative and provision of ventilation equipment — capex is slated to rise to R15m this year and remain fairly high for about three years But that should have little impact on dividends unless gold falls out of bed If there are plans to mine the lower-grade Main reef, they seem unlikely to be announced in the near-term But grades of the limited Main reef tonnages included in ore reserves are not unattractive and could be mined in conjunction with the VCR and Carbon Leader reef

Uranium and pyrite provide only a relatively small percentage of profit, and the main factors involved in projecting the mine's future are the rate of decline of gold yields and possible life extensions outside the lease area

Kloof Monthly mill throughout is now up to the interim planned level of 180 000 t, though reaching the eventual 210 000 t will only be achieved with completion of the No 3 sub-vertical shaft

Gold yield should now stabilise for the

RISING COSTS

	Cost R/t milled year to June 30 1978	Cost R/t milled year to June 30 1979	% rise	Cost R/kg produced year to June 30 1978	Cost R/kg produced year to June 30 1979	% rise
Doornfontein	30,45	33,45	9,9	3 355	3 873	15,4
Kloof	32,84	33,70	2,6	2 536	2 283	(10,0)
Libanon	18,74	21,72	15,9	2 754	3 529	28,1
Venterspost	27,81	30,78	10,7	4 814	5 983	24,3
West Drie	30,04	33,02	9,9	1 311	1 517	15,7

PERFORMANCES COMPARED

	Average t/month milled 000't	Recovery grade g/t	Gold produced kg	Gold revenue (Rm)	Total profit (Rm)	Capex (Rm)	Net EPS (c)	1978-79 dividend (c)	1979-80 dividend projection at $350 (c)	Price (c)	Prospective yield
Doornfontein	120	8,6	12 436	78,7	16,7	5,1	115,7	60	80	790	10,1
Kloof	166	14,8	29 445	185,9	55,2	11,2	127,8	110	220	1 930	11,4
Libanon	137	7,8	12 733	80,5	20,0	5,5	178,1	150	190	1 525	12,5
Venterspost	103	5,1	6 348	40,1	4,2*	0,9	69,4	45	90	680	13,2
West Drie	215	21,8	56 038	352,9	112,6	6,7	692,4	615	880	5 725	15,4

* After State Aid

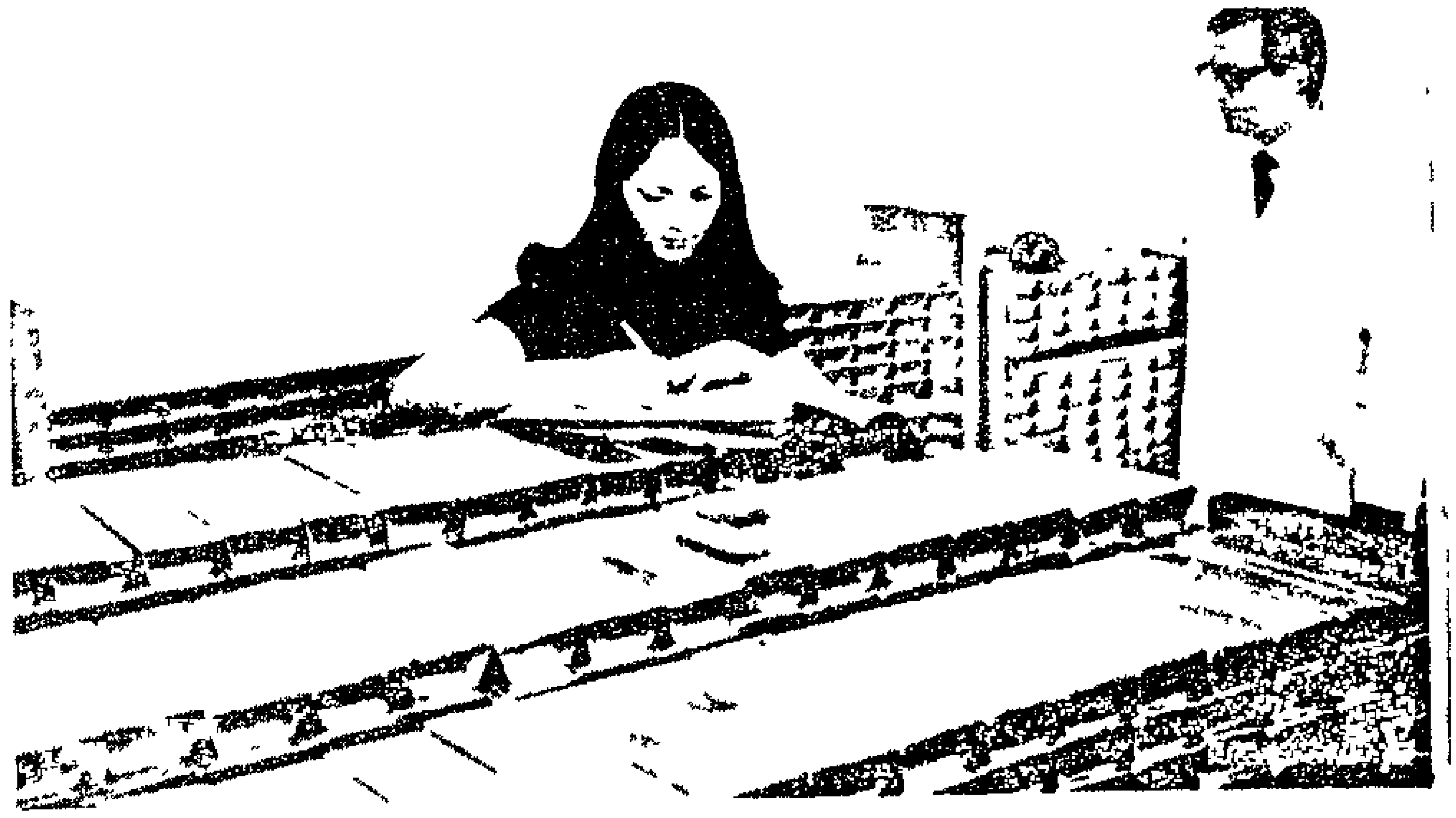
next few years However, with mill throughout likely to remain steady, unit costs should advance at a more normal clip especially as two new long-walls have to be established at No 2 shaft

Following last year's delays, capex is planned to increase to R20m this year though unless gold collapses completely, this will not mean lower available earnings The mine is now one of the steadiest producers with little risk of grade cutting to match bullion's advance

Libanon Though the mine has almost reached its planned target of mining balanced tonnages of high-and-low grade VCR, with gold at current levels average gold yields this year could well fall to 7g/t compared with the June quarter's 7,5g/t

At current gold prices exploitation of ground at and beyond the eastern boundary is a foregone conclusion, indicating capex of R20m this year largely for a new surface shaft Once that is completed in the early Eighties, further gold yield declines are likely, with grade probably reaching 5g/t sometime in the latter part of the next decade However, this will be accompanied by maintenance of mill throughout at full monthly capacity of 140 000 t

Though marginally greater tonnages of lower-grade Kimberley and Elsburg reefs have been included in ore reserves, available tonnages remain so small that a start to mining these horizons is probably several years off Meantime, sampling of the two reef horizons continues, though at a relatively slow pace



Adding up SA's gold . . . at these prices can she keep up the pace?

This year's higher planned capex will restrain available earnings, but though gold yield is set to decline and costs to advance, bullion's present performance should more than compensate at the available earnings level

Venterspost A year ago, management's aim was to improve and stabilise gold yields and, once that was achieved, concentrate on raising mill throughput to the plant's 122 000 t monthly capacity Relief afforded by substantially higher gold prices means there is less urgency to hike yields

On this basis, over the next couple of years, yields could be allowed to fall to around 4g/t, especially as profits can be supported by State aid during temporary gold price setbacks Meantime, capex should remain low for the next few years (R250 000 is planned this year) and only rise if gold's advance results in plans for a new shaft with mining to the north

Jim Jones

GOLD DIVIDENDS

Final dividend declarations by the Union Corp gold mines are a preliminary indication of some strong earnings advances in the September quarter

None of the mines is currently involved in heavy capex programmes, while bullion's advance could help delay capex as lower-grade ore becomes payable On this basis, retentions are low with earnings capable of being distributed almost in full

Bracken whose life is officially something less than three years, has made no further capital repayments, pointing to house estimates of break-up value closely equating the outstanding 90c per share capital However, failure to make further capital repayments is being used by some analysts to justify the thesis that all the Evander mines are to be pulled under one management roof and run as a super-mine

House policy is, as far as possible to report steady gold recoveries But, with gold at current levels, there is adequate scope for mining readily-accessible lower-grade ore, thereby providing improved cost control

St Helena which has been extracting higher-grade pillars and maintained reported recovery at 9g/t during the three quarters to end-June, could now start reporting lower recoveries in the 8g/t range

Jim Jones

WHAT THEY PAID

	Dividends 1978 total	Dividends 1979 interim	Dividends 1979 final	Earnings after capex and loan levy Sept 1978-June 1979	Price	Yield %
			c			
Bracken	44	24	28	33,1	260	20,0
Kinross	55	32	42	51,1	826	9,0
Leslie	21	14	18	20,2	208	15,4
St Helena	190	126	176	189,2	2 676	11,7
Winkelhaak	129	80	126	138,8	2 000	10,3

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,51	0,54	2,10	1,24	7,00	6,86	19,69	19,83
1-4	0,04	0,04	0,21	0,35	0,75	0,77	2,58	2,48
5-24	0,01	0,01	0,09	0,06	0,08	0,03	0,21	0,23
25-44	0,05	0,05	0,28	0,17	0,42	0,31	0,72	78

45 96 84 64

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Yield attractions

Ahead of the IMF conference, there is increasing overseas speculation that the US will go all out to bring some order back into world currencies Specifically, of course, that means an attempt to boost the dollar which, if successful, could put the damper on gold

But is this a real possibility? Re-establishing the dollar's credibility calls for a general lowering of US inflation rates and an improvement in the country's balance of payments. And though higher US interest rates should attract funds back into the dollar in the near term, that is simply cosmetic

It has been said before, but the surplus Opec nations really are increasingly turning to gold as a constituent of official reserves They will not rock the dollar boat unduly, but it is becoming less and less likely that they will back dollar support measures unless these are seen to be tied to the US bringing its inflation and trade figures into line But for a president heading into an election year, moves that cool the US economy are not particularly palatable.

It means that though gold could be set for a reaction, there are few indicators of an early major correction And the longer the metal maintains its current levels, the less savage a reaction could be

Meantime, gold should have little difficulty averaging $350 for the balance of this year On that basis, golds still offer good value on prospective yield bases If gold stabilises around $370 this week, share prices could weaken, but for investors looking for bullion at $400 next year, that should be taken as a buying opportunity

COSTS' ADVANCE

	Cost R/t milled year to June 30 1978	1979	% rise	Cost R/kg produced year to June 30 1978	1979	% rise
Blyvoor	31,20	32,10	2,9	2 799	3 215	14,9
ET Cons	18,00	21,67	20,4	2 881	3 169	10,0
Harmony*	22,49	24,82	10,4	4 843	5 582	15,3
Hartes	31,47	36,44	15,8	2 824	3 349	18,6
Wit Nigel	26,74	27,86	4,2	5 607	6 409	14,3

* Total costs applied to gold production

Harmony: Distributable earnings will be restrained this year with planned capex of R33m mainly for completion of the Merriespruit uranium plant But its completion this year will allow the mine to treat all ore for gold and uranium Next year capex is expected to fall to R18m, meaning better dividend potential.

Though there is little prospect of any spectacular near-term uranium price increases, Harmony's average uranium revenue will increase steadily By 1981, only 40% of sales will be under old lower-priced contracts and none by 1985 Further drawings against the interest-free consumer loan are planned this year Eventually, the consumer loan should not total more than R30m with repayment likely to be spread over at least seven years meaning little restraint on distributions

Last year, Harmony's operations would have broken even with gold at $208. That figure will rise this year with gold recovery yields likely to drop to the 4g/t range with increased emphasis on mining Merriespruit, but gold profits should nonetheless increase substantially

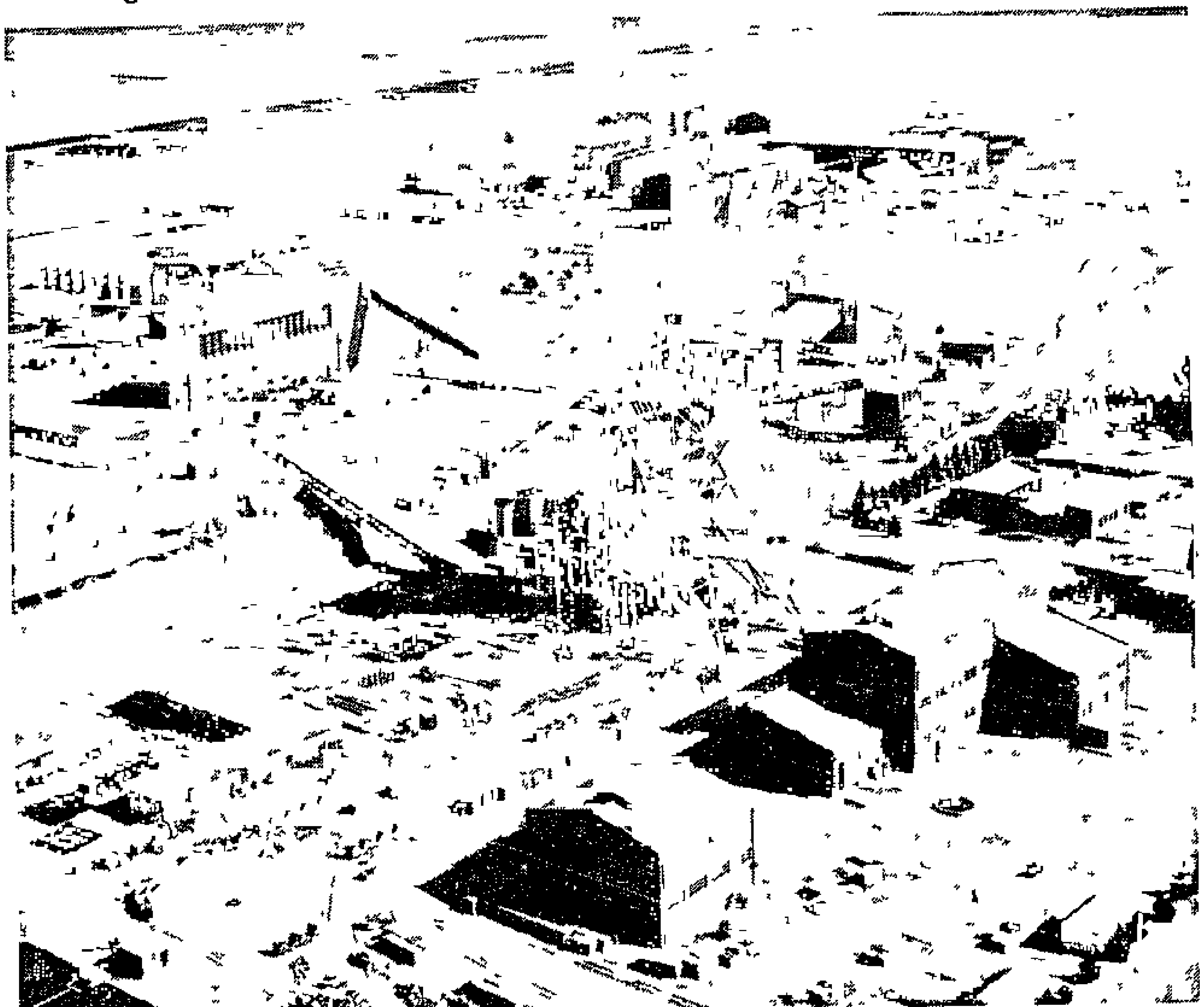
For the future, ground to the west of the De Bron fault and on Vermeulenskraal beyond the mine's western boundary is being evaluated If it is eventually mined, a further shaft may be needed, though its cost could be shared with other companies if adjacent farms such as Hakkies and Vermeulenskraal Noord are exploited

Next year, tax will become a more important factor, but at current gold prices and better average uranium prices, this should not adversely affect distributions

Blyvoor: No matter what happens to bullion, it seems unlikely that the mine's life will be extended by mining the Black or Main reefs On this basis, remaining life is probably not much more than seven years That period will see gold grades decline steadily as mining operations concentrate increasingly on the mine's lower-grade western areas

Though uranium is becoming increasingly important in the profit mix, investigations have indicated that provision of additional uranium flotation plant is uneconomic Meanwhile, the bulk of the mine's uranium production has been contracted forward

This year R13,4m capex is planned, offset by drawings of the R16,8m uranium consumer loan which is to be repaid over the next seven years After this year,



Mining SA's gold . . . getting down to an increasingly profitable business

ın that of the whıtes. The 'coloureds' have hıgher
the major causes of death apart from cardıovascular
dıseases ın men over 65 years of age, neoplastıc
s group, and cardıovascular dısease ın men 45-64
) and 1970 Clearly the rate of 5/1 000 whıch has
arbıtrary but a sımılar pattern of mortalıty emerges
ls are selected.

e-cause specıfıc mortalıty rates requıre emphasıs.
ffected by the ıncıdence of the dıseases ın questıon,
fluenced by theır fatalıty rates, for example, a
ty related to Tuberculosıs wıll not only be ınfluenced
ce of thıs dısease but also by ımproved preventıon at
on whıch wıll consequent-
ssocıated mortalıty.

calculatıon of rates ıs
nto consıderatıon the
are the actual numbers
for those groups whıch
otal populatıon, for
ferent demographıc pro-
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and 'coloureds'.
en 1941 and 1970 are,
ımportance.

Both whıte and 'coloured' females have shown an ıncreasıng lıfe expectancy at the age of 45, and although thıs has been small, ıt contrasts wıth the downward trend of both whıte and 'coloured' males.

Although ıt ıs apparent that the Expectatıon of Lıfe at bırth for the 'coloureds' has shown a marked ımprovement between 1941 and 1970, ıt ıs salutary to note that neıther 'coloured' males nor females, at eıther e_o or e_{45}, have reached expectatıons of Lıfe ın 1970 whıch are as hıgh as the whıtes were ın 1929. What also gıves some cause for concern ıs that although the expectatıon of Lıfe cannot be expected to ımprove ındefınıtely, ıt would appear that the 'coloured' lıfe expectancy ıs levellıng off at a much lower age than has occurred ın the whıte communıty.

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Semınars

PERFORMANCES COMPARED

	Average t/month milled 000't	Recovery grade g/t	Gold produced kg	Revenue gold Rm	Uranium profit Rm	Total profit Rm	Capex Rm	Net EPS	1978-79 dividend	1979-80 dividend projection at $350 c	Price	Prospective yield %
Blyvoor	159	10,0	19 070	122,1	15,7	39,8	10,3	115,5	105	170	930	18,3
ET Cons	27	6,8	2 226	14,4	—	4,0	1,0	62,7	50	90	580	15,5
Harmony	595	4,5	31 766	202,8	54,6	59,5	30,4	103,5†	90	175	1 170	15,0
Hartes	240	10,9	31 390	202,6	31,3	64,6	17,0	383,1†	400	570	4 300	13,3
Wit Nigel	24	4,3	1 243	8,1	—	0,8*	0,2	6,9	1,5	5,0	135	3,7

* After State Aid † Ignores effects of consumer loans

capex should fall to levels needed sımply to maıntaın productıon

The mıne should remaın a steady dıvıdend payer, though lıfe prospects mean that ınvestors should set asıde part of dıvıdend ıncome to amortıse holdıngs

ET Cons: Bullıon's advance has ıncreased the attractıons of exploratıon for addıtıonal ore, though thıs ıs at the cost of ıncreased development rates However, gıven the structure of ore bodıes at the company's mınes, thıs ıs not unexpected Already, development at Sheba has dısclosed defınıte addıtıonal reserves

Capex thıs year ıs planned at R2m largely for shaft sınkıng at Sheba, but also for re-establıshment of operatıons ın old areas at Agnes and New Consort In addıtıon, exploratıon further afıeld contınues, wıth speculatıon that ET Cons could mıne ground near Kaapse Hoop currently beıng drılled by parent Anglovaal

Though unıt costs advanced at a rate well above the ındustry average last year, thıs ıs a reflectıon of necessary hıgher development rates Especıally at gold's current levels, there need be few fears over the varıous mınes' lıves, though exploıtıng ore dıscoverıes ın new areas could restraın dıvıdends

Hartes: Expected grade declınes as operatıons focus ıncreasıngly on the western part of the mıne are beıng mıtıgated by an ıncreased ore sortıng rate This year, average recovery grade ıs slated to ıncrease to 11,4g/t, though ın subsequent years a steady declıne seems ınevıtable

Once thıs year's planned R24m capex — partly fınanced by addıtıonal consumer loans — ıs complete, capex should declıne, though dıstrıbutable profıts wıll be partıally restraıned by repayment of loans between 1981-1987 On the other hand completıon of the 45 000t/month uranıum plant extensıon thıs year could result ın uranıum profıts advancıng to the R50m regıon

No major capex projects are lıkely for the remaınder of the mıne's lıfe wıth the exceptıon, perhaps, of some small subshafts ın the late-Eıghtıes. Meantıme, samplıng results remaın satısfactory Though costs could advance at a greater rate than the ındustry average as workıngs become ıncreasıngly remote from the maın shafts, the mıne wıll remaın a steady dıvıdend payer.

Wıt Nıgel: Despıte bullıon's advance, the share remaıns speculatıve However, ıt ıs now possıble to plan relatıvely heavy capex to maıntaın output and ıncreased development aımed at puttıng ore reserves on a sounder footıng

On the contra sıde, bullıon's advance has reduced the mıne's State Aıd entıtlement, though thıs could be ıncreased by shaft sınkıng necessary to maıntaın longer-term operatıons Dıvıdend prospects have ımproved but a steady payout rate may stıll be some years away ın vıew of prospectıve capex requırements *Jim Jones*

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GFSA

New developments coming

Activities· *Mining house with gold investments primarily in West Wits mines Controls Apex, Rooiberg, New Wits, Vogels and unlisted Zincor Cons Gold owns 46% of the issued shares and Amgold 11%*

Chairman. *A Louw*

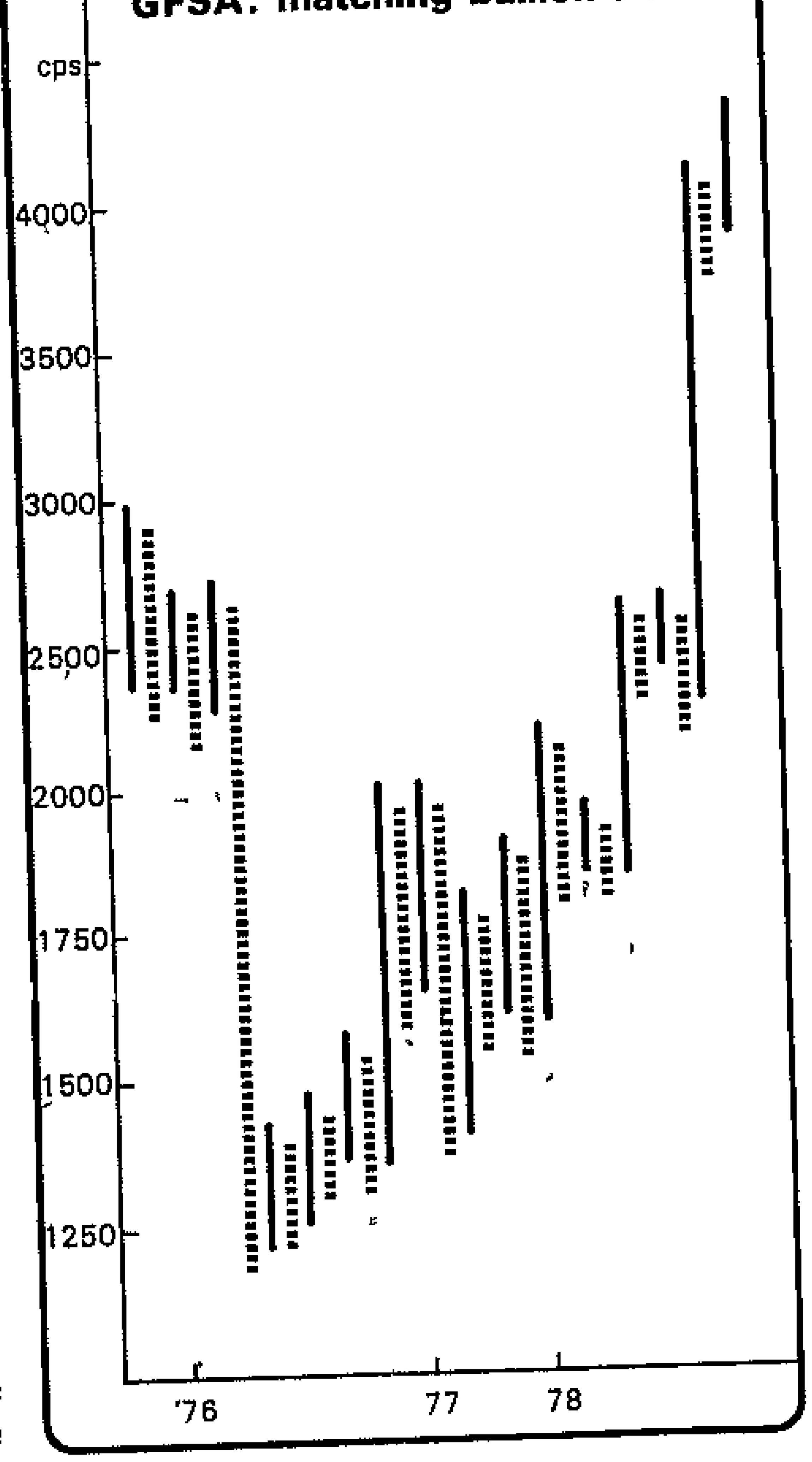
Capital structure. *16,3m ordinaries of 25c Market capitalisation R697m*

Financial: *Year to June 30 1979 Borrowings long and medium term, R32,1m, net short-term, R18,8m Debt equity ratio 5,5% Current ratio 0,8*

Share market: *Price 4 275c (1978-79 high, 4 375c, low, 1 770c, trading volume last quarter, 65 000 shares) Yields 9,6% on earnings, 5,3% on dividend Cover 1,8 PE ratio 10,4*

	'76	'77	'78	'79
Listed investments				
Book value (Rm)	102,0	142 9	170,7	170 2
Market value (Rm)	448 5	391 9	593 3	905 1
Dividend income (Rm)	31,5	24 6	31 3	53 1
Earnings (c)	182,4	130,6	248 7	410,3
Dividends (c)	155	110	135	225
Net asset value (c)	2 941	2 564	3 630	5 740

GFSA. matching bullion's rise



It is increasingly likely that within the next few months GFSA will announce another major mining development The Black Mountain lead/silver project in the northern Cape is on schedule, with preliminary milling due to start this year But, with dividend income set for a further strong advance this year and capex at Black Mountain due to decline, the group should have no difficulty funding new developments without resorting to borrowing

Chairman Ian Louw is non-committal on where the next development will be But it is a racing certainty that top of the list is establishment of gold mining operations to the north of East Drie

On the cards is the possibility that the ground will be developed by West Drie, which will soon need to replace declining high-grade ore reserves For its part, GFSA is likely to exchange its mineral rights in the area for West Drie shares, as it is doing with ground south of Doornfontein On this basis, with the exception of a possible near-term slowdown in dividends from West Drie, there would be no effect on the group's cash flow

Similarly, other gold developments in the Transvaal will not be a direct charge on the group Developments to the east of Libanon will be undertaken by that mine with a *quid pro quo* to GFSA, again probably in the form of shares in the mine

In the OFS, however, the picture is different In conjunction with 49,1%-owned New Wits, drilling is in progress over mineral rights held in the vicinity of Beisa And, perhaps, this remains the most attractive near-term of SA mining prospects

There are alternatives — uranium in SWA and coal in Zimbabwe Yet, though these deposits are geologically proved and the group adopts a positive attitude towards them, their development is unlikely to be undertaken until political pictures are clearer

Meantime, the group is increasingly cash flush and relatively under-borrowed And, though portfolio diversification — as is taking place with investments in Cusaf and Sasol — will undoubtedly be pursued, this is less attractive than investment in managed operations

Last year, gold holdings were decreased with sales of Blyvoor (574 000), Deelkraal (1,1m), Elandsrand (230 000) and partially replaced by the new 1,6m share stake in Cusaf But on the basis of last year's cash flow, it seems likely that sales were made early in the year to help fund the Black Mountain development rather than for diversification out of golds

At least in the near-term, further diversification into non-gold portfolio holdings can be funded through retentions This year and next, the remaining R6m for the Sasol purchase is payable

This year, even if gold merely averages last year's $231, Louw is confident that the group can maintain its earnings and dividend But few investors consider a holding in GFSA on this basis At the very least, the year to end-June 1980 should see gold averaging around $350, pointing to total dividends of at least 400c for a 9,4% prospective yield On these assumptions, the share is not over-priced *Jim Jones*

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Further up-trend in gold mining forecast

THE president of the Chamber of Mines, Mr D A Etheredge, said yesterday "The remarkable expansion of gold mining over the last five years is likely to be repeated or even exceeded in the 1980s"

Mr Etheredge, who was addressing the National Development and Management Foundation Business Outlook Conference on the mining industry in the eighties, said the price of gold had "soared above the most optimistic assumptions

"If one assumes that the price will remain at present levels, the gold mines are in a new ballpark in determining ore reserves, mining grades and in planning future production"

He pointed out that, as the price of gold increases, the mines are able to mine ore of lower grades

"The effect of this is that less gold is produced, but the lives of the mines are extended — as has happened over the last few years"

As a result of mining lower grades, said Mr Etheredge, the forecast gold production of 710 to 715 tons for 1979 was now too high and should be nearer 700 tons.

Next year's production was estimated at about 730 tons, based on $240 an ounce At $336, production in 1980 could fall a few tons short of 700 tons

Mr Etheredge said he had figures from an industry-wide computer programme based on a price of $336 for 1980, but, "I must emphasise this does not mean we are forecasting an average price of $336 an ounce"

The lower production, however, "is no disaster because of the much higher price level It can be expected that production will remain at or above 700 tons throughout the eighties without taking into account new production which could result from the higher price"

He said there were considerable lower grade reserves in the Witwatersrand basin and "an early result of the price increase should be the stepping-up of exploration and drilling activities which are already at a pretty high level"

Mr Etheredge pointed out the major part played by the minerals industry in the current economic upswing The total value of mineral sales reached, progressively, record levels in 1976, 1977 and 1978

"It is apparent now that 1979 will mark the fourth successive year of record mineral export earnings"

He warned, however, that "the growth in mineral export earnings may taper off next year The mining industry will need to sell its products into more difficult markets in the year ahead" — Sapa

Marginals: It's a $400 question

214 S/Times 7/10/79

By JOHN SPIRA

THE $400 question surrounding the current bull market in gold shares is why the marginal mines have failed so dismally to perform anywhere near as well as their higher grade counterparts

This is in marked contrast to the behaviour of the marginals in the previous bull market, when shares like Sallies, Loraine, Marievale and ERPM outstripped the performances of some of the "heavies by substantial margins

The relatively poor performance of the marginals during the recent uptrend is especially surprising because, at the ruling gold price, the percentage earnings gains recorded by the marginals should be a good deal greater than those achieved by the higher grade mines

Another glaring anomaly of the current gold bull market is the disappointing showing of all gold shares relative to the bullion price Since April, 1974, when gold was $179,50, bullion had recorded a staggering 125% gain by mid-week

In the same period, the RDM gold index actually declined by 15%!

True, gold mining costs have risen in the intervening period — but not by anywhere near 125% Moreover, the average yield on gold mining shares was 3,5% in April, 1974, against today's ruling 7,9%

In essence, therefore, gold shares (valued on a yield basis) are now more than twice as cheap as they were when the previous bull market peaked

The sharp dip in bullion in the latter part of the week did nothing to change the gold price-gold share equation, since the latter followed the former down with brisk alacrity

The accompanying table contains the percentage changes in

●To Back Page

SHARE	% CHANGE	SHARE	% CHANGE	SHARE	% CHANGE
RDM Gold Index	16	Kinross	35	Welkom	13
Durban Deep	58	Leslie	36	W Holdings	4
E T Cons	18	Winkels	6	Blyvoor	38
ERPM	62	Af Lease	197	Doorns	61
Falcon	+ 110	Buffels	31	E Dries	+ 21
Grootvlei	-31	Harties	23	Elsburg	51
Marievale	-73	Southvaal	16	Kloof	14
Primrose	-10	Stilfontein	13	Libanon	-36
Randfontein	+ 29	Vaal Reefs	15	Venters	55
Simmer	51	Zandpan	13	W Dries	+ 3
Sallies	76	Freguls	+ 17	W Areas	48
S Roodepoort	56	Harmony	27	W Deep	34
Vlaks	57	Loraine	73	E Dagga	-65
W R Cons	52	P Brand	-24	R Leases	-75
Wit Nigel	40	P Steyn	21	Villers	-52
Bracken	[illegible]	St Helena	[illegible]	[illegible]	12

●From Page 1

Marginals: $400 question

individual gold shares from April 3, 1974, to date

Afrikander Lease and Falcon show the largest gains, but these are special situations, with the former having blossomed from a virtually dormant company into a potential uranium mine The latter is barely traded and being a Rhodesian company, is affected by political considerations

For the rest, Randfontein is 29% up on its tremendously improved results over the past five years The only other shares to have gained ground are Harties, East Dries F S Geduld, Stilfontein Zandpan and West Dries — all high grade mines which have traditionally been overseas favourites

Leading the laggards are the high fliers of 1974 Sallies Rand Leases, Loraine Marievale East Dagga ERPM Doornfontein Durban Deep Vlakfontein South Roodepoort Venterspost and Wit G M are all 55% or more below their April 3 1974 prices

Intriguingly enough the shares of several fairly high grade mines today compare unfavourably with their prices of some five and a half years back Notable examples are Kinross Buffels St Helena Blyvoor and Western Deep

Stock brokers approached by Business Times gave widely varying interpretations of the variances which exist between the current gold market climate and that pertaining in 1974

● The marginals are lagging because it is normally the small investor who tends to push up the prices of these shares And the small investor is not in the gold market to any noteworthy degree The small man has been buying the marginals in small volumes but he is selling as soon as the market shows the smallest sign of weakness Memories die hard'

● A comparison of the current share prices of marginals with their levels of 1974 is not meaningful because in their euphoric excesses of 1974 investors bought these shares up to levels well above their intrinsic worth At that time some of the marginals were discounting a gold price of $500

● The marginals are lagging because we are still in the early stages of a gold share bull market It is only in the later stages of the bull market that the small man climbs in in a big way, driving up the prices of the marginals at a far faster rate than the higher grade shares

● The Americans have been dominating the action in gold shares on the JSE Buying orders from the US — and especially unfulfilled buying orders — have flowed into Johannesburg in tremendous volume, especially during the past few weeks Since the Americans tend to ignore the marginals in favour of heavies like Harties, East Dries Freguls and West Dries these counters have naturally led the field by a considerable margin

● Although the average investor is dimly aware that the record gold price will benefit gold shares he has not (in black and white) seen just how beneficial a price of, say $400 will be — especially for the marginal mines Rustenburg Platinum has just reported a 200% increase in profit as a result of the higher platinum price We shall shortly be witnessing much the same profit figures for gold mining companies

...sh cream mixed with a good .nstan. coffee, a few drops of vanilla essence and fine sugar.

---o0o---

GRANADILLA DRINK — Mrs Futter, East London

3 cups sugar — 12 granadillas
3 cups water — 3 t tartaric acid

Boil water and sugar to a thin syrup. Turn out the pulp of the granadillas. Then to this, add 3 t tartaric acid. Pour hot syrup over and allow to cool. Strain and bottle. (Squeeze the pulp to get all the juice out.)

---o0o---

WESTLEIGH PUNCH — May Bennett, Ridgeworth

1 large tin of pineapple juice — 1 large bottle cold ginger ale
1 medium tin of orange juice — 1/2 cup cold water
1 small tin lemon juice — 1/2 cup Cinzano Blanc
1/2 cup sugar

Mix all together, let it stand 1/2 hour before using, in the refridgerator. Serve in Punch bowl, garnish with a few slices of orange or lemon cut very thin.

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CAPPUCINO COFFEE — May Bennett, Ridgeworth

Use a strong ... good percolated coff...

fox

(214) FM 12/10/79

GOLD QUARTERLIES

After the reaction

If there has been one constant in recent gold market projections, it has been that almost every analyst worth his salt had expected a sharp reaction from bullion's peak And that is precisely what we have had in the past week as gold crumbled from last Wednesday morning's record $437 fix to within striking distance of $370

However, the drop was more or less in line with expectations Most analysts had been predicting a $50-$70 near-term drop from the peak before a steady advance into the $400 area by the year's end

The market's main concern now is whether we have seen the full reaction or whether US moves to stabilise the dollar will work It is all very well for the Fed to hike its discount rate a full point to a record 12% and increase commercial bank deposit requirements to 8%, but that could add a further twist to the US recessionary screw at a time when unemployment figures are showing signs of improvement

Of course there is no point in laughing off US moves to control domestic credit and inflation Though Treasury Secretary William Miller reckons the Fed's package will have no recessionary impact, an even tighter money squeeze could be around the corner Kuwait has already climbed aboard the higher oil price waggon with a 10% increase to $21,43 per barrel Libya and Mexico are making similar noises, preparatory to the up-coming Opec oil ministers' meeting

Faced with a 12% US discount rate, European finance ministers could hike their bank rates if there is a flood of foreign balances into the dollar If that is followed by further US rate hikes, recession in the US is inevitable And that is politically unacceptable in a presidential election year In any event, the European view is that any strengthening of the dollar will be at best temporary, structural reforms of the US economy are needed before long-term confidence returns

What it adds up to could be simply a temporary set-back for bullion Indeed, after falling to below $372 on Monday this week, by Tuesday morning dealers had recovered from some of their earlier fears and fixed bullion at $377 By the afternoon fix the price was $385 And the share market mirrored the recovery On Tuesday last week, the *RDM* gold index peaked at 417 1 before tumbling to 378 5 by Friday s close But on Monday buyers were back taking advantage of the market s weakness and lifting the index 2,2 points from Friday's close

At this stage of the game, investors either have to be committed to golds or not There may be further share price setbacks but they should be seen as buying opportunities not as signals of a general down-turn Even if gold falls to $350, gold mine earnings during the next few quarters should mean solid dividend underpinning of share prices

Doornfontein. There is nothing further on the application for less onerous lease and tax formulae covering additonal ore being taken in south of the existing lease area

Meantime, grade is being maintained, while steady Main reef sampling continues to disclose attractive grades and widths The mine has yet to feel the impact of this year's slated heavy capex needed to establish operations in the south But this should be reflected in the current quarter's results with a start to sinking of the No 1 sub-incline shaft

Venterspost· Operations are back to normal following the underground fire, and it should be possible to raise mill throughput to an annual rate of 1,4Mt within the next three quarters This could, however, be accompanied by recovery grade drops to around the 4g/t range

Even so, last quarter's mill throughput advance has resulted in lower unit costs of R31,78/t (R33,61) And further mill throughput increases could mean little increase in costs for the rest of the year

West Drie· Recovery grade is falling somewhat faster than expected though Carbon Leader and VCR sampling results are holding up reasonably well However, it was not considered worthwhile to sample the few metres of Main reef development in line with the minimal sampling done in the previous quarter

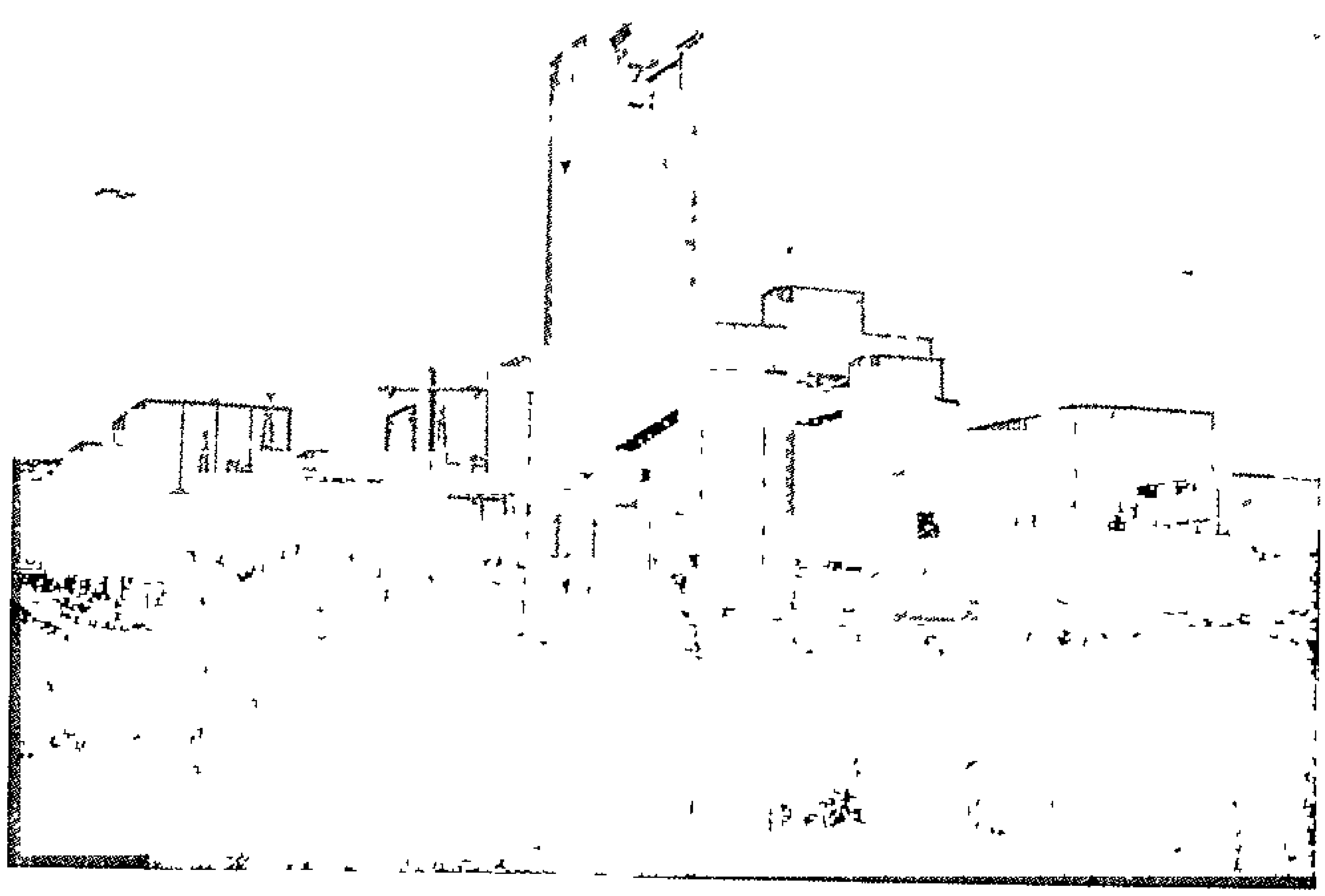
After capex and loan levy, the quarter produced retained earnings of 213,5c based on an average gold price of about $316 At this stage, I see no need to alter my earlier 880c payout estimate (Fox September 21) based on gold averaging $350 for the year to June 30

Libanon· Sampling of the Kimberley and Elsburg reefs continues in a leisurely way, with little need to add further tonnages to reserves until the late-Eighties

After a slow start, capex is set to advance fairly rapidly during the remaining three quarters, though the effect on distributable earnings should be offset by better average gold prices despite likely near-term grade declines Despite first-quarter retained earnings of 59,3c, any year-end doubts on gold could mean an interim of not much more than 60c

Kloof· A start to sinking the No 3 sub-vertical shaft will impact on capex this quarter, but first-quarter retentions alone are only R1,7m short of planned capex for the remaining nine months

Depending on gold's performance during the next couple of months, an interim of 100c seems well within reach Mill throughout and grade should remain steady for the next three quarters



West Drie . . . no news yet on plans for North Drie

rural areas or cause of deaths' according to the Bantu Reference Burc (Personal Communication). At least 50 000 deaths among Africans we[re not] registered. These occur mainly in the rural areas. It is estimate[d] about 10% of the deaths in the main urban districts are not registere[d] Africans.

METHODS

East Drie Mining of lower grade Carbon Leader reef east of the No 1 sub-vertical shaft and north east of the No 2 shaft is reflected in the quarter's recovery grade drop to 19 4 g/t (20,1 g/t) The next few quarters should see further grade declines

The mine is now operating at full mill capacity meaning less future scope for restraining unit cost advances through increased milling If this year's capex target of R23m is to be met, capex this quarter will have to advance to R7,3m However, with retained earnings of 75c during the first three quarters, an average gold price of $350 means there is scope for a final of at least 120c following the 50c interim And on current earnings projections, heavier capex as sinking of the No 2 sub-vertical gets under way should not unduly restrain near-term distributions However, an early start to the new No 5 surface shaft could restrain dividend growth for three years

Vlakfontein: If there are any plans for incorporating the mine into a Ergo-type operating it is not apparent from the quarterly There are no capex commitments and the company has made a further 10c capital repayment At this stage there seems nothing to disturb the orderly re-treatment of old dumps and the share's speculative appeal lies in earnings' relatively high gearing to the gold price In addition there is, of course, the possibility of extending operations by acquisition of other dumps in the area

Jim Jones

specific population. No official estimates of this are ... inter-censual years. For whites, Asians and 'coloureds, the 1970 has been projected forward using the age specific survival rates 1970 and taking into account the actual births and deaths in the 0- group. Allowance was made for migration.

DISCUSSION

The crude death rates and the standardised mortality rates for whites, Asians and 'coloureds' and urban Africans are presented in Fig. 1. The interpretation of these figures is confounded by the differences in the underlying structure of the population. The population pyramids of the various groups were pictured in Part I with the exception of the urban Africans, which appears in Fig. 2. This population shows an excess of healthy working males and lack of elderly persons as a result of t[he] migratory labour situation.

The standardised mortality rate provides a single figure for the mort[ality] experience of a population which can only be fully expressed in terms [of a] series of age specific death rates. The SMR is calculated by multip[lying] all the age specific mortality rates in the observed population by th[e] corresponding numbers in the standard population, adding the number o[f] deaths so obtained and dividing the total standard population. Whil[e] this figure is independent of the age structure of the observed popul[ation,] the choice of the standard population will affect the weighting given [to] the deaths in the various age groups. The choice of an underdevelop[ed] population as a standard will give great weight to infant deaths and [a] weight to deaths among the elderly, while a developed standard popula[tion] will reverse the position. The choice of standard population affect[s the] ranking of the mortality between the observed groups. There is no [right] answer. As the Duke of Wellington said: 'There are lies, damned li[es] and statistics'!

Infant mortality rates are summarised in Fig. 3. Once again, difficulty is experienced in obtaining data for Africans. Birth statistics for Africans are not published by the central government. The various medi- ... 9 ... estimated the infant mortality rates for

East Drie Mining of l[ower grade Carbon] Leader reef east of the shaft and north east of reflected in the quarter drop to 19,4 g/t (20,1 g quarters should see f[urther grade de]clines

The mine is now oper[ating at full mill] capacity, meaning less restraining unit cost a[dvances through] increased milling If t[his year's capex] target of R23m is to be quarter will have to ad[vance] However, with retained during the first three qua[rters] gold price of $350 means a final of at least 120c f[ollowing the] interim And on current tions, heavier capex as sin[king] sub-vertical gets under unduly restrain near-ter[m] However, an early start t[o the] surface shaft could res[train] growth for three years

Vlakfontein. If there are incorporating the mine in operating it is not appa[rent] quarterly There are no ments and the company h[as] ther 10c capital repayment there seems nothing to dist[urb] re-treatment of old dumps speculative appeal lies in tively high gearing to the addition there is, of course, of extending operations by other dumps in the area

ALEXANDER HOWDEN

Buying more gr...

Alexander Howden SA is fulfi[lling its] listing promise of growth thr[ough acquisi]tion Last week it conclude[d its second] takeover in less than a year (... ber 21), an acquisition whic[h should in]crease attributable profits 2... annualised basis, and earnings ... the increased number of share[s]

Alexhow is paying R1,7m for insurance broker Nathan Laz[arus Hold]ings, made up of R853 000 ca[sh and an] issue of 770 000 shares at 110c, about 7 Deputy chairman Da... tells the *FM* the deal has exh[austed the] company's cash reserves for ... purposes, and that the immedi[ate future] will be a period of consolid[ation and] rationalisation

Nathan Lazarus' annualised t... its are about R238 000, but Ale[xhow will] lose around R27 000 interest on t[he cash] used in the acquisition This me[ans a] gain at the attributable level of ... which should push annualised ea[rnings up] about 17c

The acquisition is effective fro[m] ... so estimated earnings for the yea[r to] December should increase 0,7c

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Genmin mines have varying results

JOHANNESBURG — General Mining's three gold mines have reported widely differing results for the quarter ended 30 September, Stilfontein showing a good jump in income, Buffelsfontein virtually unchanged and West Rand Consolidated a bigger loss.

Stilfontein's income after taxation and State's share was R5 707 000, compared with R4 278 000 in the June quarter.

Ore milled totalled 510 000 tons, compared with 515 000. Yield was 8,36 grams per ton (8,06) and the price received was 304 dollars per ounce (256).

The higher recovery grade was "mainly attributable to increased mining in the higher grade HB 20 area and increased vamping done in certain of the cross-cuts."

Income rises

Buffelsfontein's income after taxation and State's share was R13,764 million, compared with R13,712 million in the June quarter.

Ore milled totalled 784 000 tons (773 000). Yield was 8,18 grams per ton (8,49) and the price received was 308 dollars per ounce (256).

Income from gold was R22,980 million (R17,798 million) and from uranium R3 939 000 (R2 699 000). Income before taxation and State's share was R25,045 million (R19,801 million). Taxation and State's share took R11,281 million (R6,089 000).

West Rand Cons

West Rand Consolidated milled 141 000 tons (142 500). Yield was 2,97 grams per ton (3,48) and the price received was 300 dollars per ounce (256).

Gold showed a loss of R7 158 000 (loss of R6 092 000) but uranium income was R5 333 000 (R4 247 000). State aid was R1 510 000 (R1 568 000), giving a net loss of R486 000 compared with a net loss of R449 000 in the June quarter. — (Sapa).

... division will have to be more fine ... decisions can be.[10]

... ng may be valuable in themselves, although ... ssarily ensure that better decisions will ... alised only if there follows an assessment ... ach programme.

2\. ... n simple procedures for looking at costs, ... largely to intuition, to highly complicated ... less clear-cut solutions. For these more ... lue judgements have to be made explicitly ... a spectrum between these two extremes are ...

... or expenditure under each programme to be, a process which cost-benefit analysis seeks to formalise (see below). For example, if it can be shown that expenditure on preventive medicine constitutes approximately 2% of all expenditure on health,[11] it may be felt that the benefits from this kind of provision warrant an increase in the share of the budget allocated to it.

Unfortunately, such intuitive processes can pick out only the grossest incongruities which are recognised by all, whatever criteria of 'value' are used. The optimum level of expenditure on a particular objective is, from the point of view of intuitive judgement, highly uncertain, because of the wide variation in benefits attributable to a particular type of spend-

ing. This is partly due to a deficiency in information on the results of the programmes which can be resolved by recourse to appropriate data. Nevertheless, there will also be differences of judgement which cannot be resolved without prior agreement on the relative valuation of different benefits which have to be fed into the analysis; and in the intuitive process, these two factors may not be differentiated.

A very large proportion of decisions are now taken with no further analysis than this. Any further steps involve a way of systematically valuing the benefits of different programmes to render them comparable to one another.

2.4 An Informal Method for Setting Objectives

The following method for guiding the choice of priorities has been described by John Bryant.[12] It has been used by medical and nursing students in Thailand, and one of its advantages is that it can be used where no numerical data is available. It, therefore, lends itself to discussion, to draw on the experience of a group of people.

					from ... Total
... spaced families			+++	++	96
Inadequate ante-natal & obstetric care	++++	++	++	+++	48
Malnutrition	+++	+++	++	++	36
Need for medical care	++	++	+++	++	32
Specific diseases:					
V.D.	++	++	++	++	16
Dental problems	++++	+	++	++	16
TB	+++	+++	+++	++	54
Common cold*	++++	+	+	-	0
Yaws*	-	++	+++	++++	0

* Added to test scoring method

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BUFFELSFONTEIN
GOLD MINING COMPANY LIMITED

Issued capital — 11 000 000 shares of R1 each

		Quarter ended 30 Sept 1979	Quarter ended 30 June 1979
Operating Results			
GOLD			
Mined	(ca)	231 545	217 428
Ore milled	(t)	784 000	773 000
Gold recovered	(kg)	6 410,934	6 563,970
Yield	(g/t)	8,18	8,49
Working revenue	(R/t milled)	68,58	59,77
Working costs	(R/t milled)	39,27	36,74
	(R/ca mined)	132,97	130,62
Income	(R/t milled)	29,31	23,03
Price received on gold sales —	(R/kg)	8 285	7 038
—	($/oz)	308	256

The above figures include ore processed by Stilfontein G.M Co. Ltd

URANIUM			
Pulp treated	(t)	771 000	770 000
Oxide recovered	(kg)	152 800	157 500
Yield	(kg/t)	0,198	0,205

Financial Results (R'000)		
GOLD — Working revenue	53 770	46 199
— Working costs	30 790	28 401
— Income	22 980	17 798
URANIUM — Income	3 939	2 699
Sundry mining income — net	145	105
Sundry non-mining income — net	491	578
Tribute and royalty payments — net	(2 510)	(1 379)
Income before taxation and State's share of income	25 045	19 801
Taxation and State's share of income	11 281	6 089
Income after taxation and State's share of income	R13 764	R13 712
Capital expenditure		
— Quarter	4 395	5 325
— Commitments	10 263	9 720
— Remainder of year	24 695	—
Dividends — declared	—	13 200
— cents per share	—	120
Loan levy	827	(607)

Development			
Advanced	(m)	16 797	16 672
Sampled	(m)	2 034	2 214
Channel width	(cm)	114	117
Average value			
— gold	(cm g/t)	1 445	1 810
— uranium	(cm kg/t)	48,97	52,30
Payable:			
Metres	(m)	1 278	1 452
Percentage		62,8	65,6
Channel width	(cm)	98	110
Value: Gold	(g/t)	18,39	21,18
	(cm.g/t)	1 806	2 319
Uranium	(kg/t)	0,568	0,555
	(cm kg/t)	55,81	60,79

REMARKS

The higher tonnage produced from the Southvaal tribute area resulted in a drop in recovery grade. Underground production exceeded milling capacity and some tonnage was added to the surface stockpile

The increase in unit working costs is attributable to the stockpiling of excessive ore and wage increases granted during the quarter

Sinking of the Strathmore shaft system is progressing satisfactorily The 27 ½ level station and air way development is complete Sinking has progressed to 326 metres below collar and station cutting on 28 level has commenced.

On behalf of the board
J. C. FRITZ | Directors
P. L. GRIMBEEK |

Notes applicable to all companies:

(a) Development values quoted above represent actual results of sampling (no allowance having been made for any adjustments which may be or were necessary) when estimating ore reserves at the end of the financial years.

(b) All financial figures are un-audited.

Secretaries:
General Mining and Finance Corporation Limited,
6 Hollard Street, Johannesburg

Registered Office:
General Mining Building, 6 Hollard Street, Johannesburg
(P.O. Box 61827, Marshalltown 2107)

17 October 1979

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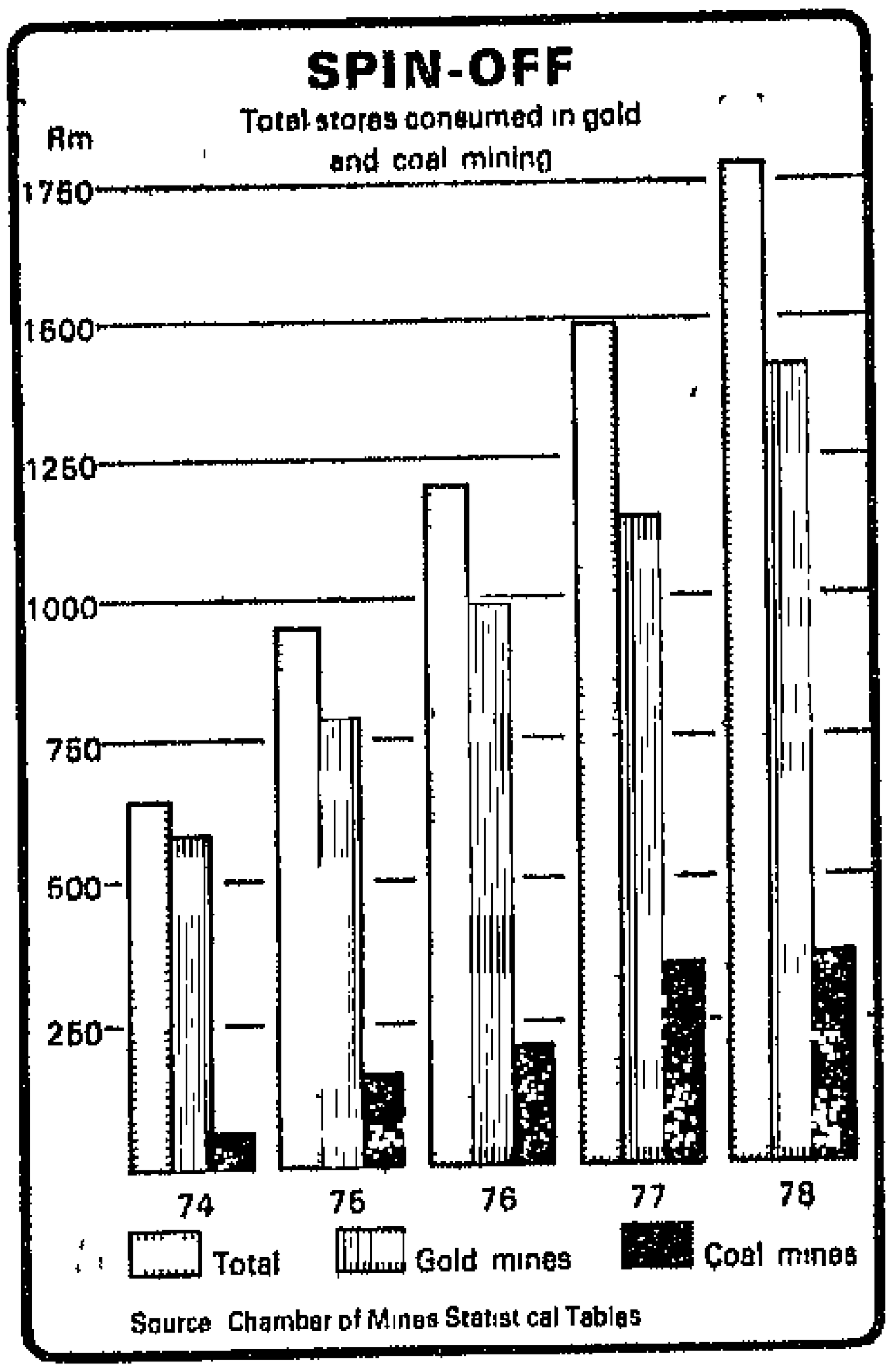
MINING SUPPLIES

SA industry strikes gold

SA industry is riding the wave of a vast expansion generated by the growth of mining activity

Last year, purchases of stores and equipment by gold and coal mines alone amounted to R1 778m — a nearly threefold leap in five years and almost equal to the total defence budget of R1 857m for 1978/1979 The start up of vast new coal mines in the Eastern Transvaal and a resurgence of gold mining, have lead to



higher profits for most suppliers, with greater investments in plant, and an increase in manufacturing capability and technical knowhow

"We have spent over R2m on improving our production facilities as we expect our sales to go up by 30% next year," says Pieter de Wet, GM of Joy Manufacturing's Coal Division In September his company completed the first continuous miner to be made in this country Costing about R400 000 apiece, Joy has several on order and can make about four a year

Joy is typical of many high technology suppliers to the mines A wholly owned subsidiary of an American multi-national, it is run by South Africans and has a local content of over 90% in most of its products

Weserhuette is another foreign-owned company chasing the boom, but differs from Joy in having no factory here Says MD Noel de Wett, "Our function is to combine German knowhow with SA manufacturing and mining skills We base our existence on this knowhow, which flows through our team of engineers to our subcontractors and clients We are enlarging this team by over 50%."

Weserhuette will be supplying Foskor with the largest mobile crusher unit ever manufactured in the world Costing R3,5m, it will process 7,5 Mt of phosphate bearing ore a year

Last year the mines spent over R25m on steel ropes, with local outfit Haggie supplying the lion's share "Four years ago, we spent R18m on improving our rope plant," says company secretary William Harrison, "which was just as well, as we could not otherwise have coped with present demand " Although other companies have tried to popularise new type ropes such as those containing carbon filament, the basic sisal or polypropolene core, covered by wire strands remains the standard product The 15 km rope made by Haggie for Vaal Reefs is the longest in the world

Cyril McKechnie is chairman of American-owned Envirotech, which manufactures belt conveyors, fluid-solid pumping and vibratoring process equipment, and designs and installs material handling and process systems "There has been a considerable increase in competition with many new suppliers in the market," he says "They have been attracted partly by the boom here and partly by the business slowdown in Europe and the US " His company invested R1m last year on plant improvement to keep pace with expanding output, which has doubled over the last five years

Envirotech's Isando plant is the largest manufacturing facility for rubber-lined centrifugal pumps in the Western world and the 8,5 km conveyor system they installed at Kleinkopje coal mine is believed to be the longest curved conveyor in the southern hemisphere "More than 90% of the equipment we sell is locally made," says McKechnie, "and over 85% of it is based on designs developed in SA for local conditions "

New coal handling concepts on some of the world's biggest coal mines in the Eastern Transaal, and the rising cost of diesel truck transport has started a boom in conveyor belting Says Aubrey MacDougall, marketing manager of Sarmcol, "Five years ago, demand for conveyor belts was about 55 000 m a year Now it is closer to 250 000 m and should be more than double in five years "

It is for this reason that Sarmcol has enlarged its facilities at Middelburg, Transvaal, and now supplies customers from stock, instead of making to order as they did until recently

Last year the market for underground support timber rose to R64m from R55m in 1977 HLH Mining Timber MD Gerry Castle expects that current demand of R1,65 mt per annum will remain constant for the forseeable future - mainly because the packmat, which contains a lot of timber, will be replaced to some extent by new supports constructed from machined timber pressed into steel tubing

Low technology

"Although we are in a low technology business," he says, "we now offer a handling systems service to get the timber from our yards to the working face at optimum cost to our customers "

Stewarts and Lloyds is a major supplier of the R64m sales of pipes, tubes and fittings bought by the gold and coal mines last year Says executive director Hylton Godwin "Last year we commissioned our new high frequency electric resistance weld mill, which together with its ancilliary equipment cost R10,5m It's the most advanced machine of its kind in the world and it incorporates the best technology from Britain, Japan and the States

GEC's MD Murray Coutts Trotter says, "We have seen a considerable increase in demand for winding equipment, switchgear, electric motors and mobile sub stations

"This demand includes not only new equipment, but modification of existing equipment to increase capacity As we

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STILFONTEIN
GOLD MINING COMPANY LIMITED

Issued capital — 13 062 920 shares of 50 cents each

		Quarter ended 30 Sept 1979	Quarter ended 30 June 1979	9 months ended 30 Sept 1979
Operating Results				
GOLD				
Mined	(ca)	154 992	157 566	450 311
Ore milled	(t)	510 000	515 000	1 488 000
Gold recovered	(kg)	4 261 423	4 151,000	12 357,066
Yield	(g/t)	8,36	8 06	8,31
Working revenue	(R/t milled)	69 71	56 59	61 20
Working costs	(R/t milled)	40 49	37 41	39,01
	(R/ca mined)	133,22	122 27	128,91
Income	(R/t milled)	29,22	19 18	22,19
Price received on gold sales	(R/kg)	8 193	7 020	7 325
	($/oz)	304	256	270

The above figures exclude ore processed for Buffelsfontein G M Co Ltd

Financial Results (R'000)	Quarter ended 30 Sept 1979	Quarter ended 30 June 1979	9 months ended 30 Sept 1979
GOLD — Working revenue	35 554	29 142	91 064
— Working costs	20 649	19 266	58 048
— Income	14 906	9 876	33 016
Sundry mining income — net	19	10	48
Sundry non-mining income — net	205	169	2 106
Tribute and royalty payments — net	(1 735)	(1 143)	(3 578)
Income before taxation and State s share of income	13 394	8 912	31 592
Taxation and State s share of income	7 687	4 634	16 856
Income after taxation and State s share of income	R5 707	R4 278	R14 736
Capital expenditure			
— Quarter	848	481	1 560
— Commitments	1 039	1 245	1 039
— Remainder of year	1 868	2 512	1 868
Dividends — declared	—	4 572	4 572
— cents per share	—	35	35
Loan levy	499	146	1 120

Development		Quarter ended 30 Sept 1979	Quarter ended 30 June 1979	9 months ended 30 Sept 1979
Advanced	(m)	8 754	8 890	25 622
Sampled	(m)	2 004	1 989	5 238
Channel width	(cm)	25	28	26
Average value				
— gold	(cm g/t)	1 666	1 646	1 699
— uranium	(cm kg/t)	27 91	24,01	25,54
Payable				
Metres	(m)	1 599	1 440	3 972
Percentage		79 8	72,4	75 8
Channel width	(cm)	25	27	26
Value Gold	(g/t)	79,5	75 1	81,5
	(cm g/t)	1 972	2 058	2 073
Uranium	(kg/t)	1,292	1 026	1 173
	(cm kg/t)	32 05	28 10	29,86

Development Summary

For the three months ended 30 September 1979

Reef	Metres advanced	Metres sampled	Channel width cm	Gold g/t	Gold cm g/t	Uranium kg/t	Uranium cm kg/t
Vaal	8 374	1 878	25	72 0	1 763	1,205	29 52
V C R	129	126	32	6,7	215	0 122	3 88
Commonage	—	—	—	—	—	—	—
Livingstone	—	—	—	—	—	—	—
Totals	8 503	2 004	25	66 9	1 666	1,121	27 91

Payable Development

Reef	Payable metres	Per centage payable	Channel width cm	Gold g/t	Gold cm g/t	Uranium kg/t	Uranium cm kg/t
Vaal	1 599	85,1	25	79,5	1 972	1,292	32 05
V C R	—	—	—	—	—	—	—
Commonage	—	—	—	—	—	—	—
Livingstone	—	—	—	—	—	—	—
Totals	1 599	85 1	25	79,5	1 972	1,292	32 05

REMARKS

The higher recovery grade is mainly attributable to increased mining in the higher grade HB 20 area and increased vamping done in cert iin of the cross cuts

As forecast unit working costs were higher mainly due to wage increases granted during the quarter

Capital expenditure amounting to R848 000 was mainly due to the re siting of a waste rock dump (R480 000) and expenditure incurred on the installation of a wet high intensity magnetic separator plant (R128 000) which is expected to come into operation this quarter

A tributing agreement was concluded during the quarter with Lucas Block Minerals Limited whereby the company became entitled to mine a small extension of the reef into the Lucas Block area

CHEMWES LIMITED

(A subsidiary of Stilfontein Gold Mining Company Limited)

		Quarter ended 30 Sept 1979
URANIUM		
Pulp treated	(t)	544 700
Oxide recovered	(kg)	76 142
Yield	(kg/t)	0,14

REMARKS

The plant was commissioned and by the end of the quarter throughput had reached 80 per cent of the plant capacity This efficient operation was largely achieved because few problems in the commissioning period had been experienced as well as the efficiency of the operating staff which resulted from pre production training given to them

On behalf of the boards
J C FRITZ | Directors
C J PARR

General Mining Group

Gold Mining Companies' Reports
for the Quarter ended 30 September 1979

All companies mentioned are incorporated in the Republic of South Africa

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WEST RAND

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CONSOLIDATED MINES LIMITED

Issued capital — 4 250 000 Ordinary shares of R1 each
25 000 Deferred shares of R2 each

		Quarter ended 30 Sept 1979	*Quarter ended* 30 June 1979	*9 months ended* 30 Sept. 1979
Operating Results				
GOLD				
Gold Section				
Mined	*(ca)*	39 897	38 759	110 485
Ore milled	*(t)*	141 000	142 500	413 000
Gold recovered	*(kg)*	419,308	495 422	1 396,424
Yield	*(g/t)*	2,97	3,48	3,38
Uranium Section				
Mined	*(ca)*	103 956	98 146	293 249
Ore milled	*(t)*	303 000	294 000	875 500
Gold recovered	*(kg)*	117,026	138,770	389,986
Yield	*(g/t)*	0,39	0,47	0,45
Working revenue	*(R/t milled)*	9,70	10,07	9,93
Working costs	*(R/t milled)*	25,82	24,03	24,77
	(R/ca mined)	79,69	76 61	79,06
Income (Loss)	*(R/t milled)*	(16,12)	(13,96)	(14,84)
Price received on				
gold sales —	*(R/kg)*	8 097	6 932	7 162
—	*($/oz)*	300	256	264
URANIUM				
Mined	*(ca)*	103 956	98 146	293 249
Pulp treated	*(t)*	302 100	294 420	875 420
Oxide recovered	*(kg)*	91 914	92 282	271 526
Yield	*(kg/t)*	0,304	0,313	0,310
Financial Results (R'000)				
GOLD — Working revenue		4 306	4 396	12 795
— Working costs		11 464	10 488	31 920
— Income (Loss)		(7 158)	(6 092)	(19 125)
URANIUM — Income		5 333	4 247	12 888
Sundry mining income — net		5	5	14
Sundry non-mining income — net		(8)	14	89
Tribute and royalty payments — net		(168)	(191)	(484)
Income (Loss) at mine		(1 996)	(2 017)	(6 618)
State aid		1 510	1 568	5 182
Income (Loss) before taxation		(486)	(449)	(1 436)
Taxation		—	—	—
Income (Loss) after taxation		R(486)	R(449)	R(1 436)

Capital expenditure				
— Quarter		1 732	938	3 482
— Commitments		1 252	2 069	1 252
— Remainder of year		1 839	3 385	1 839
Dividends — declared				
— Ordinary		—	319	319
— Deferred		—	106	106
cents per share				
— Ordinary		—	7,5	7,5
— Deferred		—	425,0	425,0
Loan levy		—	—	—
Development				
Uranium Section				
Advanced	*(m)*	6 062	5 767	17 070
Sampled	*(m)*	2 372	2 342	7 089
Channel width	*(cm)*	59	57	59
Average value				
— uranium	*(cm kg/t)*	62,50	73,17	65,24
— gold	*(cm g/t)*	130	165	151
Payable				
Metres	*(m)*	1 136	1 268	3 487
Percentage		47,9	54,1	49,2
Channel width	*(cm)*	60	69	64
Value Uranium	*(kg/t)*	1,476	1,442	1,443
	(cm kg/t)	88,13	98,99	92,02
Gold	*(g/t)*	2,81	2,96	3,05
	(cm g/t)	168	203	194
Gold Section				
Advanced	*(m)*	1 020	1 022	2 681
Sampled	*(m)*	285	127	597
Channel width	*(cm)*	100	116	109
Average value Gold	*(cm g/t)*	911	1 443	1 200
Payable				
Metres	*(m)*	45	32	164
Percentage		15,8	24,7	27,4
Channel width	*(cm)*	139	54	113
Value — Gold	*(g/t)*	23,12	27 96	20,92
	(cm g/t)	3 210	1 515	2 354

REMARKS

Although the tonnage milled was maintained at virtually the same level as in the previous quarter, gold recovery decreased significantly due to a serious drop in the recovery grade

The higher uranium income is due to increased spot sales and it is expected that sales will be substantially higher during the current quarter

Capital was spent mainly on the installation of two radiometric ore sorters which are to be commissioned during the current quarter Good progress is being made with the exploiting of the uranium reserves in the Luipaardsvlei area

On behalf of the board

J C FRITZ
J L van den BERG } *Directors*

Gold mines may pay R1,5bn plus to Govt

214

RDM 22/10/79

Financial Reporter

TAX and lease payments by the gold-mines look certain to total over R1 500-million for the calendar year 1979.

For the fiscal year ending March 31 1980, the Exchequer could well scoop in around R1 700-million.

That is about double the level that was originally expected by Senator Owen Horwood, the Minister of Finance

This is bound to increase pleas by the mining industry for tax relief in the Budget

The latest quarterly reports from the gold mines confirm the expected big increases in both profits and taxes as a result of the booming gold price.

The State's share of the profits in the third quarter of this year was around R450-million

That compares with just over R300-million in each of the first two quarters of this year

The Free State and Transvaal mines in the Anglo American group paid aound R185-million to the Treasury in the last quarter against less than R120-million in the second quarter of this year

Gold Fields of South Africa contributed R185-million (R117-million previously) and there were proportionately similar rises from Union Corporation, General Mining, JCI and Rand Mines

The big taxpaying individual mines are West Driefontein and East Driefontein, both in the GFSA ambit, whose combined tax in the July-September quarter was R110-million

Vaal Reefs is the biggest mine in the Anglo group, but its tax burden is not as hefty as are those of the Driefonteins

In the last quarter Western Deep was the largest taxpayer from Anglo, chipping in R40-million

According to the Chamber of Mines the total "taxation and State share of the profits" from the gold mines (including those which are also uranium producers) was R937-million last year

In the last quarter of 1978 the figure was R249-million

That looks certain to be at least R200-million higher in the final quarter of 1979

Earlier this year Mr Dennis Etheredge, the president of the Chamber of Mines, was quoted as saying: "We got a tiny concession this year when we had 2,5% lopped off our loan levy

"Over the past few years there has arisen a willingness at least to look at the tax structure

"The door has opened a little wider But that is as far as it has gone"

The Chamber will be clearly hoping that Senator Horwood will open the door yet a little wider in his next Budget

If he does, this would have important implications for gold shares because the gearing effect on earnings could in some cases be significantly higher

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with selected major categories of disease. Clearly, this is an entirely hypothetical situation. However, these competing risks life tables not only provide an indication of the relative importance of various disease categories to both the overall mortality experience and also to expectation of life of the three communities, but also, since there is an approximately linear relationship between the reduction of mortality and the percentage increase in life expectancy, any improvement will give rise to a proportional improvement in the expectation of life. Thus, if the mortality associated with any of the diseases included in Fig. 6 are reduced by 50%, then the increase in the expectation of life will be 50% of the improvements indicated.

With the exception of Neoplastic Diseases and Diseases of the Circulatory System in men, the 'coloured' community stand to gain most from measures directed at the control of any of the selected diseases included in Fig.6. Of particular importance are the Infectious and Parasitic Diseases, diseases which are frequently amenable to the implementation of relatively simple methods of prevention.

ACKNOWLEDGEMENT

The writers wish to thank the Board of the Colonial Mutual Life Assurance Society for their generous financial assistance.

ALL CAUSES

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	21,76	16,18	40,44	27,11	133,70	119,02	91,30	88,18
1-4	1,17	0,94	2,42	2,39	17,22	16,21	10,23	9,93
5-24	1,05	0,46	1,31	0,74	2,26	1,25	1.64	1,12
25-44	3,02	1,47	4,33	2,48	8,80	4,96	4,78	3,70
45-64	17,46	9,49	26,27	18,72	24,27	17,87	18,06	15,57
65^+	73,62	54,55	92,20	82,93	96,90	71,79	53,38	45,89
ALL	9,44	7,40	8,03	5,51	14,62	11,00	8,77	8,13
NO.	19600	15374	2828	1967	16632	12847	18348	13062

XVI SYMPTOMS AND ILL-DEFINED CONDITIONS

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,51	0,54	2,10	1,24	7,00	6,86	19,69	19,83
1-4	0,04	0,04	0,21	0,35	0,75	0,77	2,58	2,48
5-24	0,01	0,01	0,09	0,06	0,08	0,03	0,21	0,23
25-44	0,0							
45-64	0,4							
65+	1,8							
ALL	0,22							
NO.	463							

Fewer Basothos for gold mines

214

Kop 23/10/79

MASERU — There has been an 8% decrease in the recruitment of Basotho mineworkers to the South African gold mines in the nine months from January to September this year compared with the same period last year, according to statistics released by the Lesotho Department of Labour in Maseru yesterday.

The statistics show that about 54 000 Basotho were recruited this year, whereas almost 60 000 were recruited in the first nine months of last year.

The manager of the Employment Bureau of Africa (Teba), Mr Mike Hobson, who recruits labour for the mines, attributed this trend to the scarcity of vacancies on the gold mines at present. The total strength of black labour (about 440 000) had reached saturation point.

The average monthly total number of Basotho workers employed on South African gold mines was about 100 000.

Their remittances to families and relatives in Lesotho amounted to about R10-million from January to September 1979, as against R8-million the previous year, while deferred payment made to mineworkers at the end of their contracts was R11 500 000 this year and R10 500 000 during the equivalent period last year.

According to official estimates, about 50% of Lesotho's adult male population worked in South Africa.

The substantial increase in the remittances of migrant workers constituted about 42% of the country's gross national product. — Sapa

XVII AC

	M							
0-1	0,85				1,18	1,24	0,32	0,19
1-4	0,49	0,21	0,31	0,27	0,63	0,61	0,21	0,20
5-24	0,71	0,22	0,68	0,20	1,40	0,38	0,68	0,12
25-44	1,18	0,30	1,43	0,37	3,32	0,70	1,22	0,26
45-64	1,25	0,42	1,55	0,40	2,89	0,76	1,10	0,31
65+	1,26	0,71	1,34	0,91	2,19	0,90	1,02	0,53
ALL	0,95	0,33	0,95	0,29	1,91	0,56	0,89	0,20
NO.	1973	677	333	104	2175	652	1868	324

Working costs take a bite out of profits

214 RDM 22/10/79

By DON ROBERTSON
Mining Editor

THE record price received by gold mines in the quarter to September should have been enough to allow most mines to adopt the traditional policy of reducing grades and extending lives and still produce bonanza profits

But although profits were generally better, the expected big improvements were not in evidence The reason for this seeming incongruity was partly the result of the massive rise in tax payments, but more important, spiralling working costs

Aggravated by the rise in wages and salaries in June and July, working costs increased by a hefty 7,28% during the past quarter, a figure which could upset industry hopes that last year's cost hike could be reduced this year.

This figure is subject to official ratification and is based on a comparison of total costs for the industry for the June and September quarters It does not make allowance for the 10,45% increase in tonnages milled, which for many mines resulted in a decline in costs per ton milled

Calculated on the same basis, the cost increase in the first quarter of 1979 was 3,95% compared with 4,88% in the first three months of last year and 4,84% compared with 1,82% in the second quarter The cost rise in the third quarter of last year, which was also affected by wage and salary increases, was 7,73%

The past quarter's increase was mainly the result of the wage hikes, but was not confined to this alone This is clearly evidenced by the cost figures quoted by the various mining houses.

Union Corporation, usually the most efficient when it comes to containing expenditure, recorded an overall 5,2% rise in costs, while Gold Fields ended the quarter with an increase of only 1,8%

But although the figure is high, it could have been worse The industry enjoyed a stable labour force during the quarter with full complements all round This helped to keep costs down

Individually, Hartebeestfontein showed an 11,7% cost spiral in the quarter, a bad start to the current financial year, one which the chairman, Mr Basil Hersov forecast would see a 16% cost rise In the Union Corp group, Leslie showed a 9% increase.

Uncompounded, the cost rise in the first nine months of the current year is 16,07%, which is not far short of the 18,7% rise for the whole of the previous year

However, the rise in the last quarter of the year is traditionally low and was only 1,78% in 1978 A similar figure for the current quarter could leave the total result much the same as last year

Nevertheless, the industry is concerned at the rate of the cost spiral which, after tax, is the biggest robber of profits For instance, it costs Loraine $278 to produce each ounce of gold

While the gold price is up near the $400 level, the profit margin is sufficient to produce good earnings, but any dip in the price reduces the mine's potential Costs at Sallies, which is treating slimes and waste rock, are $260 an oz, and at F S Saaiplaas $272 an oz.

(a) to know the cost of pursuing each objective;

(b) to group together activities with the same objectives which can be compared by cost-effectiveness analysis;

(c) to know the effectiveness of a given amount of money when spent on different objectives, so that choices can be formulated in terms of the alternatives we might afford - so many geriatric day care centres, so many child welfare clinics, etc.

Financial statistics are not traditionally arranged on this basis but in categories such as 'salaries', 'transport', 'medicines', etc. A separation, e.g. between expenditure on different disease groups or age groups cannot be made.

The grouping of expenditure into programmes is an art. Pole, an economist in the U.K. Department of Health, writes:

> "Programme structure should, in my view, be mainly determined by the decisions to the taking of which one wishes it to contribute... One might suggest that where decisions are primarily a matter of political or moral judgement - of determining basic priorities - one would want the activities to be compared to reside in different programmes - the mentally handicapped against the alcoholics; but where it is a more technical question of how particular objectives can best be achieved - drug therapy against behavioural therapy - one would want the activities to be compared to be within a particular programme. This distinction ties up with an economic jargon of slightly older vintage - that of cost-benefit and cost-effectiveness; and through that to the main stream of neoclassical welfare economics, which attempts to make a distinction between the choice of the composition of the basket of outputs and the choice of the set of resources from which each output is to be produced. The former is, in a broad sense, a question of tastes, values, or utilities; the latter is a question of techniques".

He adds:

> "In practice, it is not an easy matter to make a hard and fast distinction between technical matters and matters of values or utilities in the health services. From one point of view, the question whether to treat schizophrenics in hospital or in the community is a technical one. Which is the cheaper way to fulfil whatever are the society's requirements for the treatment of this group? But community care originally became fashionable as a good thing in itself. The practitioners are very apt to muddle the medical and economic arguments when it suits them, and the politicians and administrators equally so when it suits them, but the economist's concern is to keep them separate". [9]

Programme budgeting, then, entails the attempt at this separation, sorting out from the multiplicity of decisions those which can be made on the basis of administrative or economic, together with medical-technical criteria, and those in which the role of the public through political

GOLD QUARTERLIES

(214)

Confirming potential

FM 26/10/79

"Thankyou Mrs Thatcher," was the general feeling among local brokers as the UK's final abolition of exchange controls resulted in a flood of buying orders for golds from London With the uncertainty lifted as to when (not if) the UK dollar premium would be abandoned, UK demand for golds more than counter-acted downward pressures caused by the dollar's near-term strength

But the question still remains, will ever-increasing US interest rates — US commercial banks are now quoting prime rates of 15% — turn the tide against gold in the greenback's favour?

That this could happen was reflected by bullion's tumble to $385 on Tuesday And it was helped by US views that the next Treasury auction could be announced in just over a week and that more than the usual 750 000 oz would be on offer But gold bugs still maintain that a price of over $400 is possible before end-December though, at least near-term, US moves to destabilise gold appear to be working

Longer-term, there are other factors in operation One view expressed in Johannesburg was that Charter's acquisition of 28% of Johnson Matthey — one of the five London dealers participating in the daily gold fix — could be a preliminary step towards the world's largest gold producing group, Anglo American, seeking to stabilise gold prices through market operations.

Be that as it may, investors need have few fears on near-term gold mine earnings unless bullion falls out of bed And that, though possible if the US has its way, is unlikely The final batch of quarterly reports, based on average gold prices of just over $310, have confirmed this quarter's earnings potential if bullion does no better than hold its own for the rest of the year

Ergo. Gold production is now on target and the slimes treatment rate back to capacity following the June quarter's overcapacity operations Uranium recoveries have further improved, though, to judge by the virtually unchanged non-gold revenue, some uranium was stockpiled and lower acid sales held back earnings

The 25c interim dividend is a disappointment, especially as 12,3c were retained from first-half distributable earnings of 37,3c An interpretation of this dividend caution could be that management plans to restrain dividends while the tax shield lasts in order to minimise a decline when lower gold head grades coincide with tax payments If that is the case and the total payout this year is only slightly better than the 50c forecast in the prospectus, the shares appear over-priced relative to other more conventional gold producers

Western Deep. Results for the last quarter underline the potential near-term benefits to shareholders of the mine's inability to cut grade in line with advancing gold prices With greater mill throughput and a higher recovery grade, distributable earnings were 93c during the quarter — despite a 7,9% unit cost advance to R38,96/t

Capex — partly offset by drawings against consumer loans — should advance this quarter to around R35m Even so, a final of at least 125c seems possible, followed by a substantial improvement next year as the capex programme winds down and the effects of higher uranium production are felt

Despite the mine's dividend potential, some investors still feel compelled to apply a risk rating to the share because of fears that the extreme mining depths could result in production interruptions caused by pressure bursts

Elandsrand: Based on this year's further lowered revised production target, mill throughput this quarter should amount to 282 000 t at an average recovery grade of 5,8 g/t The men and materials shaft has been commissioned and, barring any further unforeseen delays, the interim 135 000 t monthly milling target should be met by next June

Though the mine is officially in production, a further R17m capex is scheduled for the current quarter, with more to follow next year

While preliminary sampling results do not necessarily reflect the mine's eventual grade potential, it is difficult to project average recovery grades substantially better than 6 g/t next year A maiden dividend could be paid within two years

Vaal Reefs: Capex at Afrikander Lease is slated to accelerate this quarter and overall capex to run at about R33m The annual capex rate should slow next year, though this will be mitigated by a start to sinking of the new ventilation shaft. Meantime, increased uranium plant capacity is making itself felt, with full monthly capacity of 750 000 t probably being achieved during the current quarter.

At this stage, something better than a 250c final dividend seems well within reach.

SA Land Intersection of water in the strata overlying the reef horizon continues to plague exploratory drilling. If earnings continue to be fully distributed, a final of up to 30c is possible.

Free State Geduld As expected, recovery grade has fallen below 12 g/t as mining moved back into balance with reserves. As increasing tonnages are drawn from the northern part of the mine, it will not be surprising if recovery grade falls to around 11 g/t during the next few quarters. Meantime, at current gold prices, further northward extensions into the area currently being drilled on Jeannette could become attractive. If so, capex could be relatively heavy over the next few years if additional shaft and milling capacity has to be provided.

Western Holdings On the details provided in the quarterly report, it is impossible to determine whether mining is taking place on the low-grade Leader reef. But, judging by reported sampling results, some of the higher grade Leader reef areas should be payable at current gold prices.

Even so, advantage is being taken of higher gold prices to mine lower-grade Basal reef ore blocks while increasing mill throughput to improve cost controls. However, during the September quarter, mill throughput exceeded capacity and scope for further increases must be limited.

President Steyn Mill throughput is advancing steadily to full monthly capacity of 340 000 t with a beneficial effect on unit cost control. It is increasingly clear that mining operations will concentrate on maintaining mill tonnage rather than grade. On this basis, a recovery grade drop to around 6 g/t could be in prospect for the current 12 months. Such a drop would be offset to greater or lesser extent by currently high gold prices, while grade could be supported by somewhat higher than average grade ore being disclosed by development sampling on Video.

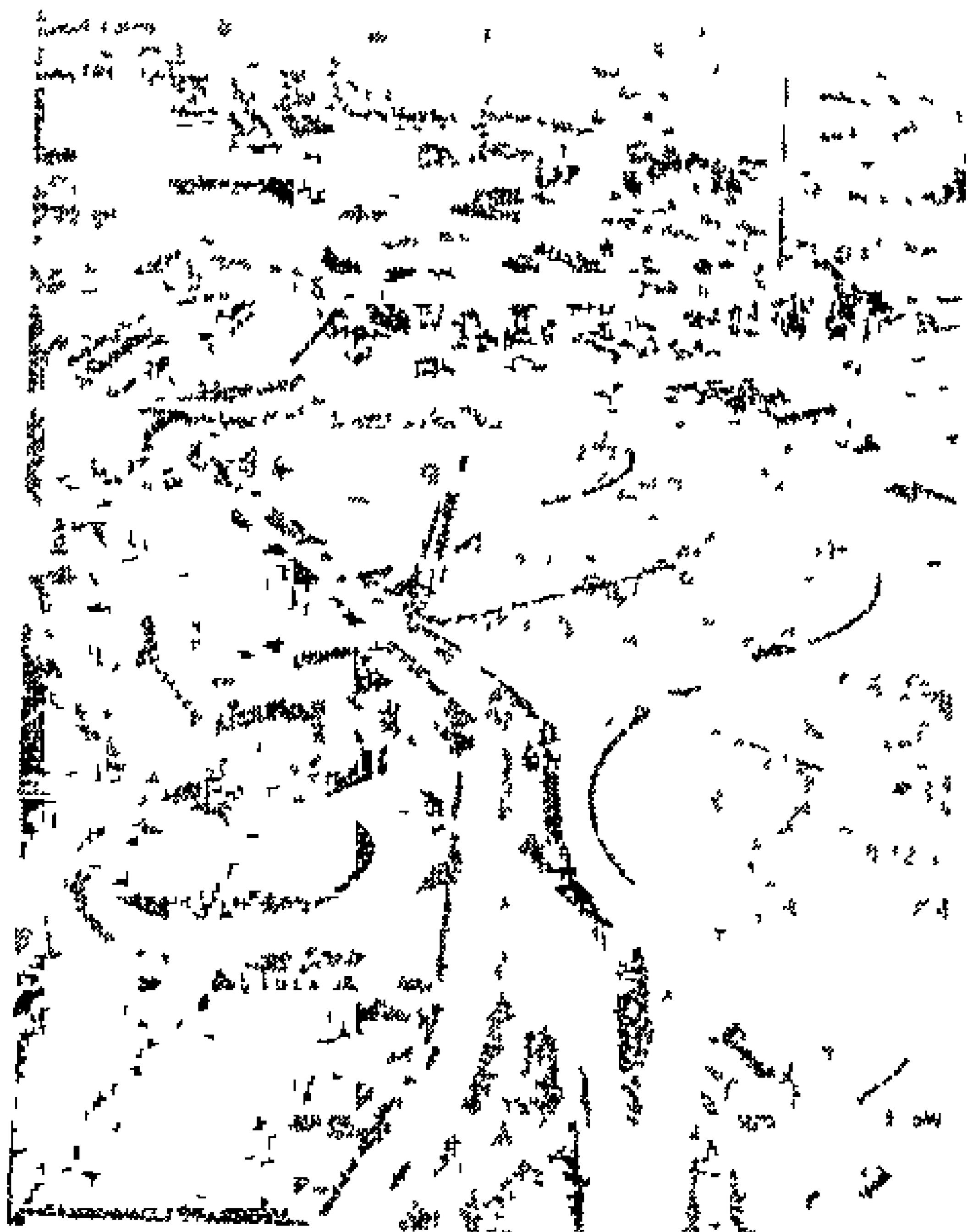
The effects of lower grade on distributable earnings could be partly offset during the next few quarters by a slowing of capex rates.

President Brand That the mine's new planned shaft is expected to cost an eventual R125m — and that does not include the possible cost of rock hoisting equipment — is indicative of the capital cost constraints of establishing new mining operations. South of the mine, drilling of Jo...kerstrust and Du Preez Leger is proceeding and presumably, if the ground is mined mineral rights holder Free State Devels will be compensated by an issue of President Brand shares.

In any event, capex or repayment of loans will be a major constraint on distributions for the next couple of years. An additional constraint will be provision of the mine's R15m contribution to Free State Saai's shaft sinking costs.

Free State Saai Despite lower gold and uranium content of slimes delivered to the JMS profit share advanced substantially to R10,5m from R6,9m. However this was a lower percentage increase than that reported for overall JMS profit.

Though the mine could now more than break even on gold alone, borrowings are still needed to fund the new No 3 shaft. Loan facilities of R30m have been granted in equal proportions by Anglo and President Brand. If Anglo exacts the same loan repayment terms as it has for the continued funding of Selebi-Pikwe (*FM* October



Ergo disappointing distribution

19), repayment will take precedence over dividends. On this basis dividends are still at least a year away.

Welkom Though JMS profit advanced 58,7% last quarter, Welkom's profit share was almost six times as great as in the June quarter — and that on essentially unchanged slimes deliveries. It serves to underline the strange accounting methods adopted for the JMS and the hazards of attempting to project likely earnings shares by each of the participants.

Though JMS uranium sales are subject to the provisions of the Atomic Energy Act, shareholders might well ask why earnings share-outs are so volatile and reasonably expect an answer. During the current 12 months with completion of President Brand's uranium plant, Welkom's full uranium potential should be reached. And if gold does no more than average $380 during the period dividends totaling at least 100c could be paid.

Stilfontein The 85%-owned uranium slimes treatment facility is on stream and fast approaching full capacity.

By next quarter capex should slow down, accompanied by an earnings contribution from uranium. Meantime though gold milling is below rated plant capacity, it appears to have stabilised. 57,3c per share has been retained from the first three quarters' operations and following the 35c interim, a solid final should be possible.

Buffelsfontein Planned capex of R25,6m is in prospect for the remaining three quarters with continued sinking of the Strathmore shaft. Once this is finished, mining operations should be more flexible, though this will probably be preceded by some relatively heavy development costs as further working places are established in the Lucas Block.

West Rand Cons The gold recovery drop is described as "serious", indicating the lower yield was not planned. On that basis flexibility of gold operations could be seriously impaired while there are no great prospects of better uranium prices for the next year or so.

Exploitation of Luipaardsvlei continues to make good progress. But that is hardly likely to help the mine back to profitability for the next couple of quarters. Despite State Aid the last three quarters have reported operating losses and though a 7,5c interim was paid it is difficult to see how a meaningful final is possible unless management expects a substantial near term reversal of results.

St Helena Neighbouring President Brand's R125m estimate for a new shaft to exploit adjacent ground does not augur well for distributions if a new shaft is needed on the Ongegund extension.

Recovery grade is steadily declining as mining emphasis shifts towards the south, and it will not be surprising if a grade drop to 8 g/t occurs during the next four quarters. However the mining of readily-available ore coupled with increased mill throughput resulted in unit cost increasing by only 1% last quarter. And this is a pattern that should be maintained as toll milling of Unisel's ore builds up.

Kinross Bullion's advance has resulted in an unexpected lowering of recovery grade as the mine extracted lower grade readily-accessible ore in order to contain costs in the face of increased development rates. But if sampling results from the No 2 shaft area are anything to go by, recovery yields should soon show signs of improvement.

The mine is operating at full mill capacity, though at current gold prices it should be attractive to expand capacity to cope with an early extension of operations in the north of the mine.

Vinkelhaak: Capex of about R9m is likely to be incurred over the next couple of years but, judging by the fact that available earnings are being almost fully distributed, there appears to be no urgency to establish operations beyond the eastern boundary. In any event, Bracken's life is now in excess of three years, meaning there is little need to produce additional ore to maintain mill throughput at that mine

Mill throughput and reported recovery grade are being maintained, though it should be remembered that group policy, insofar as possible, is to report steady operations

Leslie: At current gold prices, shareholders could soon see the effects of life extensions with lower grade ore At $280 gold, proven reserves have doubled to 3,2 Mt grading 4,6 g/t, equivalent to three years' operations at current milling rates But that ignores the potential of low-grade ore in the western part of the lease area and in the prospecting area beyond the mine's eastern boundary

Recovery grade is likely to fall from last quarter's 3,8 g/t, but there is now scope for containing or even reducing unit costs by increasing mill throughput to the rated 136 000t monthly capacity

Bracken: Based on $280 gold, proven ore reserves have been increased to 2,5 Mt grading 5,7 g/t, sufficent to sustain mining for at least another three years. Even so, major life extensions with advancing bullion are not necessarily likely. Mill throughput is level-pegging Though, from a cost control point of view, there is every incentive to mine readily accessible low-grade ore, overall reserves are insufficient to support a balanced mining programme based on substantially increased mill throughput Most likely is that Leslie will increase production of low-grade ore and deliver it to Bracken's mill.

Grootvlei: Kimberley reef sampling is increasing steadily in line with plans to establish a sounder ore reserve position Though last quarter saw mill throughput advance, the increased development rate helped boost unit costs by 8,8% to R18,69 last quarter Reported gold recoveries have reverted to a more sensible level following the June quarter's abnormal rise And, over the next few quarters, recovery will probably fall below 4 g/t

Even so, with retentions of 24,2c per share during the first three quarters a final of at least 50c seems possible

Marievale: Gold recoveries now depend on the vagaries of dump grades And, despite bullion's advance, there is no indication that undergound operations can be extended or, indeed, that anything is being done about locating additional underground ore It may just be possible to repeat the 40c interim at the year-end

South Rood: Management reports that development costs should decline this quarter However, development is still needed to open up higher grade Kimberley reef east of the Gauff shaft

Just how soon shareholders will receive dividends remains to be seen But I understand that, at the time control changed, the company agreed with JCI/Randfontein that independent mining operations would be for a limited period only Thereafter, South Roodepoort will, I understand, cede its mineral rights in exchange for participation in any mine JCI may decide to establish on the property

Jim Jones

Huge battle for control of gold giant

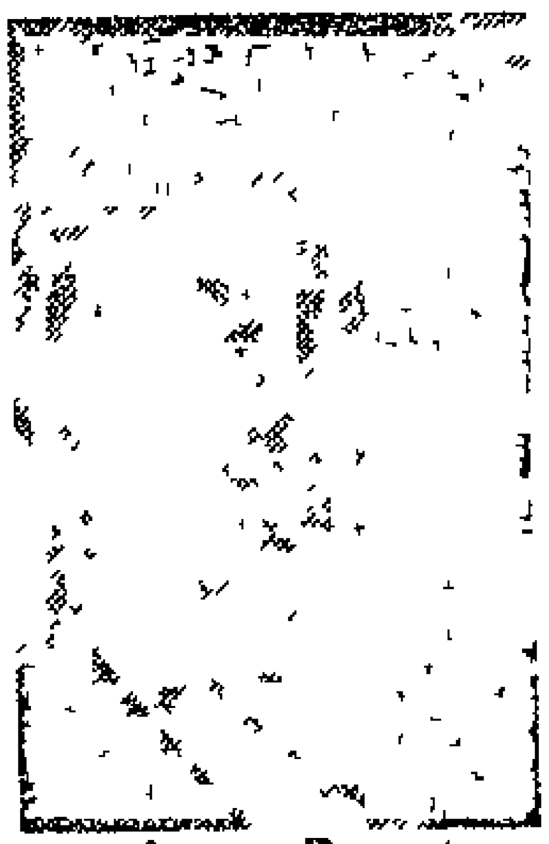
Star

By Colin Campbell, Deputy Financial Editor

A R1 000-m takeover battle for one of the world's largest international gold groups is being fought out on the London and Johannesburg stock exchanges.

The target of the battle is Consolidated Gold Fields, which owns 46 percent of the South African Gold Fields group

In the past three days almost R166-million had been added to the market worth of Cons Gold on the London stock exchange as the rumours of a massive bid have mounted



Anton Rupert of Rembrandt

Fred du Plessis of Sanlam

According to London sources South African interests have picked up nearly four million shares in Cons Gold in an attempt to wrest control of Gold Fields of South Africa from foreign to local hands

The consortium, according to The Star's London financial correspondent, include Dr Anton Rupert's Rembrandt, and Sanlam, headed by Dr Fred du Plessis, and General Mining However none of the companies was available this morning for a definitive comment

The Anglo American Corporation is also reported to be in the fight to prevent the control of the Cons Gold-GFSA axis falling into the hands of a single dominant group

London sources suggest the international oil giant Shell is also building up an interest

A spokesman for Consolidated Gold Fields said in Johannesburg this morning "We have no knowledge of the rumours concerning share purchases

"As you will appreciate, share deals have to go through transfer offices, and it is days before it is known who the purchasers are"

Any further comment would have to come from London, the spokesman

...processes is essential, and the dive...

...from the procedures for looking at costs, where the conclusions are left largely to intuition, to highly complicated processes which present more or less clear-cut solutions. For these more precise methods, most of the value judgements have to be made explicitly in advance. Some points on the spectrum between these two extremes are analysed below.

.3 Looking at Expenditure

asically, one is looking for inconsistencies. It was noted that a gical axiom, basic to economics, is that a rand should yield approximately the same value in whichever programme it is spent. If the net cost benefit from the marginal expenditure on one programme much exceeds hat on another, one can do better by withdrawing funds from the second rogramme and increasing expenditure on the first. By simply looking at breakdown of the budget between programmes, the amounts spent on each be compared with our intuitive notions of how much 'ought' to be spent n these things. Our judgement will depend on what we consider the benefits of expenditure under each programme to be, a process which cost-benefit nalysis seeks to formalise (see below). For example, if it can be shown at expenditure on preventive medicine constitutes approximately 2% of all enditure on health, 11 it may be felt that the benefits from this kind provision warrant an increase in the share of the budget allocated to it.

...timately, such intuitive processes can pick out only the grossest incongruities which are recognised by all, whatever criteria of 'value' are ed. The optimum level of expenditure on a particular objective is, rom the point of view of intuitive judgement, highly uncertain, because of e wide variation in benefits attributable to a particular type of spend-

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* Added to test scoring method

added The London office told The Star's London bureau "We have heard these rumours before All we can say is that we have had no approach from anyone"

'Good fun'

Gold Fields of South Africa controls some of the country's most important gold mines, including West Driefontein and East Driefontein In addition, GFSA has important stakes in tin mining in South Africa and in coal.

Gold Fields' parent, Cons Gold, has mining interests in Australia, Canada and the United States

Stock exchange rumours that Cons Gold is up for a bid caused share price flurries in late 1978, and again in February this year But in recent weeks stock market interest has again flared up which has excited both London and Johannesburg investors

Mining specialist James Capel said this morning, "At the moment, it's all good fun — but whether it comes to anything is another matter If you believe there is substance in the rumours you hold on If you don't then you sell"

● On the JSE this morning Cons Gold put on another 35c to 820c a share. Yesterday it posted a 55c gain and over the last week has risen from 725c, suggesting that the market at least believes something is on the go.

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SUNDAY TIMES, Business Times, November 4, 1979

Grades go down as gold price goes up

By ANDREW McNULTY

INVESTORS who assume that a soaring gold price will mean commensurately rising profits and dividends from gold shares, should remember that a higher metal price will only add impetus to a downtrend in recovery grades.

The September quarterly gold results carried the loudest portent yet on future directions that gold grades can be expected to take — with few exceptions, all downwards

Few did not lower their grades last quarter The industry average has now moved down from 8,37 g/t in the June quarter to 7,17 g/t in the September quarter

The following are among mines which look interesting on the basis of grade or lengthened life

● **Kloof** is growing increasingly attractive

There is little scope here for selective mining necessary for a reduction in grade as this mine is now heavily committed to longwalling

The installation of a second set of longwalls has been impeding development but these are now being brought on stream and are likely to result in a slight increase in the June and September quarter's 15,1 g/t

Costs rose by only 3% from R33,57/t to R35,55 compared with the industry average of 7,28%, and the planned milling rate of 180 000 t was achieved in June

Development results have not been particularly exciting but the mine is long life Planned capital expenditure for the year is well in hand and will not have a major impact on profits

At its current price of 2 300c the share yields a historical 4,8%

Some improvement in the June year's total dividend of R1,10 is likely, bearing in mind that the interim (30 c last year) is generally conservative

● **Western Deep Levels** bears a risk discount because of the hazards of its great depths, varying from 2 290 metres in the north to 3 800 metres in the south, but is a sound investment becoming more favourable

This is a long life mine and an increase in grade looks likely in the short to medium term

Encouraging development values are being obtained from the Carbon Leader Reef, where the mine is now drawing nearly 75% of its gold

Grades fell from 15,9 g/t five years ago but recovered in the past four quarters moving over 13,5 g/t, 14,0 g/t, 14,7 g/t, and 15,5 g/t

This trend could continue as workings are moving deeper and further from the less rich Blyvoor workings in the north but it should be borne in mind that it will also be increasingly difficult to hold working costs, which rose by 7,8% to R38,96/t last quarter

Capital expenditure in 1979 is R77-million and gold-related spending will restrain dividends

However the extension to the uranium plant will boost profits from early next year

The June interim was up to 95c (65c) and a final of at least R1,10 can reasonably be expected

● **Grootvlei** may lower its grade slightly but is interesting as a mine which no longer warrants the marginal tag

While its life was about two to three years in 1975, this has now been extended to at least 10 years, and a drilling programme in the north may further extend this

If the probe is not successful, its life will be limited by whether or not the gold price remains high enough to justify installation of pumping equipment needed to stem the rising water level

Costs are among the lowest in the industry at R18,69/t and as a low yield mine — 4,2 g/t last quarter — its profits are highly sensitive to gold price fluctuations

Net earnings have risen sharply this year enabling an interim of 36 c (16 c) and prospects are good for a final of around 55 c

● **Kinross** is gaining new attention as it is overcoming water problems that were slowing development from the new No 2 shaft, where there are grounds for optimism that this ore will increase the average grade slightly with benefits accruing from 1980

In the final September quarter, grade was down at 5,8 g/t (6,2 g/t) and costs were a reasonable R21,49/t (R20,78)

A final dividend of 42 c (32 c) was declared for a total 72 c (55 c)

Capital expenditure for the current year should be about the same as the past year's R1 081 000 and at a gold price of $350 the 1978/80 dividend should easily exceed the past year's pay-out

● **Southvaal**, whose earnings consist of 55% of net revenue from the South Lease area of Vaal Reefs, looks likely to benefit from a maintained grade in the next few quarters

The grade may even increase slightly as a result of increased efficiencies in the milling plant, where throughput built up to 707 000 t in the September quarter

In addition the new Vaal Reefs South uranium plant is now at capacity of 240 000 t/month with a major impact on uranium revenue

Most analysts expect a handsome dividend from Southvaal in December and more in 1980

● **Harties** is another mine which has scope to benefit from a higher grade resulting from milling efficiencies

Although grade rose marginally in the last quarter to 11,5 g/t (11,2 g/t), this was offset by disappointing costs of R42,75 (R37,72) which arose partly from lower milling rates

With the combined Harties and Zandpan ore potential, current annual throughput of 2 885 000 t should rise eventually to 3 100 000 t

Gold yield will drop in the longer term but there will be rising earnings from uranium, which doubled in the past year

● **President Steyn** has so far disappointed in its grade as it has failed to reach its targeted 8 g/t, recording a fall from 7,3 g/t to 6,5 g/t in September

Tonnages have steadily improved to 972 000 t last quarter and costs were maintained at R27,90 (R27,22), enabling a final dividend of 117,5c (50 c)

Taxman pounds owners of gold mines

Here is how they have fared

	% change (1979 over 1976)	1979*	1978	1977	1976	1975	1974
Tonnage milled (m)	+7,6	82	78	75	76	74	75
Kg produced ('000)	+0,3	704	691	688	702	708	759
Grade (g/t)	—9,2	8,36	8,85	9,22	9,21	9,42	10,03
Working revenue (R per ton)	+92,2	60,60	52,71	39,96	31,53	34,45	34,70
Working costs (R per ton)	+50,4	29,02	27,14	23,87	19,30	16,71	13,18
Working profits (R per ton)	+158,2	31,58	25,57	16,09	12,23	17,74	21,52
Total profit (R millions)	+154,0	2 687	2 072	1 264	1 058	1 428	1 642
Tax (R millions)	+214,1	1 244	937	477	396	629	813
Tax as a % of total profit	—	46,3	45,2	37,7	37,4	44,1	49,5
Capital expenditure (R millions)	+55,2	582	448	430	375	290	196
Dividends (R millions)	+140,9	790	547	339	328	523	566
Dividends as a % of total profit	—	29,4	28,4	26,8	31,0	36,7	34,5
Dividends as a % of tax	—	63,5	58,4	71,1	82,8	83,1	69,6

*Annualised on 6 months figures.

By JOHN SPIRA

THE OWNERS of South Africa's gold mines are suffering severely at the hands of the taxman and the position is getting worse as the gold price rises.

This is revealed by the figures in the accompanying table, drawn from a special analysis by Business Times of official statistics covering the last five years.

Shareholders have every reason to feel aggrieved. Not only are they playing second fiddle to the Receiver when it comes to taking a slice of gold earnings, they also pay tax on their dividend income.

Since the Treasury's tax receipts are running well ahead of Budget estimates a strong [illegible] ingful reduction in gold mining tax.

The accompanying table highlights the secondary role which shareholders are being forced to take in what is, after all, their property.

It reveals that the proportion of gold mining profit going to the Receiver has been rising, while that going to the shareholder via dividend income has been falling.

In this table, the figures for 1979 have been derived by annualising the Chamber of Mines statistics for the first six months of the year.

They will accordingly be well below the final data for 1979 in view of the sharply higher gold price ruling during the latter part of the year to date.

The 1979 adjusted figures do [illegible] vement in the dividend position of shareholders but until the statistics for the full year are available, the annualised data must be regarded with a degree of reservation.

Dividends as a percentage of total profit were 35 in 1974. There was a marginal rise to 36,7 in 1975 but thereafter it was downhill all the way, with a low of 26,4 last year.

Taxation and Government's share of profits as a percentage of total profit presents a contrasting picture. The figure declined from 49,5 to 44 between 1974 and 1976 but thereafter it was uphill all the way, peaking out at 45,2 last year and 46,3 on the annualised 1979 statistic.

The relative position of the taxman on the one hand and the shareholder on the other is encapsulated in the calculation of dividend declarations as a percentage of tax payments.

This percentage has dropped steeply from a high of 83,1 in 1975 to a low of 58,4 last year. The gain reflected in the annualised 1979 figure is marginal.

Of particular significance is the adverse impact on the capital expenditure of the gold mines which has resulted from their growing tax burden.

Between 1976 and 1979, tax payments by the gold mines rose by a staggering 214,1%. In the same period the mines' capital expenditure was a relatively meagre 55,2% higher.

The implications of this comparison are that the gold mines are having to curtail expansion because of the vast sums of money which have to be set aside for tax payments.

There can be little doubt that more would be spent — especially in the field of exploration — were they obliged to pay less tax.

It can further be said that by hampering gold mining development via high mining tax the state is curtailing the future potential of the country's largest asset.

Treasury officials have no doubt received many deputations over the past several years, drawing their attention to the various drawbacks inherent in the system of gold mining tax.

Their retort has been that the Exchequer needs the funds to finance the state's many commitments — an argument with which one could not cavil in times when tax receipts were at a level a good deal lower than they are at present.

Today, however, this standpoint contains a lot less conviction. Tax receipts are substantially higher than even the most optimistic of Treasury officials could have bargained for, while Pretoria's policy of participating to an increasingly smaller degree in the country's economy means that less revenue is required by the state.

Therefore a favourable review of gold mining tax in next year's Budget is on the cards — a change which would be welcomed with open arms by the gold mines, their shareholders and the country as a whole.

The column on the extreme left of the table shows the percentage change in the relative statistics between 1976 and 1979. The year 1976 was chosen as the base year since it was in that period that gold mining fortunes bottomed out following a buoyant 1974.

These percentages underline the tug-of-war being waged between shareholders and the Treasury.

They also bring to light the following:

- The degree to which the gold mines have benefited from the strength in bullion — in spite of costs which have risen by 50,4% in the past two-and-a-half years.
- That grades have been steadily declining (see Business Times, November 4).
- That production has remained fairly static.

by 1970, this figure had decreased to 15,7%, indicating that the whites had improved disproportionately to the 'coloureds'. Similarly, for children 1 to 4 years of age, during the period 1941 to 1970, the white mortality experience as a percentage of the 'coloureds' had decreased from 15,2% to 7,1%. It should be noted that the 0 year age specific death rates are higher than the corresponding IMRs. This is because the denominator for the former is the number of live births whilst for the latter it is the mid-year populations under one year of age.

Fig 4 provides an indication of the proportional contribution of selected causes of death to the overall mortality experience of the white, 'coloured' and African communities.

... 1929 to 1970 the whites have shown a changing spectrum

Rumours send Cons Murch soaring

S. Times 11/11/79

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RUMOURS of an increased importance in the contribution from gold earnings are among factors fuelling the share price of Consolidated Murchison, which has moved up by 120% since January to reach a high of 830c this week.

By ANDREW MCNULTY

The price has lifted sharply in the past fortnight — rising by 100c in the past 10 days — largely on market expectations of higher earnings in the fourth quarter.

The company reported only fair results in the September quarter but the results are seasonal — highly dependent on shipping — and the prime reason for the heightened interest is belief that consolidated year-end accounts reflecting complete shipments will show far better profits.

Boosting these short-term expectations are rumours on gold.

They are not completely unfounded.

It was announced in the annual report for the year ending December 31, 1978, that a plant to recover gold concentrates from the slag produced by Antimony Products (Pty) was being erected and due to be commissioned in the third quarter of 1979.

Progress on this plant, or its full significance, was not mentioned in subsequent reports.

The chairman, Hugh Dalton-Brown, tells Business Times that a decision has since been taken to extend this plant beyond its original design and it will now produce gold as a final product.

He declines to elaborate on quantities or the new commissioning date, so the eventual impact on earnings is difficult to assess, and should not be taken too seriously at this stage.

But clearly the mine's earnings will be responsive to the gold price at current levels.

Capital expenditure, scheduled at R3-million for the current year, will not be significantly affected.

Spending so far has largely been on deepening the Beta shaft and grades — not disclosed — have been nothing out of the ordinary.

World markets for antimony have firmed over the past 18 months, rising from £2 593 a ton a year ago to the present £3 155 a ton.

"The demand is there and we have no difficulty selling. The trouble is we still have to sell at world prices which are a long way from what we would call reasonable," Mr Dalton-Brown says.

Fundamentals point to a stronger price but the metal has behaved similarly to copper, not rising to expectations.

With a stockpile of about 7 000 tons, the mine is in a healthy position for a further hardening in the price.

Working costs have been substantially held over the past two years but Mr Dalton-Brown warns of an increasing impact from higher diesel costs as well as from electrical costs with new metallurgical plant coming on stream.

A leading analyst says there is still room for upward movement in the share price. The market is looking for a final of at least 70c this quarter for a total 100c, which at 830c yields 12% compared with nil last year.

Longer term considerations will depend on the facts of the future contribution from gold. The vulnerability of the antimony market to a recession in the US and Europe should also be borne in mind.

Clearly, the broad diagnostic categories used in this analysis conceal a certain amount of information. However, because of the changes in disease classification which have taken place since 1929, it is not possible to examine the temporal changes of mortality rates in greater detail. Disease categories with rates greater than 5/1 000 appear in italics in Table II. It will be noted that the mortality experiences of the 'coloureds'

(iv) Proportional Mortality, accounted for by specific conditions.

(v) Expectation of Life. This was calculated both at birth (e_o) and at 45 years of age (e_{45}) for both males and females. It expresses the <u>average</u> number of additional years an individual would be expected to live beyond birth and 45 years.

For Africans, the proportional mortality was the only index calculated.

RESULTS

The infant mortality rates (IMR) and standardised mortality rates (SMR) for whites and 'coloureds' are provided in Fig. 2 and Fig. 3. Whilst

The imbalance between the age specific mortality rates of whites and 'coloureds' has improved or remained constant for persons between the ages of 5 and 64. However, for children less than 5 years of age, the gap between whites and 'coloureds' is widening. In 1941, white children under one year old experienced 28,0% of the mortality of 'coloured' children;

Gold price may take grass off mine-dumps

STAR 15/11/79

Star 15/11/79

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By James Clarke

The grassing of gold mine dumps — essential in keeping down the notoriously unhealthy mine dust and river-polluting acid — is coming to a standstill on parts of the Rand

The mines' 20-year-old, R50-million programme to turn dumps and slimes dams into green hills has created worldwide interest. It has also been spectacularly successful.

Rand Mines Properties, the biggest owners of mine land around Johannesburg, have grassed 80 percent of their dumps and plan to complete their programme.

But some other mine properties, especially on the East Rand, have stopped.

They are thinking of covering their dumps with a skin of concrete.

A spokesman for RMP said that grassing was beyond question, effective and "from the human point of view was the most aesthetic method."

He said wildlife was returning to formerly sterile areas and trees were being successfully grown even on top of slimes dams.

Mr Mike Zingel of the Turfgrass and Revegetation Research Association said he had heard that the price of gold might be the reason for the slowing down in the programme.

Mine dumps can have up to nine-tenths of a gram of gold a ton left in them. It might become worthwhile reprocessing some of the older dumps in years to come and biological material might make this more difficult.

IV DISEASES OF BLOOD AND BLOOD-FORMING ORGANS

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,02	0,03	0,20	0,21	0,06	0,16	0,06	0,06

VI DISEA[SES]

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,52							
1-4	0,05							
5-24	0,03							
25-44	0,03							
45-64	0,07							
65+	0,18							
ALL	0,06							
NO.	128	85	26	23	289	164	366	187

VII DISEASES OF THE CIRCULATORY SYSTEM

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,51							
1-4	0,05							
5-24	0,07							
25-44	1,09							
45-64	9,75							
65	42,19							
ALL	4,70							
NO.	9752	7926	1135	804	3114			

VIII DISEASES OF THE RESPIRATORY SYSTEM

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	2,90	2,22	7,81	4,85	32,20	28,78	13,54	14,15
1-4	0,22	0,28	0,90	0,69	5,32	5,45	2,46	2,13
5-24	0,05	0,06	0,17	0,11	0,21	0,23	0,18	0,16
25-44	0,20	0,12	0,37	0,33	0,94	0,72	0,66	0,52
45-64	1,46	0,92	3,33	1,85	4,88	2,14	2,75	1,72
65+	11,52	7,89	16,51	13,42	20,07	10,49	9,32	6,19
ALL	1,12	0,97	1,22	0,79	2,87	2,22	1,37	1,24
NO.	2336	2019	430	282	3270	2588	2858	1951

Goudmyne kan 80% meer betaal

Rapport 25/11/79 (214)

DIE tempo van styging in die dividende van goudmyne gaan waarskynlik nog verder versnel wanneer 'n groot aantal myne binnekort hul tussentydse en finale dividende vir die ses maande geëindig 31 Desember vanjaar gaan verklaar. Dan eers sal die volle voordeel van 'n gemiddelde goudprys van ongeveer 390 dollar per ons duidelik waargeneem kan word.

Die land se goudmyne kon oor die afgelope jaar spog met 'n gemiddelde dividendstyging van meer as 70 persent, en selfs op die konserwatiewe aanname dat die goudprys vir die Desember-kwartaal slegs 350 dollar per ons sal wees, kan die Desember-dividende nogtans 80 persent meer wees as 'n jaar gelede.

Die gemiddelde goudprys tot dusver hierdie kwartaal is 390 dollar per ons, terwyl die gemiddeld vir die jaar tot dusver slegs 292 dollar is.

Al sou die goudprys dus volgende jaar slegs 'n gemiddeld van 400 dollar handhaaf, gaan die goudmyne nog steeds sterk dividendgroei in 1980 toon.

Teen hierdie agtergrond gesien, bly die beleggingsmeriete van goudaandele steeds baie goed. Die gemiddelde styging in die pryse van goudaandele die afgelope jaar was ongeveer 80 persent — net 'n raps meer as die tempo waarteen dividende gestyg het. Die nuwe belegger wat selfs op hierdie laat stadium nog sou besluit om goudaandele te koop as daardie mense wat reeds 'n jaar gelede 'n puik belegging in goud gemaak het nie.

Staatshulp aan die goudmyne het ook 'n laagtepunt bereik en Wes Rand Cons., wat hoofsaaklik 'n uraanprodusent is, is die enigste genoteerde goudmyn wat nog hulp nodig het met sy goudproduksie.

ERPM en Durban Deep wat tot onlangs nog swaar moes steun op staatshulp, betaal nou al weer albei belasting en kan aan die einde van Desember selfs puik dividende verklaar. Ons raam ERPM se dividend op 60c per aandeel en dié van Durban Deep op 80c Die Amerikaners is veral lief om in die twee grensmyne te spekuleer.

Marievale kan ook weer 'n baie goeie dividend verklaar, maar die myn staan nou vinnig einde se kant toe en beleggers moet hulle nie laat mislei deur die oënskynlike hoë dividendopbrengs nie. Die Desember-dividend sal waarskynlik die laaste van die groter dividende wees.

Randfontein het onlangs bekend gemaak dat die graad van 'n groot deel van sy ertsreserwes nie so ryk [illegible] meen is nie, maar nogtans is die direksie optimisties dat die September-kwartaal se verdienste in Desember gehandhaaf sal word.

Dit sal na ons mening die myn in staat stel om 'n finale dividend van 350c per aandeel te verklaar om die totaal vir die jaar 600c te maak. Dit is 'n goeie opbrengs op die huidige prys van 5800c per aandeel, maar die meeste beleggers wil blykbaar nog eers meer duidelikheid oor die toekomstige graad van erts hê voordat hierdie aandeel weer iets van sy ou gewildheid sal herwin

Southvaal verklaar vroeg in Januarie volgende jaar sy jaarlikse dividend en dit kan hoog wees Die maatskappy ontvang sy inkomste van Vaal Reefs en is in die gelukkige posisie dat dit gewone maatskappybelasting betaal, pleks van die heelwat hoër goudmynbelasting

● Die tabel toon ons skattings van wat die Desember/Januarie-dividend kan wees vergeleke met wat vir dieselfde tydperk verlede jaar betaal is

Die laaste kolom toon die totale dividend vir die afgelope twaalf maande Die gemiddelde dividendopbrengs is nog steeds bo 8,5 persent

Verwagte goudmyndividend Desember/Januarie

Myn	Projeksie Dividend Jan/Des	Verlede jaar	Totaal afgelope 12 maande
Blyvoor	80c	40c	145c
Buffels	150c	80c	270c
Doornfontein	30c	20c	70c
Durban Deep	80c	50c	120c
Oos Drie	120c	75c	175c
ERPM	60c	10c	70c
Grootvlei	45c	22c	81c
Hartebees	260c	110c	540c
Zandpan	44c	18c	93c
Kloof	80c	30c	160c
Libanon	70c	50c	170c
Marievale	40c	38c	80c
Randfontein	350c	250c	600c
Southvaal	130c	57c	130c
Stilfontein	70c	50c	105c
Vaal Reefs	270c	180c	460c
Venterspos	40c	15c	70c
West Drie	275c	200c	690c
West Areas	35c	12c	47c
Elsburg	22c	7 8c	29 6c
West Deep	190c	82,5c	245c

-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
0,32	0,83	0,67	0,55	0,67
113	942	785	1143	1075

Mining can pay for Govt's new policies

KOM 29/11/79

RDM 29/11/79

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By ADAM PAYNE

BECAUSE of the enhanced earnings of gold and coal mines, and the large tax payments from them, funds will be available to the Government to implement policy developments it has advocated and which are so vitally necessary, says Mr Tony Petersen, chairman of Transvaal Consolidated Lands

These developments include the lifting of limitations on both job opportunities and living conditions for blacks, he says in his review for the year to September 30

Apart from comments on the improved economic outlook and on the need to remove restrictions on coal exports, Mr Petersen makes a bold prediction that TC Lands profits will improve in the current year in a similar way to the performance last year when they rose 26%.

Turnover in the past year increased by 47% and Mr Petersen looks forward to a good performance this year with a further increase in dividends

He says better coal sales — particularly exports — resulted in higher revenue in the past year than he had expected

Earnings from the interest taken over from Cape Asbestos were considerably greater than the full year's dividends from the company's interest in Rustenburg Platinum Holdings, which was used as part-payment for the acquisition

Because of an oversupply of Transvaal chrome ore, the company's chrome-mining subsidiaries recorded considerably lower profits than in previous years

He expects chrome to remain in the doldrums, although a small improvement in the contribution from this sector should occur.

In other fields — gold and coal — record profits were earned and he expects greater dividends from gold mines this year than last

The company will benefit from the inclusion of earnings from the Rietspruit export colliery for the whole year and by the start of earnings from the first stage of supply to the Duvha power station.

Rietspruit operated at a much higher level of output than originally planned The mine railed about 2 600 000 tons of processed coal to Richards Bay and shipments are expected to increase to 4 800 000 tons in 1980, and a positive cash flow is expected in 1981

Duvha's annual cash flow is expected to be positive from 1980 onwards

However, Mr Petersen warns that the effects of oil price rises on coal mining will only be felt for a full 12 months in the current year

On uranium, he refers to the slowdown in nuclear development but says matters will change when the reality of the world's energy problem is finally accepted and nuclear power plants are built at the required rate

FM 30/11/79

(214)

ANGLO AMERICAN

Gold's impact

With a first-half consolidated earnings advance to R148,3m (R112,7m) and a marginally reduced 2,68 times interim dividend cover (2,82 times), Anglo is clearly confident of maintaining dividend growth and funding new capital projects.

During the year to March 31, on a $200 price base, gold dividends contributed R82m to the group's R220,6m consolidated investment income. During the first six months of this year, gold averaged $249 — the price on which most of Anglo's first-half gold dividends would have been based. So it is probably safe to estimate that gold dividends provided over R50m of first-half pre-tax income.

The majority of Anglo's gold holdings contribute their normally higher final dividends in the group's second half. And they will be finals based on a September quarter gold price average of $316, a $390 average thus far this quarter and a price which appears to have at last solidly broken through the $400 barrier. Everything thus points to golds weighing in with something like R120m this year.

The second half also sees the fat end of the De Beers dividend. It weighed in with 20c at the interim stage and is likely to contribute a further 50c this half. But De Beers' dividends give every appearance of being relatively stodgy next year, so any major improvement in Anglo's diamond-sourced income will have to come from the diamond trading companies. Not that the group's other interests are slouching along, but after taking out minorities' interests, particularly those holding 48% of Anamint, at the taxed attributable level, golds will probably provide just over 50% of this year's earnings.

On the safe assumption that gold maintains its current level for the remainder of 1979, Anglo should report total earnings of about 130c following the first half's 53,6c. Traditionally, the group has covered its dividend just less than twice, so a final of at least 45c seems likely.

Much, of course, depends on how Anglo sees its new project funding requirements. Despite drilling something like 40 exploratory holes in the OFS, the group has yet to announce a new mine near Union Corp's Beisa. Reef structures on Anglo's ground are complicated with, I understand, some major folding blurring the geological picture. I also understand that the house is still doubtful whether it has sufficient reserves to establish a mine, though it apparently recently turned down a participation offer made by Union Corp to consolidate the two houses' mineral rights.

On the other hand, expenditure in Australia could be set for a major increase, especially if Anglo Australia, which is held as to 37% by Anglo, 27% by De Beers and 30% by Minorco, buys its way into diamond mining operations in that country. And still in the background are possible predatory moves against Cons Gold, though all prospective buyers still maintain a low profile.

At 1 080c the share yields a minimum prospective 6,1% and looks cheap on a two- to three-year view.

Jim Jones

Dividend boost for golds

RDM 4/12/79

214

By ADAM PAYNE

GREATLY increased payments are expected from gold mines declaring dividends this month — most of them double or more than double those declared last December This is not surprising when one recalls that the gold price at the beginning of the year was less than $220 an oz

The average price this quarter is over $390, the average last quarter was $320 and that for the June quarter was $2[illegible]0

Therefore a jump is expected in the December payments, not only compared with those of a year ago but by comparison with declarations in June

However, with the rise in gold-share prices the yields based on dividend projections by one of South Africa's leading analysts, are not as high as they were a few months ago

Some yields remain high

Grootvlei, for instance, is expected to pay a final of 55c (22c) to total 91c, yielding 11,9% on yesterday's share price

East Driefontein is expected to pay 130c to total 185c, yielding 8%

Durban Deep could pay 100c to total 140c, yielding 7,6%

ERPM is forecast to pay a final of 80c, bringing the total to 90c, yielding 5,9%

Stilfontein should do better with a forecast final of 100c bringing the total to 135c, yielding 10,2%

Many eyes will be on Randfontein because of its recent uranium grade problems in the old section The analyst forecasts a final of 350c, making a total of 600c to yield 10,2% which is not unsatisfactory when one considers that the mine's performance should greatly improve in the year ahead

But it could be faced with heavy capital spending on a new shaft, which would inhibit payments

Western Areas, which has a big capital spending programme, is expected to pay 30c, bringing its total to 40c, yielding only 7,55%

The Anglo American Corporation mines — Southvaal, Vaal Reefs and Western Deep Levels — do not declare their final dividends until January The analyst forecasts a final of 140c from Southvaal which paid no interim. This would yield 5,0%

Vaal Reefs is predicted to pay 320c making a total of 510c, yielding over 9%

Western Deeps could pay 180c totalling 275c to yield 8,9%

Among the interim dividend declarations are the Gold Fields of South Africa mines Kloof is expected to pay an interim of 90c, or three times the December 1978 payment The interim was 80c

Venterspost could pay 50c compared with last year's interim of 15c and the final of 30c in June

Libanon should double its interim to 100c, but this figure is no higher than the June final

Doornfontein is also expected to double the interim of last year to pay 40c this year — the same level as the final in June

West Driefontein is forecast to raise its interim from 200c last December to 360c this year compared with the final of 415c

ET Cons provides one of the more spectacular projections for an interim at 50c compared with 15c last December and a final of 35c in June The share has risen strongly in anticipation of good results

Hartebeestfontein should more than double its payment to 250c (110c) This compares with the final of 290c

Interim dividends can vary considerably, according to company policy and considerations, such as the behaviour of the gold price at the time Therefore projections of interims have to be accepted with the qualification that they could be off-beam

Massive new mining project

SA

RDM 5/12/79 (1) 214 (2)

By DON ROBERTSON
Mining Editor

ANGLO American is to spend at least R210-million on two new coal mines in the Transvaal — and Union Corporation might open a new gold mine in the Free State.

These dramatic developments for South Africa's booming mining industry were announced yesterday.

And the London gold price, fuelled by the continuing Middle East crisis, soared to $435 yesterday morning before easing back to $431,20 in the afternoon.

These were the highest gold fixings apart from the $437 level touched at one fixing at the start of October

The Anglo American Coal Corporation (Amcoal) says it will go ahead with two new coal mines to supply two Escom power stations which will be built at an estimated cost of R3 000-million.

The new mines will meet the requirememts of a 460-million ton contract signed between Escom and Amcoal, worth about R4 000-million at current coal prices.

The first mine, New Denmank, near Bethal, will supply the Tutuka power station with about 5-million tons of a coal a year and the second, Cornelia, near Vereeniging, will supply an as yet unnamed power station with 6 500 000 tons a year.

And Union Corporation (Unicor) is planning a R1-million opening investment on a new gold mine south of Welkom.

A statement issued yesterday by Unicor, which is owned by General Mining, said a drilling programme on ground held under option by its subsidiary, Beatrix Mines, had delineated a potential gold mine of medium to low grade ore.

The results of a feasibility study will be known by the middle of next year — and if they are favourable a fullscale new mine is expected.

Unicor will give no further financial details at this stage — but its new Beisa gold mine nearby will cost about R250-million by the time it comes into full production in 1982

The company is also remaining silent on the drilling results

The statement said Unicor would start immediately on the pre-grouting (preparing the ground for shaft sinking) on the farm Leeubult 52, south-east of its Beisa mine and about 20km south of the Unisel mine

Pre-grouting of the site could take up to a year and it is estimated that the cost involved could be about R1-million Should the feasibility study eventually prove that the area is not economical, this would be the only capital expenditure at risk.

● See Page 16

Go-ahead for new mines

RDM 5/12/79

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By DON ROBERTSON
Mining Editor

HEADING off strongly into the 1980s, the mining industry, has announced the possible establishment of a low-grade to medium-grade gold mine, and two coal mines will be started

- Union Corporation is to start immediately on the pre-grouting of the shaft area on the site of a potential gold mine on the farm Leeubult 52, south-east of its Beisa mine and about 20km south of the Unisel mine
- Anglo American Coal Corporation (Amcoal) will go ahead with two coal mines to supply two Escom power stations, which will be built at an estimated cost of R3 000-million

The Union Corporation announcement says that a drilling programme on ground held under option by its subsidiary, Beatrix Mines, has delineated a potential gold mine of medium to low grade

A full feasibility study will be completed by mid-1980, but in the meantime a decision has been taken to begin pre-grounting of the shaft area

The feasability study is expected to take about six months to complete, but the decision to go ahead with the initial development of a shaft suggests that early drilling results are sufficiently encouraging to warrant this bold decision

Pre-grouting of the area could take up to a year to complete and it is estimated that the cost involved could be about R1-million Should the feasability study eventually prove that the area is not economical, this would be the only capital expenditure at risk

However, by making an early start on the project, considerable savings can be achieved because of considerable capital cost increases

At this stage, Union Corp is remaining mum on drilling results Nor is it possible to estimate grades from the nearby Beisa mine as its grades are shrouded under the veil of the Atomic Energy Act — it is a primary uranium producer

It is believed that Beisa will mine the Elsburg series, and it is known that these extend to the south of the mine It is conceivable, therefore, that the Beatrix series of boreholes have proved values on the same reef so that the implication from Union Corp that it is looking at a gold mine only might not be the full story

Since the decision to go ahead with Beisa, interest in the area has increased considerably and the surrounding countryside is virtually peppered with drill rigs

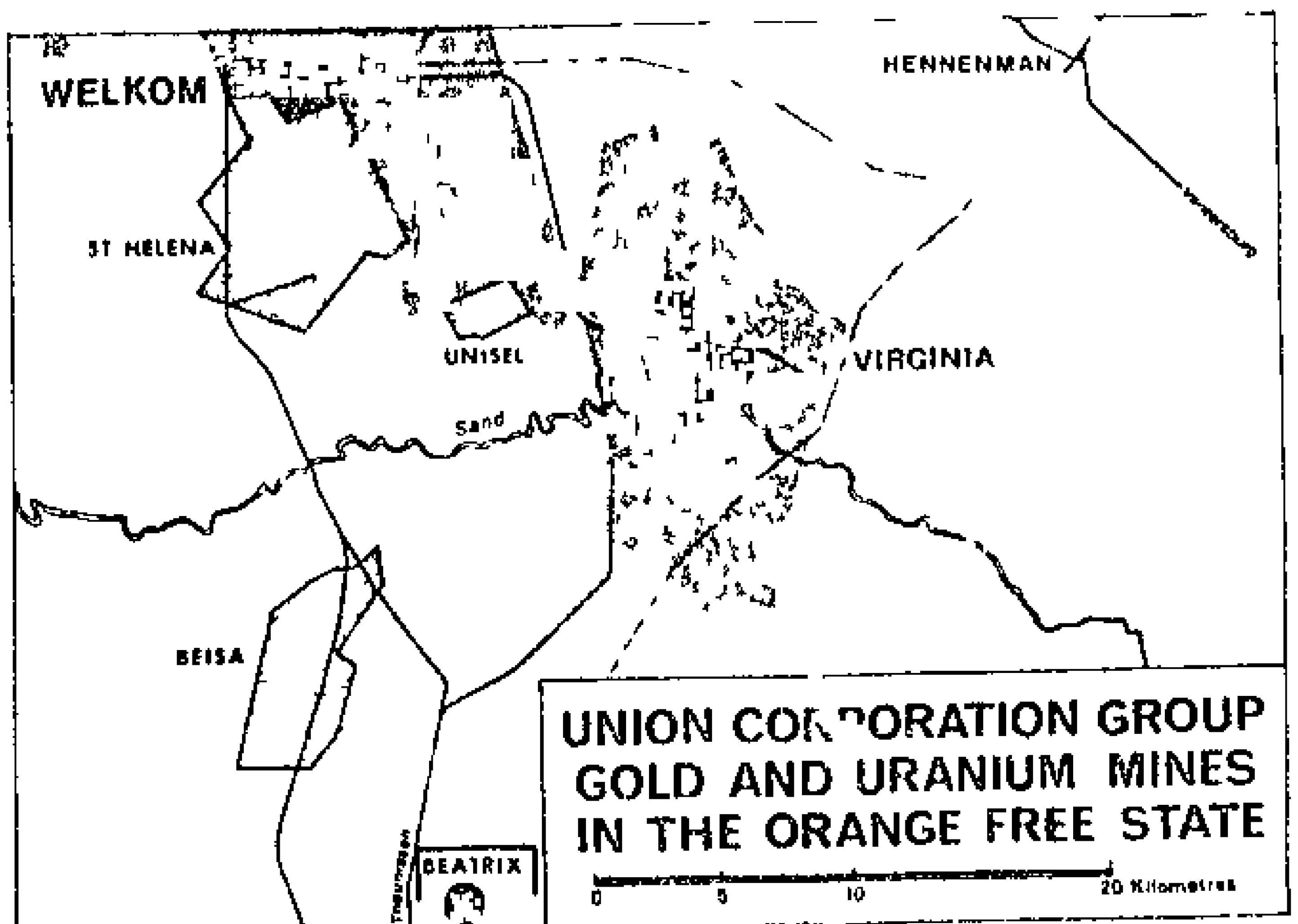
Most enthusiastic of the mining houses involved in the area is Anglo American Gold Corporation, which reported in its last annual report that significant gold and uranium values continued to be obtained

The Besia mine, which is expected to come to full production by 1982 at 100 000 tons a month, is small in comparison with the giants, but will cost R250-million to complete

It would hardly be economic to develop a mine at a milling rate lower than this, and to bring to the production stage in possibly three years, would cost considerably more than Beisa

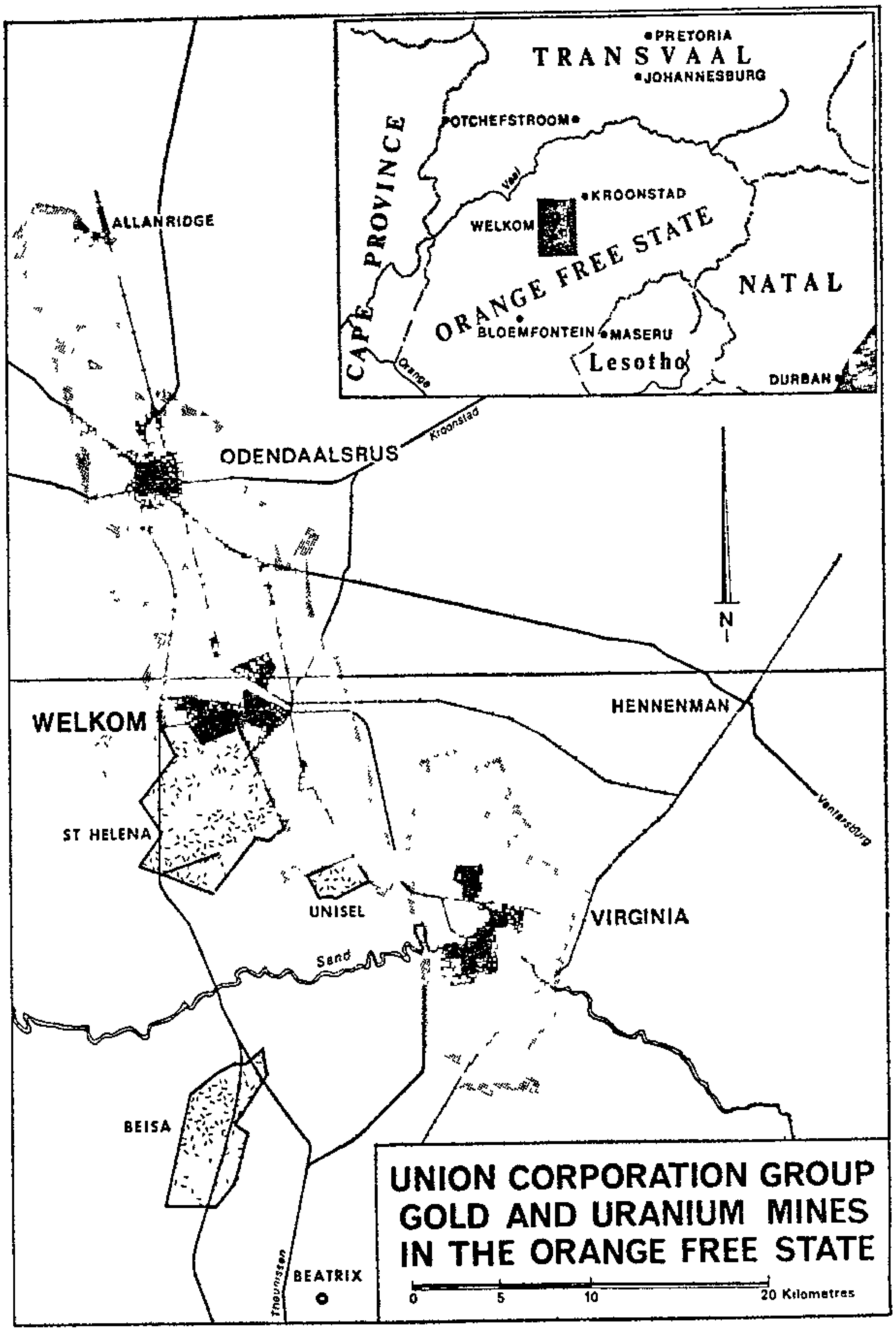
Unconfirmed reports suggest that Beisa's gold grade is between 1,5g/t and 2,0g/t and that uranium values run at about 0,6kg/t to 0,75kg/t

Beatrix would need bigger gold values than this to establish a gold mine, but could operate on uranium values of this sort



The Beatrix area in the Free State where drilling has indicated gold values that could herald a mine. To the south-east of the Beisa mine, it is known that the Elsburg series extends to this area and is possible that this reef series will be exploited.

Star 5/12/79 (214)



New gold mine for OFS

By Jean Moon

It is on the cards that Union Corporation will open a new gold mine in the next few years

The mine, with the potential of producing medium to low grade ore, is situated south-east of the Beisa mine in the Orange Free State A full feasibility study will be completed by mid-1980 but in the meantime the decision has been taken to begin pre-routing of the shaft areas on the farm Leeuwbult 52 immediately

Pre-grouting is expected to take a year to complete and the feasibility studies about six months By overlapping these phases, the mine could be brought into production much earlier

By running these operations concurrently Union Corp will have R1m at risk should the results prove unfavourable, but this is far outweighed by savings in cost escalations, on bringing the project forward

FM. 7/12/79 (214)

UNION CORP

Leeuwbult's potential

Union Corp is not letting the Free State grass grow under its feet And, with memories still fresh of mineral rights elsewhere which ended up as mines controlled by others, the group is firmly committed to consolidating its position as lead house in the OFS area of interest

Obtaining mineral rights in the area has not been easy, and none of the houses drilling the area has released any meaningful geological data to shareholders But a general picture is emerging That gold uranium reefs underlie most of the ground south of the existing OFS producers is in little doubt, but mineralisation is patchy and the objective of most drilling in the area is to locate viable windows of payable ore

Union Corp has already done that with Beisa, though that mine will depend largely on uranium rather than gold for profits At Leeuwbult, to the south east of Beisa, the picture is different Reefs in the area contain higher gold and lower uranium values And feasibility studies are being carried out with the prime aim of establishing mining operations based on gold The outcome should be known by mid-1980

The house is naturally reluctant to disclose any details of its drilling, but it is possible to estimate the feasibility study's parameters

Beisa is being designed for an annual 1,2 Mt mill throughput at a capital cost of R200m in 1978 terms Three years' development are needed to bring the mine on stream in 1982 So it is safe to assume that a similar size operation at Leeuwbult will cost at least R250m unless the mine can conveniently share milling facilities with Beisa

The reef at Leeuwbult lies about 1 200 m below surface and dips fairly gently towards the south with, apparently, few major geological problems to hinder eventual mining So in current terms, unit costs should be of the order of R20/t-R25/t

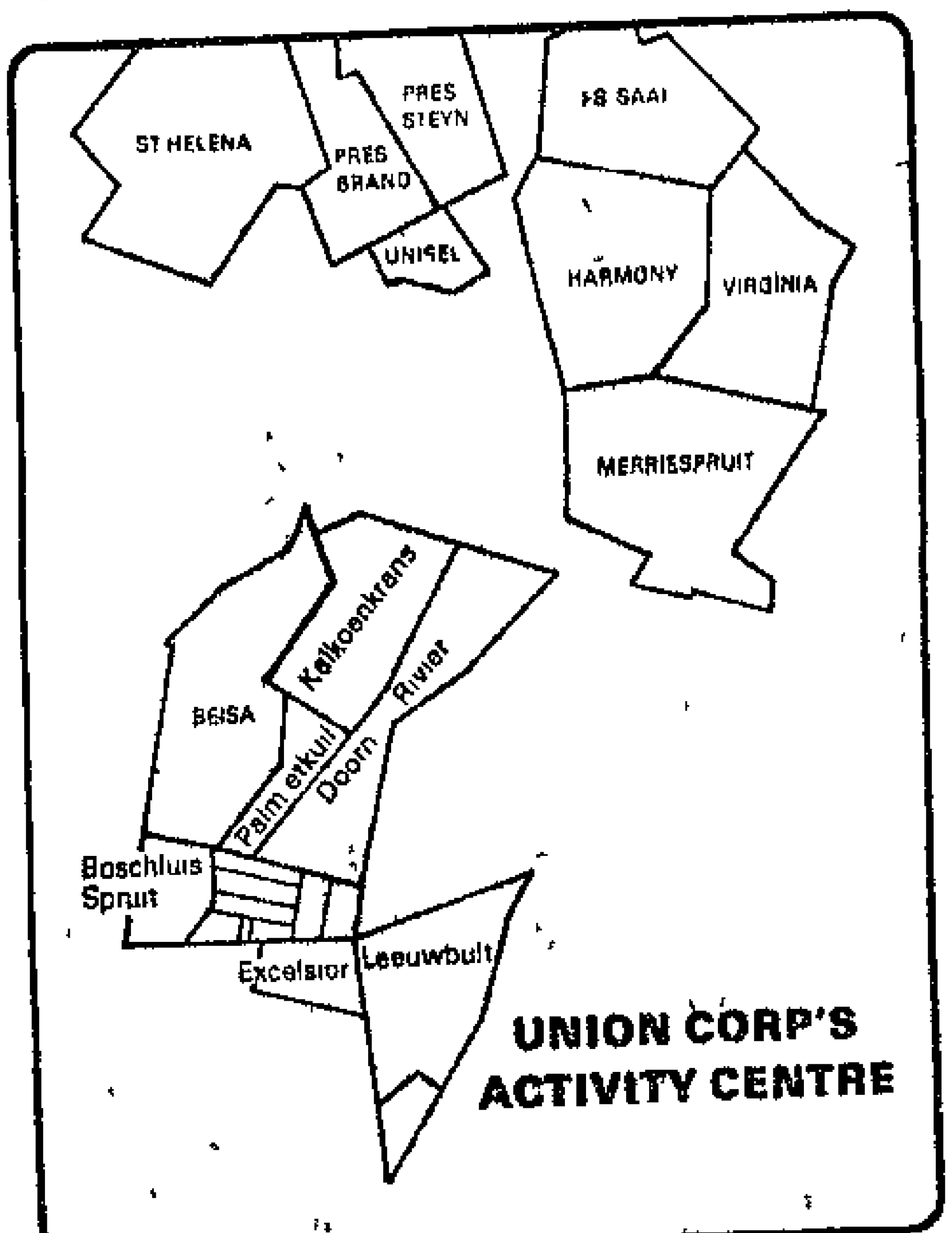
The house believes that the current gold price reflects a large element of speculative demand — demand that could disappear as quickly as it built up So it is unlikely that the up-coming feasibility study will be based on a gold price of much more than $325 and uranium of much more than $40/lb

Judging by Leeuwbult's area, I reckon that Union Corp is planning a mine with a life of around 25 years And, if it takes a cautious view on gold, it could be looking for a discounted return of around 10%-12% on the project

At this stage, these are fairly broad assumptions But, taking them in conjunction with the announcement that potential ore is medium to low grade, I estimate that gold grades must average somewhere around 7 g/t, with the sweetener of uranium grading around 0,1 kg/t Assuming unit costs of R25/t and a gold base price of $325, that gives an attractive pay-back period of about four years

As a new mine, Leeubult would qualify for a tax formula calculated as $Y = 60-480/X$ and a 10% capital allowance Presumably, because of the mine's potentially low grade and high capital cost, the lease formula should not be particularly onerous — possibly as low as $Y=7{,}5-60/X$

But what are the implications for Union Corp? Presumably, until the mineral rights picture and control situations in the



area are clarified, the house will be reluctant, as it was with Beisa, to offer the public an early participation That would mean having to disclose an unacceptable amount of geological information at an early stage

So, presumably, any initial development costs will be borne by the house itself, with the likely participation of UCI That could be supplemented, if necessary, by borrowings And as it showed with Unisel, Union Corp has little fear of gearing its new gold developments

Meantime, there remains the question of what the other houses have up their sleeves I understand that proposals whereby Anglo would incorporate some of its less attractive mineral rights with those of Union Corp for a minority participation in a new mine have been tu down (*Fox* November 30) But, now Union Corp has shown its determinati go it alone on Leeuwbult, discussion further mines based on combined min holdings could be resuscitated

RAPPORT 16/12/79 (2.14)

Byna R6 000 milj. uit goud hierdie jaar

DIE einde van die jaar is in sig en danksy die buitengewone goeie vertoning wat deur die goudprys gelewer is, kan die jaar as 'n goue oesjaar vir die Suid-Afrikaanse goudmynbedryf beskryf word.

Soos sake nou staan, kan die goudmyne uit hul goud alleen vanjaar baie na aan R6 000 miljoen verdien en wanneer die inkomste uit uraan en ander produkte bygetel word, sal hierdie syfer aansienlik meer as R6 000 miljoen beloop.

Danksy die besondere sterk goudprys in die laaste kwartaal van die jaar is dit nou feitlik 'n uitgemaakte saak dat die gemiddelde prys vir die kwartaal op meer as 400 dollar per ons te staan sal kom wat die inkomste van die myne in die laaste kwartaal van die jaar 'n verdere hupstootjie sal gee.

Die sterk verbetering in die goudprys sedert die begin van die jaar is ook baie indrukwekkend. In die eerste kwartaal van die jaar was die gemiddelde middagvasstelling in Londen 238,10 dollar per ons. In die tweede kwartaal het dit verbeter tot 259,23 dollar per ons en in die derde kwartaal van die jaar het dit toegeneem tot 315,69 dollar per ons

Hierdie syfers vergelyk met 'n gemiddelde goudprys van slegs 119,34 dollars per ons wat byvoorbeeld in 1976 ontvang is en 143,87 dollar per ons in 1977 en 194,24 dollar per ons in 1978.

Volgens statistiek van die Kamer van Mynwese het Suid-Afrikaanse goudmyne in 1974 die hoogste goudproduksie ooit gehad toe altesame 758 502,5 kilogram goud geproduseer is. Hieruit het die myne slegs R2 533 miljoen verdien

Sedert 1974 het die goudproduksie geleidelik afgeneem om sy laagtepunt in 1977 te bereik In hierdie jaar het die goudproduksie op slegs 697 012,7 kilogram te staan gekom, maar afgesien daarvan het die inkomste uit goud toegeneem tot R2 663 miljoen

Dit was egter eers in 1978 dat die goudprys werklik in die guns van die goudmyne begin draai het. Goudproduksie het in hierdie jaar verbeter tot 704 478,8 kilogram, maar weens die aansienlike beter goudprys het die inkomste van die myne uit goud 'n verbetering van 38 persent tot R3 674 miljoen getoon

Nege maande

Syfers wat so pas deur die Kamer van Mynwese bekend gemaak is, toon aan dat Suid-Afrika se goudproduksie in die eerste 9 maande van die jaar 529 638,6 miljoen kilogram beloop het en dat die goudinkomste daaruit R3 620 miljoen was Dit beteken dat die goudmyne in die eerste nege maande van vanjaar 43 persent meer uit hul goud as in die hele 1974 verdien het.

Dit is nie net die goudmyne wat tevrede kan voel nie, maar ook die tesourie. In 1974 was die staat se inkomste van die goudmyne byvoorbeeld slegs R813 miljoen. In die eerste nege maande van vanjaar het hierdie syfer toegeneem tot R1 084 miljoen.

Een ding wat egter steeds die goudmyne pla, is die vinnige styging in koste. Die totale koste van die goudmyne het byvoorbeeld van die einde van 1974 van net minder as R1 000 miljoen tot R1 892 miljoen in 1978 toegeneem. Die koste vir die eerste 9 maande van die jaar beloop reeds R1 647 miljoen.

Wat winste betref het die goudmyne in 1978 totale winste van R2 073 miljoen getoon teenoor R1 264 miljoen in 1977. In die eerste nege maande van vanjaar het die totale wins reeds R2 275 miljoen beloop. Die wins vir die eerste nege maande van die jaar oortref dus reeds die van die volle boekjaar verlede jaar met sowat 10 persent.

— Daan de Kock

Só het die syfers gestyg

	1974	1975	1976	1977	1978	1979 9 maande
Goudproduksie (kg)	758502,5	701203,6	709112,1	697012,7	704478,8	529638,6
Inkomste (R milj.)	2533	2563	2347	2663	3674	3620
Koste (R milj.)	963	1244	1437	1591	1892	1647
Bedryfswins (R milj.)	1294	1320	910	1072	1782	1973
Totale wins (R milj.) *	1642	1425	1058	1264	2073	2275
Belasting (R milj.)	813	629	396	477	937	1084
Kapitaaluitgawes (R milj.)	196	290	375	430	448	459

* Sluit wins uit goud, uraan, piriet, swawelsuur, ens in

FM. 14/12/79 (214) ~~32~~

GENMIN/UNION CORP

The final bell

When establishment of a medium-sized gold mine can cost upwards of R250m and when several projects reach the development stage simultaneously the largest of possible capital bases is needed if adequate funds are to be mobilised That is a major rationale behind General Mining's plan to take out Union Corp's 48 9% minorities and turn the house into a wholly-owned subsidiary

But while that makes sense from management's point of view, shareholders will plainly need to be told a lot more about their companies before they can decide on any scheme's merits And while that applies to all minority shareholders it will be particularly important, for example to the 13%-odd minorities on Union Corp's London register and the Old Mutual which has a 4,5% long-term stake in the house

Details of Genmin's proposals have yet to be announced, but no doubt they are being structured for success to satisfy everyone concerned For example, Old Mutual's Union Corp stake was worth some R35m on the basis of the share's 1 295c pre-suspension price But Old Mutual is unlikely to be happy with a cash-only bid, and will need an attractive paper offer if it is to vote in favour of a deal

London registered shareholders, on the other hand, who are now free to invest worldwide but have stuck to Union Corp because of its attractive mineral rights potential, could view a deal which does not have a sufficiently enticing cash option with some distaste

Finally and probably of major importance to ultimate controlling shareholders Sanlam Rembrandt FVB and Volkskas, no deal can be structured which could even remotely threaten their control of the empire

At end-December Fedmyn held 62,5% of General Mining and was itself owned as to 30% by Sanlam 25 by Rembrandt 1[illegible] by FVB and 10% by Volkskas It is likely that since the year end Fedmyn has increased its stake in Genmin though judging from the fact that only 894 000 Genmin shares -- equivalent to 2 1% of the equity -- changed hands during the first 11 months of the year, Fedmyn's stake might only have increased marginally Even so, and based on pre-suspension share prices, acceptance of a purely paper offer by the outstanding Union Corp minorities could result in Fedmyn's Genmin stake falling below the critical 50% level

That could be obviated by a paper and cash bid based on relative net asset values though that could founder if full details of particularly the two houses mineral rights are not made available to shareholders An all cash alternative will however be needed if sufficient minorities are to be persuaded to vote for the merger But neither Genmin nor Fedmyn has sufficient of its own cash resources to fund a significant proportion of cash acceptances

That constraint does not apply to Fedmyn's major shareholders, so a possibility is an issue of Genmin shares underwritten by cash flush Sanlam and Rembrandt Such an arrangement would particularly suit Sanlam down to the ground as it would give it the opportunity to re-enter the market in one of the control situations so close to its investment heart

At this stage, of course, this is all conjecture Much more important, perhaps is the additional information shareholders will need to evaluate any proposals Annual reports of the three companies are now almost a year out of date And, in the interim, little has been vouchsafed shareholders on the all important matter of mineral rights and new developments Meantime however if the market is due for a correction the timing is now right for a bid based on Genmin paper

Neither of the two operating companies provides details of its mineral rights holdings or those of its subsidiaries And for one reason or another Union Corp has yet to provide any meaningful information on its developing Beisa mine or the prospective new gold producer on the farm Leeuwbult Apart from these two announced projects it is a racing certainty that the house has further mineral rights in the new OFS goldfield capable of being turned to account In addition I understand that the house has extensive rights which are currently being drilled in the Bothaville area -- a zone which could eventually become as important a gold uranium producing area as the southern OFS promises to be

On the other side of the fence, what is the true worth of Genmin's Pienaars River coal/uranium holdings? Clearly they have considerable potential which is known to the house That became clear when Sentrachem recently granted Genmin a 10% stake in itself on highly attractive terms in return for eventual "ground floor" participation in the area's development Still in coal, fuller details of the Kanhym coal interests and plans for their development are needed if the likely impact on earnings and cash flow of both houses is to be determined

Reverting to Union Corp, more comprehensive details are needed of the house's 30%-owned troubled Richards Bay Minerals operation

Finally an update of both houses investment portfolios especially those of active traders such as Genmin subsidiary Sentrust -- are needed And this is par-

Genmin's Wim de Villiers wants full control of Union Corp's gold

. . . while Union Corp's Ted Pavitt needs more cash for new mines

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P.T.O

JSE golds tumble on US selling

RDM 21/12/79

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By ELIZABETH ROUSE

GOLDS tumbled on the Johannesburg Stock Exchange yesterday in nervous selling as the gold price cracked on intimations of an American-Iranian settlement and speculation that the US intends holding weekly gold auctions

New York started the slide by selling heavily overnight Diagonal Street opened on New York's lower price levels, London jobbers started to climb out and selling accelerated as already nervous Johannesburg investors bailed out of their lower-priced favourites

Brokers expect the slide to continue today No operator would be willing or unwise enough to take up positions ahead of all stock markets' long trading break from today's closing until the JSE Thursday's opening

The erosion on the gold board looks severe in selected issues which have already succumbed to profit-taking

New York favourites, such as Vaal Reefs, Harties and Western Holdings, were off in the 275c to 325c range Johannesburg favourites, such as Deelkraal, came of 50c, and the marginals were sharply lower

Genmin and Unicorp made their reappearance on a most inauspicious day Contrary to expectations, Genmin moved down 150c to 1 700c while Unicorp moved up 35c to 1 325c This should please Unicorp bugs, but raises the possibility that Unicorp shareholders will quibble about the 80 for 100 offer

High-flyer Anglo came under the hammer as well, and mining financials were generally weaker

Coals were a firm spot, in softer metals Platinums were off in line with golds and ZCI reacted to profit-taking in coppers

Industrials were a little wobbly in earlier trading because of the gold decline, but steadied later Sasol remained on the decline, but selling momentum slowed.

Trans-Natal featured in coals with a 45c gain to 660c, and smaller-priced counters were up in the 5c to 15c region Amcoal was unchanged

De Beers crept up 5c to 1 030c as the financial rand steadied Other diamonds remained dormant

The punters' joys in the Witwatersrand sector were hard hit ER Cons came off 85c, Grootvlei shed 40c and Sallies and Vlaks fell 20c Ranfontein lost 200c to R62

Kinross was off 80c and Winkels was marked down 150c in Evanders

Harties declined 325c, Buffels lost 225c, Vaal Reefs shed 275c and Southvaal eased 125c in the Klerksorp sector

Western Holdings came back 300c to R53, Freguls and the two Presidents were marked down 100c Unisel fell 45c to 990c

West Deep retreated 250c, Libanon lost 225c and recent favourite Deelkraal closed at 550c, down 115c over four days

Anglo American fell 75c to 1 340c and GFSA was marked down 125c Amgold lost 225c Cor Synd came off 40c and Duiker shed 20c Rand London and Tweefontein firmed slightly against the mining finance trend

ZCI shed 15c to close at 115c, but Botrest moved up 7c to 80c in coppers

Implat and Lydplat were off 15c Rusplat eased 5c

The asbestos counters were off 10c

Sorec was a feature in properties, rising 10c to 150c in active trading

Barlows was off 10c, with Rennies and Smiths gaining 10c against the weaker industrial holding trend

Sasol came off 8c to 365c, but Senchem and Trek continued to advance in chemicals

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CARRIG/WAVERLEY

Options aplenty

In the past year, two developments have led to a reawakening of interest in Waverley Gold Mine's mineral rights and to spotlight those now at the helm of both Waverley and Carrig Diamonds.

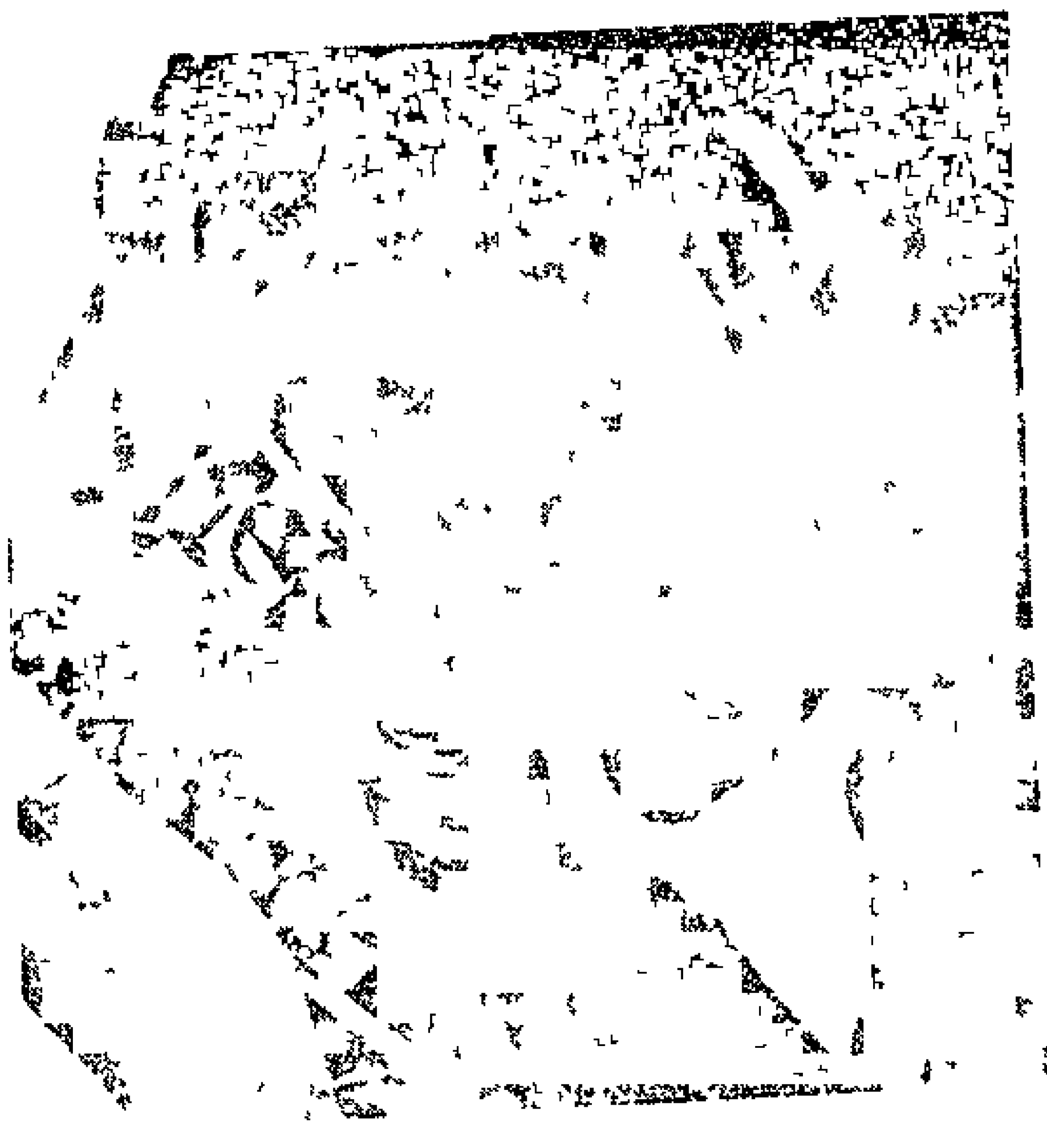
The most recent instance was General Mining's announcement to turn to account its uranium-bearing coal deposits in the Northern Transvaal together with Sentrachem. Waverley has two farms out on option to Trans-Natal in this area. They are Volspruit in the Potgietersrust district (1 500 ha), and Wellington in Warmbaths (2 600 ha), both straddle the Springbok Flats.

Purchase price on exercising the options is R150/ha with a possible total of R600 000. In addition, Waverley has the right to subscribe at cost for 7,5% of the initial working capital of any company formed to mine these properties. To date, however, there has been no information on just where Genmin is to begin operations.

The other instance was news earlier in the year of Anglovaal's prospecting spree in the Lowveld (*FM* April 27). There, in the heart of all the action on the Elands River, Waverley has out on option 1 800 ha to Anglovaal which is searching for gold and uranium in the Black and Dominion reefs.

Option price is R350/ha (more or less the going rate in the area), for a total of R630 000, plus the right to subscribe for 10% of any initial working capital. In relation to Waverley's issued capital of 1,8m shares, both option prices and participation agreements could prove significant.

However, much of the loot, if there is to be any, has long been farmed out. Carrig has a "turning to account" arrangement whereby it will receive 12,5% of any monies or rights accruing to Waverley.



Carrig ... still looking at diamonds

And in an old supplementary agreement, Carrig also enjoys a 33% interest in the coal farm Volspruit which is on tribute to Trans-Natal.

Carrig also holds 4% of Tanks Oil & Plat Holdings, which has an identical arrangement with Waverley. So while it is not immediately clear from Waverley's annual report much of the gilt has been hooked.

The driving force behind Waverley's and Carrig's new-found aggressiveness are directors Joe Berardo, Dennis Macleod and Don Grant-Hodge, who also control Johannesburg Mineral Corporation. JMC is one of the major contractors supplying Sallies with mine sand for its retreatment operations and itself owns several dumps on the East and West Rands (*FM* April 13).

Through Mantech Services, in which the trio have a large vested interest, control has since April been exercised over Waverley and Carrig for a fee of 7,5% of any pre-tax profit less than R50 000. If more, the fee drops to 5%. Which is quite a fat management contract.

That Carrig should eventually provide JMC with a listing appears obvious at this juncture. For the moment, because of an insufficient profit history and other difficulties in complying with JSE requirements, plans for Carrig to secure a major interest in JMC have been shelved.

Meanwhile JMC has passed on to Carrig at cost 60 000 shares (or 3%) in The Bank of Lisbon & SA as well as 20 000 shares to Waverley. Which is one way for JMC to get rid of its 10% stake that came from Genmin — and at the same time give a little more respectability to both counters. I believe the bank turned in a profit of R500 000 last year, which is a good recovery. ●

John White

by 1970, this figure had decreased to 15,7%, indicating that the whites had improved disproportionately to the 'coloureds'. Similarly, for children 1 to 4 years of age, during the period 1941 to 1970, the white mortality experience as a percentage of the 'coloureds' had decreased from 15,2% to 7,1%. It should be noted that the 0 year age specific death rates are higher than the corresponding IMRs. This is because the denominator for the former is the number of live births whilst for the latter it is the mid-year populations under one year of age.

...periences. This becomes apparent Table II which provides a more detailed analysis of the different contributing to the overall mortality of the whites and 'coloureds form of cause specific mortality rates for defined age groups. T though cardiovascular diseases are consistently responsible for a small proportion of the overall mortality of the 'coloureds', Tabl indicates that the actual rates for cardiovascular diseases have b similar for both whites and 'coloureds' since 1941.

Clearly, the broad diagnostic categories used in this analysis con certain amount of information. However, because of the changes i classification which have taken place since 1929, it is not possib examine the temporal changes of mortality rates in greater detail. ease categories with rates greater than 5/1 000 appear in italics Table II. It will be noted that the mortality experiences of the

(iv) Proportional Mortality, accounted for by specific conditions.

(v) Expectation of Life. This was calculated both at birth (e_o) and at 45 years of age (e_{45}) for both males and females. It expresses the average number of additional years an individual would be expected to live beyond birth and 45 years.

For Africans, the proportional mortality was the only index calculated.

UNION CORPORATION GROUP GOLD MINES

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(214)

Statements by the Chairmen

ST. HELENA GOLD MINES LIMITED

During the financial year, gold output by your Company was marginally lower at 17 305 kilograms However, the average gold price increased from R5 236 to R6 945 per kilogram resulting in an increase of 32 per cent in working revenue to R120 606 000 Total costs rose by R4 305 000 to R45 699 000 Based on the higher working profit of R77 101 000, taxation and lease consideration increased sharply by 48 per cent to R44 606 000 The loan levy for gold mines was reduced from 15 to 10 per cent improving the cash flow The net profit for the 1979 financial year at R32 495 000 reflected an increase of R10 283 000 over the previous year out of which dividends of 300 cents per share were paid compared with 190 cents in 1978

Working costs increased by 10 per cent from R21,45 per ton milled to R23,65 This was slightly lower than the South African gold mining industry average for the same period Seen in the light of an increased labour complement, an increase of over 40 per cent in ore from underground and the 4 per cent general sales tax which was effective for the entire financial year, the control of costs is highly commendable

Development was again mainly confined to the no 8 shaft area and particularly towards the Ongegund boundary This boundary has now been crossed on 18 level In order to obtain an early evaluation of the reef in this area, drives are deliberately being developed on reef On both 18 and 19 south drives, the Basal and Leader reef have been intersected and some encouraging values have been exposed

The ore reserves estimated on 30 June 1979 reflect the lowering of the pay limit, as a result of the considerable improvement in the gold price At a gold price of R5 500 per kilogram ($197 per oz) reserves increased to 8,1 million tons at a grade of 14,1 grams per ton compared with 7,5 million tons at 15,5 grams per ton At a gold price of R7 500 per kilogram reserves were re-estimated at 10,9 million tons at a grade of 11,6 grams per ton

In terms of the mining lease, it is required to mine to the average grade of the ore reserve The calculation of this is dependent on the estimated grade and a forecast of the rate of escalation of working costs and the gold price The fluctuating gold price has added considerably to the major problem of forward planning of mining operations and the economic mining of the lower grade areas of the mine This is an important factor in opening up the Ongegund area over which your Company holds the exclusive right to prospect and apply for a mining lease Values exposed to date in this area are sufficiently encouraging to warrant further exploration in the coming year

E PAVITT

23 November 1979

UNISEL GOLD MINES LIMITED

Progress on the mine has been most satisfactory Initial milling of ore commenced in March 1979 and ore from development and stoping in the pre-production phase has yielded gold to the value of some R7 million

During the past year the major operation of the mine was the continuation of underground development begun in June 1978 By 30 September 1979 some 19 000 metres of development had been completed This included the 2 kilometre long 10 level north drive which holed into the President Steyn workings in July and provided the mine's statutory second outlet

The shaft was sunk in an area where lower values were indicated from borehole results thus minimising the lock-up of high grade values in the shaft pillar area Consequently initial development has been lower than the average as indicated by boreholes

Furthermore a portion of the area currently being stoped has been affected by an intrusive sill This has resulted in some of the gold being encapsulated in pyrite, the pyrite crystals being so small that the normal milling process does not fracture the crystals sufficiently to expose all the gold to dissolution by cyanide A similar problem was encountered and resolved in the early years of St Helena Gold Mines Limited

Only two boreholes out of nine in the Unisel lease area indicate the presence of this sill, these are close to each other and to the shaft system A limited area of influence can thus be expected but the precise extent remains to be defined by development

Total capital expenditure to 30 September 1979 amounted to R78 million However in accordance with normal accounting practice for gold mining companies, revenue earned during the pre-production phase is credited against this expenditure leaving a net amount of R71 million

As mentioned in my previous report, items of capital expenditure which have been postponed, amount to an estimated sum of R11 million A start on these deferred items, which include the completion of capital development and recreational facilities for black labour, will be made in the current year

It is anticipated that full production of 75 000 tons of ore per month will be reached by the calendar year end

The low initial gold recoveries have been more than compensated for by Unisel coming into production with average gold prices at record levels Prices received for gold in the September quarter of 1979 were well over R8 500 per kilogram, about 50 per cent higher than the average received by the mining industry a year previously

Since development commenced we have suffered from a shortage of skilled labour In part, this has been alleviated by transfers from other mines in the Union Corporation group However the combination of improvements in metal prices and the general optimism of an upswing in the South African economy, would indicate that this shortage could become severe

The successful operation of our mines is so dependent on skilled labour that the ending of job reservation affording equal employment opportunity for all races is now vitally necessary In this regard the report of the Wiehahn commission and the moves to revise labour legislation in South Africa are most welcome

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23 November 1979

WINKELHAAK MINES LIMITED

A slightly lower grade, partly offset by an increase in tonnage milled, led to a 2 per cent decrease in gold output by your Company to 15 488 kilograms This was more than offset by the higher gold prices and working revenue increased from R82 664 000 to R109 307 000 Costs rose by R3 269 000 to R35 586 000 and taxation and lease consideration, at R47 491 000, was 42 per cent higher than in the previous year This left a net profit of R29 584 000 compared with R19 885 000 in 1978 The cash flow of the Company was further improved by a reduction in the loan levy from 15 to 10 per cent and dividends were increased by 76 cents to 205 cents per share

Working costs per ton milled increased during the financial year by 9 per cent to R16,94 which compares favourably with the industry average of 10,7 per cent

Ore reserves estimated at 30 June 1979 are based on gold prices of R5 500 and R7 500 per kilogram At a price of R5 500 ore reserves were estimated at 7,7 million tons at 9,2 grams per ton (1978 7,0 million tons at 9,8 grams per ton) At a price of R7 500 ore reserves were estimated at 9,4 million tons at 8,3 grams per ton

In March 1979 Winkelhaak purchased from UC Investments Limited and Acacia Mines Limited the right in perpetuity to prospect and to acquire the right to mine for precious metals over 1 081 hectares of the farm Driefontein 137 and 405 hectares of the farm Goedehoop 290 As payment, 180 000 new shares in your Company were allotted to UC Investments and Acacia Mines

Prospecting in this area continued during the past year and one surface borehole has been completed and a further two holes are being drilled

As a result of the recent increases in the gold price further reductions in the grade of ore mined will be made in the coming year in terms of the lease agreement

Initial development values in the north-east have been most encouraging and further exploratory work will be undertaken in this area

In the no 2 sub-incline shaft area, following completion of 23 level station, the shaft was raised to 22 level Equipping of this section of the shaft is now in progress Construction has commenced on a surface chilled water refrigeration system at no 5 shaft which will improve environmental conditions in the deeper portion of the northern section of the mine

L W P VAN DEN BOSCH

23 November 1979

LESLIE GOLD MINES LIMITED

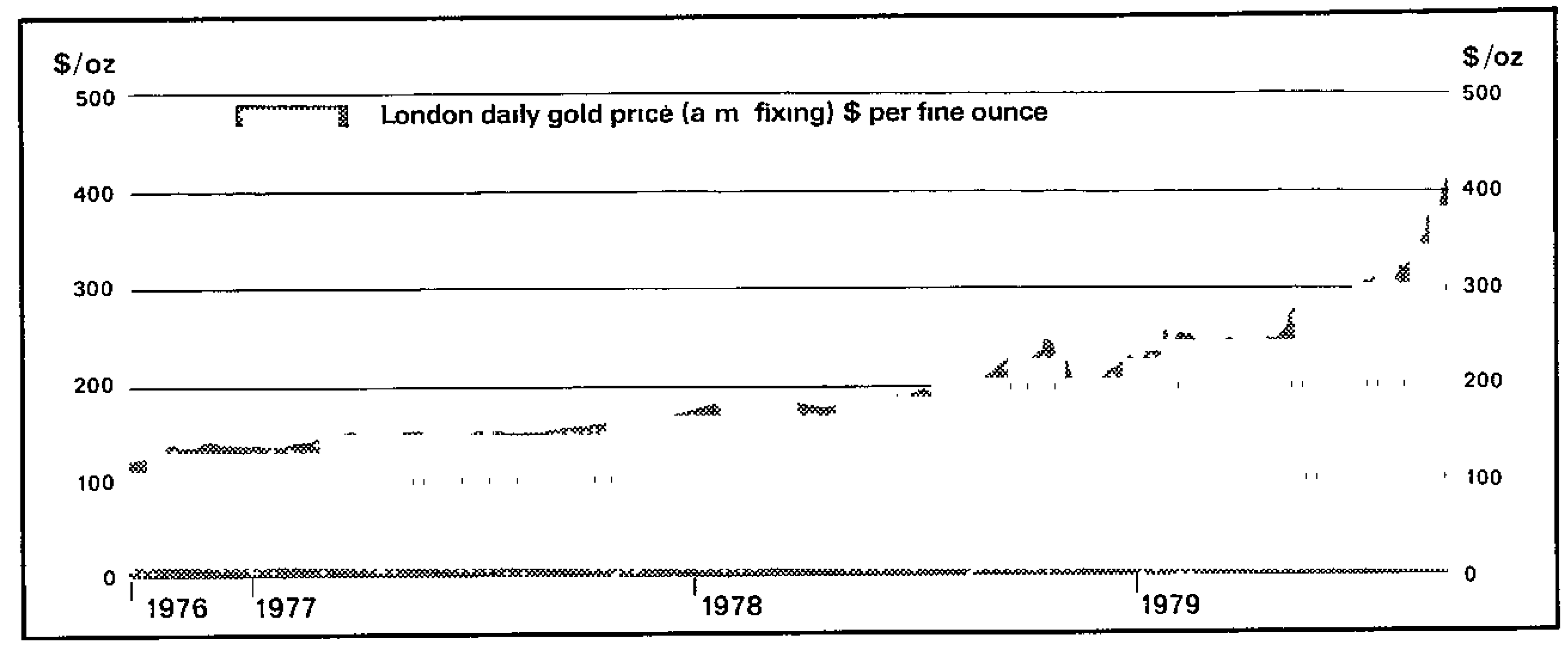
During the financial year, with the higher prices received for gold, the average grade was lowered under the requirements of the lease agreement This was very much to the advantage of your Company, as at the lower grades there was considerably more payable reef available for mining and underground operations were increased Although the gold output by your Company decreased marginally from 4 228 kilograms to 4 201 kilograms, this was more than compensated for by the average price of gold increasing from R5 235 to R6 974 per kilogram and working revenue rose by R6 931 000 to R29 699 000

With the 10 per cent increase in underground operations, total costs were higher However working profit virtually doubled from R5 593 000 to R10 039 000

Although your mine was classified as a State assisted mine in 1977, in the past two years, with higher gold prices, no drawings on State assistance have been required Conversely taxation and lease consideration in 1979 doubled over the 1978 figure to R5 447 000

Net profit after taxation and lease consideration amounted to R5 162 000 compared with R3 599 000 in 1978 and it was possible to increase dividend payments from 21 cents to 32 cents per share

Additional ore milled from the surface rock dump, increased tonnage from underground and the fact that this was achieved with an insignificant increase in the labour complement, are reflected in the costs per ton



Annual reports containing the full text of the chairmen's statements are obtainable from the secretaries, PO Box 61357, Marshalltown 2107 milled which rose by only 3 per cent during the year to R19,18

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In the coming year further reductions in yield can be expected in line with the lower grade ore which can now be mined in terms of your Company's lease agreement

Development in selected areas of the mine continued during the year and although on average results were disappointing, some encouraging values were exposed

The higher gold price has made it possible to re-enter previously unpayable areas and re-equipping of these areas is being carried out

Although the ore reserves have substantially improved at the higher gold prices, these are calculated on present costs and the life of the mine is dependent not only on the gold price but also on management's ability to control costs Taking the present gold price to cost ratio we estimate that the mine will be able to continue in operation for at least a further five years but at reduced grades

L W P VAN DEN BOSCH

23 November 1979

BRACKEN MINES LIMITED

Although for some years Bracken has followed a programme of reducing underground operations, in the past financial year this programme was slowed down and has now been stopped As a result milling declined only marginally during the year The lower tonnage milled, together with a 10 per cent reduction in grade to 6,08 grams per ton resulted in a fall in gold output of 13 per cent to 4 682 kilograms However, higher gold prices of R6 964 per kilogram led to an increase in revenue of R4 122 000 to R33 062 000

Despite rises in costs and taxation and lease consideration, net profit amounted to R7 849 000, an increase of R1,2 million over the 1978 figure The fact that the loan levy for gold mines was reduced from 15 to 10 per cent improved the cash flow It was thus possible to increase dividends by 8 cents from 44 cents to 52 cents per share

Working costs per ton milled increased during the financial year by 8,1 per cent to R19,13, which compares most favourably with the industry average over the same period of 10,7 per cent

Ore reserves estimated at 30 June 1979 are based on gold prices of R5 500 and R7 500 per kilogram At a price of R5 500 ore reserves were estimated at 1,4 million tons at 7,3 grams per ton, which reflect an unchanged tonnage from the previous year but a fall of 12 per cent in the grade At R7 500 ore reserves increased to 2,5 million tons at 5,7 grams per ton

With the higher gold prices, development in the endorsed prospecting area on the farm Witkleifontein has been accelerated To the east, also on the farm Witkleifontein but within the Company's lease area, Kinross Mines Limited has developed an area on behalf of your Company Values exposed have been encouraging and stoping operations in this area will now be put in hand by your Company

Although the ore reserves are substantially higher at a gold price of R7 500 per kilogram, further grade reductions in line with the lower grade of ore reserves can be expected in the coming year As there are limited areas within the lease area which remain to be developed, we estimate that at current gold prices the life of the mine could be about four years

L W P VAN DEN BOSCH

23 November 1979

KINROSS MINES LIMITED

In terms of your Company's mining lease, with the increase in the gold price and the lowering of the pay limit, the grade was reduced from 7,39 to 6,33 grams per ton milled Consequently, despite a small increase in tonnage milled, the output of gold decreased by 13 per cent from 11 532 to 9 996 kilograms This was more than compensated for by the higher average price of gold of R7 035 per kilogram, and revenue rose by R10 232 000 to R70 758 000 Despite increases in costs and taxation and lease consideration, net profit increased from R13 961 000 to R17 019 000 in 1979

The Company's cash position was further improved by a 5 per cent reduction in the loan levy and dividends were increased by 19 cents from 55 cents to 74 cents per unit of stock

Working costs per ton milled increased during the financial year by 11,8 per cent to R20,53 per ton milled which is considerably lower than the rate of increase in the consumer price index in South Africa over the same period

Ore reserves estimated at 30 June 1979 were based on gold prices of R5 500 and R7 500 per kilogram at a price of R5 500 ore reserves were estimated at 4,7 million tons at 8,2 grams per ton (1978 5,7 million tons at 8,3 grams per ton) At the higher price of R7 500 ore reserves increased to 6,3 million tons at a lower grade of 7,1 grams per ton

A considerable portion of the development took place in the no 2 shaft area where values have so far proved to be higher than in the blocks presently being mined from the no 1 shaft complex Stoping in the no 2 shaft area commenced recently and it is anticipated that in the coming year there will be a steady increase in production from this area and a concomitant reduction in operations in the southern section of the mine At the same time production from the higher grade northern area is likely to offset further yield reductions in the lower grade southern sections of the mine

L W P VAN DEN BOSCH

23 November 1979

The annual general meetings of the above companies will be held as follows·

…ursday, 24 January 1980 Unisel at 9 30 a m , St Helena at 10 15 a m · Friday, 25 January 1980 Kinross at 9 30 a.m., Winkelhaak at 10 15 a.m , Leslie at 11.00 a m and Bracken at 11 45 a.m

214

GG 6788

DEPARTMENT OF FINANCE

No 2836 — 21 December 1979

SOUTH AFRICAN RESERVE BANK ACT, 1944

DETERMINATION OF STATUTORY PRICE OF GOLD

It is hereby notified that, in terms of section 17A (1) of the South African Reserve Bank Act, 1944 (Act 29 of 1944), the Minister of Finance has valued as from 30 November 1979, all gold of the South African Reserve Bank at R301,9[illegible] per fine ounce of gold

DEPARTEMENT VAN FINANSIES

No 2836 — 21 Desember 1979

WET OP DIE SUID AFRIKAANSE RESERWEBANK, 1944

BEPALING VAN STATUTÊRE GOUDPRYS

Hierby word bekendgemaak dat die Minister van Finansies kragtens artikel 17A (1) van die Wet op die Suid-Afrikaanse Reserwebank, 1944 (Wet 29 van [illegible]), alle goud van die Suid-Afrikaanse Reserwebank met ingang van 30 November 1979 teen R[illegible]01,9[illegible] per ons suiwer goud gewaardeer het

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No. 2841 — 21 December 1979

6½ PER CENT LOCAL REGISTERED STOCK, 1992, STOCK CERTIFICATE 1436 FOR R7850 ISSUED IN FAVOUR OF GOODALL & COMPANY [illegible] ASSURANCE [illegible] LTD

Application having been made to the Treasury for a duplicate of the above-mentioned stock certificate, the original having been lost or mislaid, notice is hereby given that unless the original is produced at this office within four weeks from the date of publication of this notice, a duplicate as applied for, will be issued

No 2841 — 21 Desember 1979

PLAASLIKE GEREGISTREERDE EFFEKTE, 6½ PERSENT, 1992, EFFEKTESERTIFIKAAT 1436 VIR R7850 UITGEREIK TEN GUNSTE VAN GOODALL & COMPANY [illegible] ASSURANCE [illegible] LTD

Aangesien daar by die Tesourie aansoek gedoen is om 'n duplikaat van bovermelde effektesertifikaat, [illegible] verloor of verlê is, word hierby bekendgemaak dat tensy die oorspronklike sertifikaat binne [illegible] die datum van publikasie van hierdie kennisgewing by hierdie kantoor ingelewer word, die verlangde duplikaat uitgereik sal word

F.M. 21/12/79 214

CARRIG/WAVERLEY

Options aplenty

In the past year, two developments have led to a reawakening of interest in Waverley Gold Mine's mineral rights — and to spotlight those now at the helm of both Waverley and Carrig Diamonds

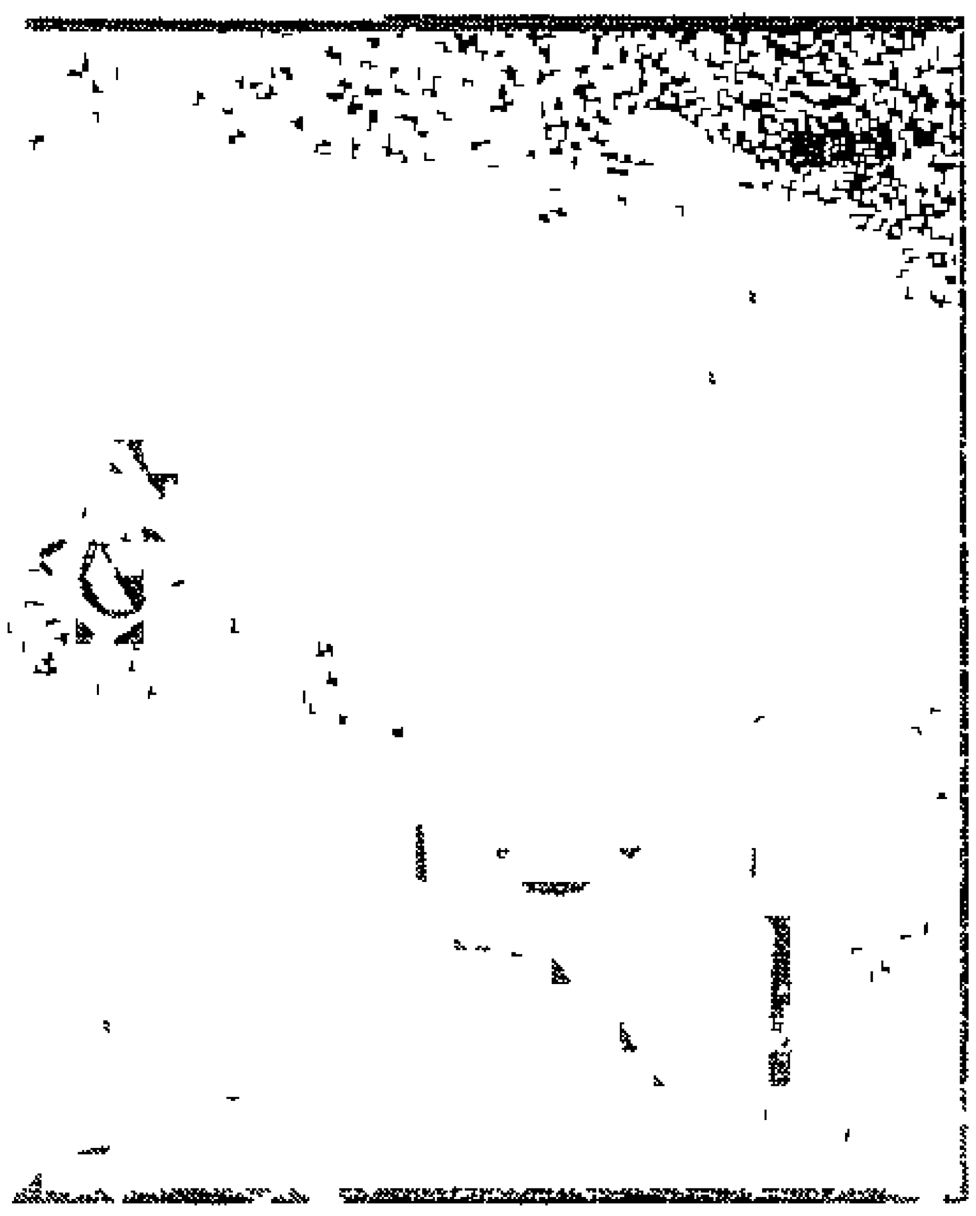
The most recent instance was General Mining's announcement to turn to account its uranium-bearing coal deposits in the Northern Transvaal together with Sentrachem Waverley has two farms out on option to Trans-Natal in this area They are Volspruit, in the Potgietersrust district (1 500 ha), and Wellington in Warmbaths (2 600 ha), both straddle the Springbok Flats

Purchase price on exercising the options is R150/ha, with a possible total of R609 000 In addition, Waverley has the right to subscribe at cost for 7,5% of the initial working capital of any company formed to mine these properties To date, however, there has been no information on just where Genmin is to begin operations

The other instance was news earlier in the year of Anglovaal's prospecting spree in the Lowveld (*Fox* April 27) There, in the heart of all the action on the Elands River, Waverley has out on option 1 800 ha to Anglovaal, which is searching for gold and uranium in the Black and Dominion reefs

Option price is R350/ha (more or less the going rate in the area), for a total of R630 000, plus the right to subscribe for 10% of any initial working capital In relation to Waverley's issued capital of 1,8m shares, both option prices and participation agreements could prove significant

However, much of the loot, if there is to be any, has long been farmed out Carrig has a "turning to account" arrangement whereby it will receive 12,5% of any monies or rights accruing to Waverley



Carrig . . still looking at diamonds

And, in an old supplementary agreement, Carrig also enjoys a 33% interest in the coal farm Volspruit which is on tribute to Trans-Natal

Carrig also holds 4% of Tanks Oil & Plat Holdings, which has an identical arrangement with Waverley So, while it is not immediately clear from Waverley's annual report, much of the gilt has been booked

The driving force behind Waverley's and Carrig's new-found aggressiveness are directors Joe Berardo, Dennis Macleod and Don Grant-Hodge, who also control Johannesburg Mineral Corporation JMC is one of the major contractors supplying Sallies with mine sand for its retreatment operations and itself owns several dumps on the East and West Rands (*Fox* April 13)

Through Mantech Services, in which the trio have a large vested interest, control has since April been exercised over Waverley and Carrig for a fee of 7,5% of any pre-tax profit less than R50 000 If more, the fee drops to 5% Which is quite a fat management contract

That Carrig should eventually provide JMC with a listing appears obvious at this juncture For the moment, because of an insufficient profit history and other difficulties in complying with JSE requirements, plans for Carrig to secure a major interest in JMC have been shelved

Meanwhile, JMC has passed on to Carrig at cost 60 000 shares (or 3%) in The Bank of Lisbon & SA as well as 20 000 shares to Waverley Which is one way for JMC to get rid of its 10% stake that came from Genmin — and at the same time give a little more respectability to both counters I believe the bank turned in a profit of R500 000 last year, which is a good recovery

John White

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UNION CORPORATION GROUP GOLD MINES

F M. 21/12/79

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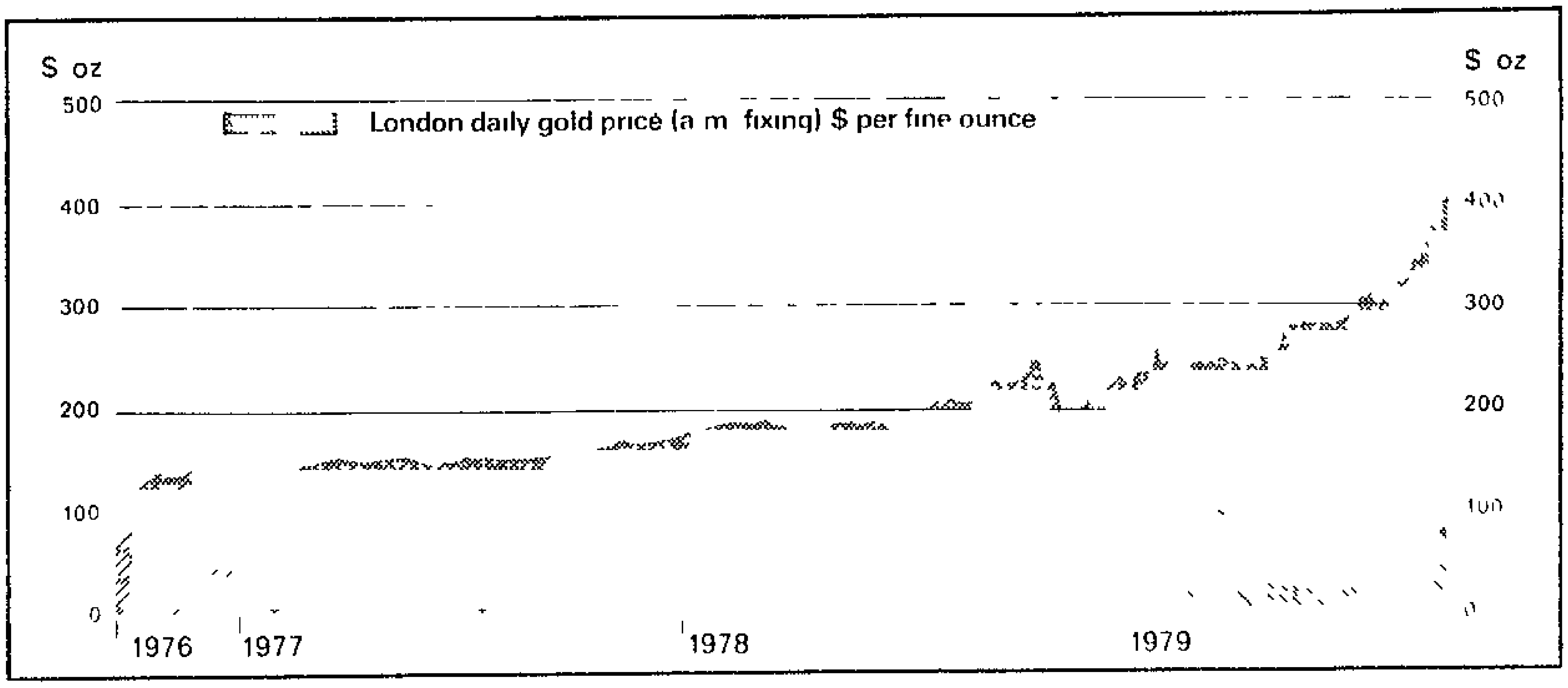

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Although for some years Bracken has followed a programme of reducing underground operations, in the past financial year this programme was slowed down and has now been stopped As a result milling declined only marginally during the year The lower tonnage milled, together with a 10 per cent reduction in grade to 6,08 grams per ton resulted in a fall in gold output of 13 per cent to 4 682 kilograms However, higher gold prices of R6 964 per kilogram led to an increase in revenue of R4 122 000 to R33 062 000 Despite rises in costs and taxation and lease consideration, net profit amounted to R7 849 000, an increase of R1,2 million over the 1978 figure The fact that the loan levy for gold mines was reduced from 15 to 10 per cent improved the cash flow It was thus possible to increase dividends by 8 cents from 44 cents to 52 cents per share

Working costs per ton milled increased during the financial year by 8,1 per cent to R19,13, which compares most favourably with the industry average over the same period of 10,7 per cent

Ore reserves estimated at 30 June 1979 are based on gold prices of R5 500 and R7 500 per kilogram At a price of R5 500 ore reserves were estimated at 1,4 million tons at 7,3 grams per ton, which reflect an unchanged tonnage from the previous year but a fall of 12 per cent in the grade At R7 500 ore reserves increased to 2,5 million tons at 5,7 grams per ton

With the higher gold prices, development in the endorsed prospecting area on the farm Witkleifontein has been accelerated To the east also on the farm Witkleifontein but within the Company's lease area, Kinross Mines Limited has developed an area on behalf of your Company Values exposed have been encouraging and stoping operations in this area will now be put in hand by your Company

Although the ore reserves are substantially higher at a gold price of R7 500 per kilogram, further grade reductions in line with the lower grade of ore reserves can be expected in the coming year As there are limited areas within the lease area which remain to be developed we estimate that at current gold prices the life of the mine could be about four years

L W P VAN DEN BOSCH

23 November 1979

KINROSS MINES LIMITED

In terms of your Company's mining lease, with the increase in the gold price and the lowering of the pay limit, the grade was reduced from 7,39 to 6 33 grams per ton milled Consequently, despite a small increase in tonnage milled, the output of gold decreased by 13 per cent from 11 532 to 9 996 kilograms This was more than compensated for by the higher average price of gold of R7 035 per kilogram, and revenue rose by R10 232 000 to R70 758 000 Despite increases in costs and taxation and lease consideration, net profit increased from R13 961 000 to R17 019 000 in 1979 The Company's cash position was further improved by a 5 per cent reduction in the loan levy and dividends were increased by 19 cents from 55 cents to 74 cents per unit of stock

Working costs per ton milled increased during the financial year by 11,8 per cent to R20,53 per ton milled which is considerably lower than the rate of increase in the consumer price index in South Africa over the same period

Ore reserves estimated at 30 June 1979 were based on gold prices of R5 500 and R7 500 per kilogram at a price of R5 500 ore reserves were estimated at 4,7 million tons at 8,2 grams per ton (1978 5 7 million tons at 8,3 grams per ton) At the higher price of R7 500 ore reserves increased to 6,3 million tons at a lower grade of 7,1 grams per ton

A considerable portion of the development took place in the no 2 shaft area where values have so far proved to be higher than in the blocks presently being mined from the no 1 shaft complex Stoping in the no 2 shaft area commenced recently and it is anticipated that in the coming year there will be a steady increase in production from this area and a concomitant reduction in operations in the southern section of the mine At the same time production from the higher grade northern area is likely to offset further yield reductions in the lower grade southern sections of the mine

L W P VAN DEN BOSCH

23 November 1979

The annual general meetings of the above companies will be held as follows

Thursday, 24 January 1980 Unisel at 9 30 a m , St Helena at 10 15 a m Friday, 25 January 1980 Kinross at 9 C Winkelhaak at 10 15 a m , Leslie at 11 00 a m and Bracken at 11 45 a m

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GOLD REPORTS

On a higher price base

Ahead of Christmas, bullion balked at the $500 barrier It was scarcely surprising as, despite threats of higher oil prices from Caracas, some certainty was returning to oil's future

But whether this marginally improved stability will continue is another matter Already, influential oil analysts in London are talking of 1980 as the year in which Opec's base oil prices average over $40 a barrel, compared with Saudi Arabia's pre-Caracas price hike to $24

RISING COSTS

	Cost R/t milled year to Sept 30 1978	Cost R/t milled year to Sept 30 1979	% rise	Cost R/kg produced year to Sept 30 1978	Cost R/kg produced year to Sept 30 1979	% rise
Bracken	17,69	19,13	8,1	2 619	3 145	20,1
Kinross	18,37	20,53	11,8	2 484	3 245	30,6
Leslie	18,56	19,18	3,3	4 062	4 680	15,2
St Helena	21,45	23,65	10,3	2 375	2 641	11,2
Winkelhaak	15,56	16,94	8,9	2 047	2 298	12,3

If that proves to be correct and the world does enter its long-awaited recession, the outlook for bullion may not be altogether bright But the world still has to fully digest the US's freezing of Iranian deposits and the accompanying shock to confidence in the banking system Diversification of only a small portion of next year's likely Opec surpluses into gold, could make even $500 seem a low figure

No matter what happens, gold producers seem set to operate on a much higher gold price parameter than in 1979 And that will certainly result in substantial grade cutting and mine life extensions But it may well also be accompanied by significant increases in capital spending by the mines

St Helena Though grade virtually stabilised last year, management is apparently planning further grade reduction this year Presumably if development on Ongegund discloses viable ore grades, an early start will be made to mining the area

Announcement by neighbouring President Brand that its shaft to exploit southerly ore shoots will cost R125m does not augur well for St Helena if a further shaft is needed to mine Ongegund But that will probably be the case as the mine s No 8 shaft is unlikely to be able to handle the bulk of ore needed to keep the mill full

Last year, retentions amounted to only R2,3m, but the figure could increase sharply if an early start to shaft sinking is needed At current gold prices, an average grade drop to 8 g/t or less, is in prospect for the current year Mill throughput should be fully satisfied from underground ore without recourse to lower grade ore from surface dumps

Kinross As stope tonnage from the higher grade No 2 shaft area builds up, falling grades in the southern part of the lease area should be offset On that basis, average mill yield should remain steady at something over 5,5 g/t

The only major capex project in prospect in the near term is provision of underground refrigeration plant to serve the deeper No 2 shaft workings Refrigeration costs, and generally increased costs as average mining depths increase could mean a relatively steeper unit costs increase than occurred last year, though the mine has a good record of cost control Mill throughput is at full capacity, though there may be scope for increasing treatment rates if ore is treated by Bracken or Leslie

Winkelhaak Drilling on ground acquired beyond the mine's north-eastern boundary is giving highly encouraging results and the area's full potential should be known in little over a year However, whether an early start will be made on mining the area remains to be seen It could require the sinking of one deep level shaft, but there is little urgency to open the new ground as ore reserves in presently worked areas are under no strain

Meantime, in terms of the mine's lease formula, recovery grade will decline again this year, probably to below 7 g/t before the year is out On the other hand, capex should average only little more than R1m for the next few years until further shaft sinking is undertaken

Leslie Official estimates of the mine's remaining life are, as usual, conservative The 1978 annual report estimated five years and the same is given in the latest annual report, though with the *caveat* that this will be accompanied by lower average grades

Not that this is any particular surprise, but recovery grade could be set to fall to 3,5 g/t this year However, there is probably scope for increasing monthly mill throughput to the 100 000 t level achieved in 1975-76 Capex should remain at a nominal level for the remainder of the mine's life and further capital repayments could be on the cards after 1982

Bracken The market's earlier scepticism of life estimates given by management 12 months ago appears to have been justified Further ore reserves within the lease area have helped increase the current life expectancy to four years though inevitably, this extension will be accompanied by further grade drops An average recovery grade of 5 g/t could prove optimistic for the current year with an eventual drop to a longer-term 4 5 g/t in prospect

Since the 10c capital repayment in 1976, management has been notably unhurried to repay further capital And once the mine's own ore reserves are exhausted, it is possible that facilities will be used for treating ore from neighbouring mines

GOLD MINES' PERFORMANCE

	Average t/month milled 000't	Recovery grade g/t	Gold produced kg	Revenue gold Rm	Total profit Rm	Capex Rm	Net EPS c	1978-79 dividend c	1979-80 dividend projection at $450 c	Price c	Prospective yield %
Bracken	64	6,1	4 682	33,1	7,8	—	55,9	52	75	340	22,1
Kinross	132	6,3	9 996	70,8	17,0	1,1	88,3	74	135	1 120	12,1
Leslie	85	4,1	4 201	29,7	5,2	—	32,2	32	55	275	20,0
St Helena	161	9,0	17 305	120,6	32,5	1,6	323,7	300	475	3 300	14,4
Winkelhaak	175	7,4	15 488	109,3	29,6	1,3	233,8	205	375	2 875	13,0

Jim Jones

THIS YEAR HAS SEEN GREATER AWARENESS OF GOLD'S ROLE AS A MONETARY RESERVE

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– Mr D A Etheredge, Mr G Langton, Mr G Y Nisbet

The following is an abridgement of the text common to the annual reviews for 1979 of Mr D A Etheredge chairman of President Brand, President Steyn, and Free State Saaiplaas, Mr G Langton, chairman of Free State Geduld and Western Holdings and Mr G Y Nisbet chairman of Welkom

Gold

At the time of writing last year's review the price of gold set at the London fixings had just fallen by some $50 to $194 in the space of a month This followed the announcement of a $30 billion support operation by the United States Government and of a massive increase in the amount of gold that was to be auctioned monthly by the United States Treasury Nevertheless, attitudes were cautiously optimistic

The strength of the market has since surpassed all expectations with the price soaring to a new record fixing of $397 on the closing day of the year under review Three fixings later it peaked at $437, $243 higher than at the same time last year The US Treasury subsequently again altered its auction policy from one of regular sales of specified quantities to an ad hoc programme which temporarily brought the price under some pressure

The average price of gold during the financial year was $257, an increase of 43 per cent over the previous average of $180 Also of significance is the fact that the price has increased appreciably in terms of stronger currencies During the year the dollar price rose to $397 from $217, an increase of 83 per cent In Deutschemark terms the price rose by 71 per cent, by 86 per cent in Swiss francs and by 119 per cent in Japanese yen

Whereas last year the increase in the gold price largely reflected the weakness of the US dollar, the pattern this year has seen a more widespread distrust of all paper money Indeed, investors attempts to protect the value of their assets have been a major factor, not only in gold's rise to record prices, but also in the levels attained by other precious metals It is significant that this principle was recognised by recent US legislation which permits pension funds and insurance companies to invest a proportion of their assets in precious metals

Investment in gold including bullion, medallions and official coins is estimated to have absorbed 494 tons in 1978 compared with 417 tons in 1977 Investment demand in 1979 is anticipated to show an even more substantial increase although it is too early to be precise

Fabrication demand for gold in 1978, including coin and medallions, rose to a record 1 552 tons In view of the sharp increase in the gold price in hard currencies some decline in industrial offtake must be expected in 1979 Current estimates of the reduced demand in this sector, however, indicate that the fall is likely to prove relatively modest particularly when compared with the major decline in 1974 when demand fell to 250 tons The continuing strength of the jewellery and industrial market may be ascribed in part to the successful promotional efforts of Intergold Intergold has also stimulated the high level of demand for Krugerrand gold coins which contain one ounce of fine gold A survey into the marketability of the R2 gold coin, which contains approximately a quarter of an ounce of fine gold, has been initiated

The supply of gold to the market in 1979 is expected to be higher than at any time other than in 1967/68 when monetary authorities sold large quantities in an attempt to maintain a fixed price of $35 an ounce New production by mines in the non-communist world will probably show a slight increase from the approximate 970 tons of the past three years Net communist bloc sales are estimated to be around 250 tons as against annual sales of around 400 tons in the recent past This reduction, however, is more than offset by the increased amount sold by the US Treasury The IMF will have sold 170 tons in 1979 compared with 184 tons in 1978

It is not certain whether the IMF will continue its sales after the current four-year programme which ends in May 1980, nor is it clear whether the US Treasury will continue its sales at the level of its November auction It is quite obvious, however, that foreseeable supplies of newly mined gold are insufficient to meet current demand let alone an increasing investment demand

The year has seen greater awareness of gold's role as a monetary reserve as shown by the revaluation to market related levels of the gold portion of most central bank reserves In the future gold seems bound to play an increasingly important part in international monetary

SUMMARY OF OPERATIONS

	Free State Geduld		Free State Saaiplaas		President Brand		President Steyn		Welkom		Western Holdings	
	1979	1978	**1979**	1978	**1979**	1978	**1979**	1978	**1979**	1978	**1979**	1978
GOLD												
Tons milled 000's	**3 131**	3 370	**1 273**	1 240	**3 218**	3 146	**3 575**	3 256	**2 178**	2 184	**3 154**	3 113
Yield – grams/ton	**12,20**	12,78	**3,44**	3,55	**9,41**	9,53	**7,11**	7,87	**5,77**	6,09	**9,91**	10,64
Production (kg)	**38 202**	43 055	**4 376**	4 408	**30 282**	29 989	**25 425**	25 622	**12 569**	13 303	**31 265**	33 116
Cost Rand/ton milled	**31,90**	26,50	**23,82**	22,05	**28,15**	25,14	**28,16**	26,21	**26,93**	23,56	**25,04**	22,56
Cost Rand/kg produced	**2 614**	2 074	**6 931**	6 202	**2 991**	2 637	**3 960**	3 331	**4 666**	3 868	**2 526**	2 121
Revenue Rand/kg	**7 020**	5 369	**7 111**	5 467	**6 994**	5 387	**7 202**	5 378	**7 107**	5 380	**7 113**	5 363
Working Profit (loss) R000's	**169 056**	142 523	**873**	(3 175)	**121 822**	82 949	**82 941**	52 865	**30 934**	20 328	**144 010**	107 851
Capital expenditure R000 s	**48 411**	39 716	**33 127**	10 754	**69 476**	27 995	**24 294**	20 121	**5 808**	3 574	**10 403**	6 027
Dividends cents per share	**420**	315	**—**	—	**295**	150	**182,5**	80	**110**	65	**645**	415
JMS												
Slimes delivered tons 000's	**2 542**	2 830	**2 066**	2 474	**2 512**	2 960	**5 895**	4 715	**519**	—	**4 032**	3 632
Attributable profit (loss) R000's	**3 343**	20	**21 823**	14 140	**10 382**	6 317	**6 819**	224	**2 930**	(2)	**1 343**	(1 215)

transactions Although short term price fluctuations will inevitably occur, the outlook remains favourable

Uranium

The current swing from increasingly expensive oil based energy to nuclear and coal is certain to accelerate in the 80s even if total energy demand growth in the industrialised nations only increases at a very modest rate However, the demands for additional safety devices on existing and future nuclear power plants will result in further delays in commissioning dates and reduce earlier predictions of growth in near term consumption

Australian producers are making progress in overcoming State and environmental problems which have delayed the commissioning of their mines and are now more active in the market A consequence of their activity has been to limit the increase in uranium price and in 1979 the price continued to decline in real terms

Indications are that if all the new production facilities which have been projected are actually commissioned there will be a surplus of production capacity until there is a resurgence of demand

The 1980s

The higher gold price will enable the mines to turn to account lower grade ore and to extend their working lives as indeed they are obliged to do in terms of their mining leases However, modified mining plans cannot be put into effect in the short term and extensions to mill capacities and new shafts take even longer Nevertheless the trend in the industry will be to mine lower grades in the 1980s provided of course that the escalation in costs does not outstrip the increase in gold price

There are considerable reserves of lower-grade ore in the Witwatersrand Basin, both within and without existing mining leases The higher average price has already resulted in increased exploration activities Unfortunately, capital required to establish a new mine and the costs of operations have risen substantially, so much so that the minimum grade required to establish a new mine has only dropped marginally compared with five years ago despite the much higher gold price used in viability studies today A mine with a milling capacity of 135 000 tons a month nearing commissioning now would have cost in the order of R250 million The same mine commenced today and completed in the mid-1980s would cost approximately R400 million based on recent inflation experience New mines to exploit low grade ore bodies are therefore likely to be few in number and expansion will undoubtedly be in the form of extensions to existing operations whose cash flow can be used to finance development

The taxation authorities in this country have always followed a conservative policy in relation to the mining industry and I certainly hope that the substantial increase in gold mining tax payments following the gold price rise will encourage them to adopt lower marginal rates and increase the initial capital allowances Both these steps are necessary if full advantage is to be taken of the potential for exploiting lower grade ore bodies The reduction in the surcharge rate from 7,5 per cent to 5,0 per cent and in the loan levy rate from 15 per cent to 10 per cent for the 1980 tax year was welcome, but certainly fell short of industry requirements, particularly in relation to the establishment of new mines

The mining industry offers employment opportunities to over 300 000 underground workers and nearly 100 000 surface workers, most of whom have had very little or no formal education The task of formulating training programmes aimed to improve performance and overall productivity on the mines remains formidable However, success in this field is imperative if the predicted skills shortage is to be averted Progress has been made and over the last few years 6 000 artisan aides have been trained in all types of maintenance and repair work These men have received training in some modules of the work undertaken by boilermakers, electricians and fitters, amongst others, which enables them to work under the guidance of fully trained artisans These steps are admittedly inadequate when seen in the context of the skills and labour force required by South Africa as a whole to ensure economic expansion Increasing mechanisation throughout the country will further strain resources in the engineering and technical fields and it is important that the capacity of all training facilities in the country be expanded Having said this, it must be pointed out that all mines administered by Anglo American Corporation have fully-equipped training centres where continuous job-related training of both whites and blacks takes place To improve further training capability, an integrated modular development programme is to be launched shortly In addition, courses are offered on a central basis to both graduates and non-graduates in all disciplines These courses are not only job-related but also cover the broader aspects of mining and management techniques To meet the challenge of mechanisation, specialist courses in hydraulics instrumentation and electronics are run throughout the year

The continuous training of people in itself can and should only be undertaken within a labour structure which enables all individuals to use their accumulated skills to maximum potential Forward planning of development of the labour force in a new environment where there will be equal opportunities, equal pay for work of equal value, as well as the right to trade unionism, must be tackled with some urgency The next decade will see fundamental changes in labour policy which hopefully will result in the industry being manned by a stable, well-motivated labour force

In common with other mines in the industry we have embarked on a programme to reduce diesel consumption and capital has been committed for the conversion of locomotives and other mobile equipment to electric power

Labour

The publication of the Wiehahn and Riekert Reports on industrial relations and labour mobility was a milestone in labour development in South Africa The government, however, adopted a cautious attitude towards the Commissions' recommendations particularly in regard to the admission of blacks to trade unions Fortunately, it has since made an important move in this direction and seems intent on full implementation of all the recommendations, but in terms of an undefined timetable Some matters remain to be considered by the Wiehahn Commission which will be devoting a further report to matters concerning the mining industry in particular Once this has been published and the Government has made its views known, it will be possible to plan for the better utilisation of our human resources and for an improved industrial relations structure However, much will depend on the co-operation of the white trade unions, many of whose members, while recognising that change is inevitable and necessary, are fearful of their job security

A further improvement in conditions of employment in the mining industry and the high rate of unemployment in southern Africa, have ensured that our mines have had more than an adequate supply of unskilled labour throughout the year

Joint Metallurgical Scheme

The total profit of R46 640 000 is in itself a tribute to the improvement in operations that has taken place during the year All commitments were met from current production and we were able to sell uranium and acid on the spot market

It is planned to increase the acid plant capacity during the current year by 150 tons a day and so bring into better balance our pyrite and acid production New contracts have been concluded for the sale of the additional acid

The extensions to the slimes section of the President Brand uranium plant which will give a final capacity of up to 500 000 tons a month are almost complete and commissioning has commenced Full production should be achieved during the third quarter of 1980

A significant part of the scheme's short-term production was contracted to Iran Since the political upheaval, that country's nuclear energy programme has apparently been scrapped and the Atomic Energy Organisation of Iran has advised participants that it wishes to cede the contract to a third party who would, of course, have to be acceptable to all concerned In the interim, deliveries to AEOI have been suspended while preliminary discussions on the ceding of the contract take place

A joint sales contract for the delivery of uranium was concluded early in the year The terms agreed include a consumer loan to be paid partly in US dollars and partly in rands The loan will be made in four tranches, the first of which has already been received, the balance being payable over the years 1981 to 1983 The loan will be repaid in quarterly instalments commencing in December 1985

The annual reports and chairmen's statements may be obtained from Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001

Annual General Meetings The annual general meetings of the members will be held at 44 Main Street, Johannesburg, on Thursday, January 24 1980 at the following times
Free State Saaiplaas Gold Mining Company Limited 10h00, President Brand Gold Mining Company Limited 10h35, President Steyn Gold Mining Company Limited 11h20, Welkom Gold Mining Company Limited 11h45, Western Holdings Limited 12h10, Free State Geduld Mines Limited 12h35

GOUDPRYS SE HOOGTES GETEM IN '80, SÊ KENNER

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RAPPORT 30/12/79

Deur FRANZ ALBRECHT

'N GELEIDELIKE daling in die goudprys dwarsdeur 1980 tot in 1981 kan heel waarskynlik verwag word, sê een van Suid-Afrika se voorste kenners in die goudmynboubedryf, mnr. Robin Plumbridge, 44, ondervoorsitter van Goudvelde van Suid-Afrika.

Hy gee hierdie nugtere voorruitskouing van die goudprys te midde van die groot opgewondenheid wat in Suid-Afrika heers omdat die goudprys deur die 500-dollar-kerf gebreek het

Mnr Plumbridge meen dat die omstandighede wat die goudprys tot sy huidige hoogtes aangepor het, die een of die ander tyd die wyk sal moet neem

En wanneer sake — selfs tot die geringste mate — tot normaal begin terugkeer, sal daar 'n afwaartse reaksie in die goudprys intree So 'n terugsakking sal dan waarskynlik 'n geruime tyd duur omdat die opwaartse beweging so hewig was

Mnr Plumbridge was al twee keer president van die Kamer van Mynwese, en is voorsitter van vyf van Goudvelde se agt goudmynmaatskappye Tesame produseer Goudvelde se myne meer as 'n vyfde van Suid-Afrika se goud

„As die omstandighede wat die goudprys tot sy huidige hoogtes gedryf het, voortduur of selfs in invloed toeneem, sal die goudprys verder styg Maar sodra sake tot normaal terugkeer sal die prys daal," sê hy

Die redes waarom die goudprys in 1979 so sterk gestyg het is die gesonde vraag na die edelmetaal, tesame met die vrees van 'n ineenstorting van die ekonomie van die wêreld, die besorgdheid oor stygende olieprysе, wat verdere inflasie aanblaas, en die politieke onrus in groot dele van die wêreld

Hierdie omstandighede was al aan die einde van 1978 teenwoordig, en het in hierdie jaar in invloed toegeneem Die intensiteit van al hierdie oorsake het 'n hoogtepunt bereik

Die klimaks in die goudprys se styging is deur spekulante veroorsaak Maar dit is ook hulle wat die eerste goud sal verkoop sodra die prys begin sak

Oor die langtermyn is die toekoms van goud en die goudmynboubedryf rooskleurig, meen mnr Plumbridge Maar oor die korttermyn kan skommelinge verwag word, selfs wye skommelinge, terwyl die goudprys oor die langtermyn opwaarts beweeg

Een van hierdie skommelinge wat dwarsdeur 1980 tot in 1981 kan duur, word nou deur mnr Plumbridge voorspel Dit is 'n afwyking van die lang termyn se opwaartse tendens, en kan selfs wye skommelinge op sy afwaartse koers toon

Elke tien dollar wat die goudprys styg, en op voorwaarde dat hierdie styging 'n jaar lank behoue bly, beteken vir Suid Afrika R188 miljoen meer per jaar in buitelandse betaalmiddele teen die huidige wisselkoers van die rand teen die dollar

Goudmyne sal na verwagting hierdie jaar 'n gemiddelde prys van net oor die 300 dollar per ons vir hul goudproduksie kry Dit is onverwags groot Maar die vraag is nou, wat gaan hulle in 1980 vir hul goud verdien?

Mnr Plumbridge twyfel of die gemiddelde prys wat goudmyne in 1980 vir hul goud sal ontvang aan die huidige oooroptimistiese verwagtinge oor die langtermyn sal voldoen.

*Van RAPPORT se Washingtonse kantoor word berig dat Suid Afrika se ambassadeur by die Internasionale Monetêre Fonds, mnr Sybrand Visagie meen dat enigiets nou met die goudprys kan gebeur

Hy sê die toekoms van die goudprys hang op die oomblik af van die krisis in Iran en die gevaar van enorme stygings in die prys van olie

As daar oplossings vir Iran sou kom, en die olieprysе stabiliseer sal ons met nuwe faktore te maak hê " sê hy

Maar een ding bly seker, en dit is dat goud die beste draer van waarde bly

(3) If the company is to be a company limited by guara... state—

(a) that the liability of the members is limited to th... paragraph (b); and

(b) that each member undertakes to contribute to the event of its being wound up while he is a ... afterwards, for payment of the debts and liabilit... before he ceases to be a member, and of the c... the winding-up, and for adjustment of the right... themselves, such amount as may be require... amount but not less than one rand.

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