MINING — GOLD

1991

JANUARY — APRIL

The Director
South African Labour Development &
Research Unit

COMPANIES

Winkelhaak aims to maintain levels

PETER GALLI

GENGOLD'S Winkelhaak gold mine in the eastern Transvaal should maintain 1989 recovery grade and gold production levels in the current year, chairman Brian Gilbertson said in the latest annual report

Management would continue efforts to contain working costs and minimise the mining of unpayable ore, to counter effects of the depressed rand gold price

Gilbertson said gold production increased 12% in the year to end-September to 12 692kg (11 331kg) due to a higher recovery grade of 6g/t (5,6g/t) and an increase in the tonnage milled to 2,1-million tons (2-million tons)

BiDay 3/1/91

Management's emphasis on containing cost increases was rewarded, as working costs per kilogram increased by only 2,3% to R21 145 (R20 668) Unfortunately the average gold price received rose by only 1,2% to R32 388/kg.

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"Unfortunately the low rand gold price necessitated the restructuring of certain mining operations, and the labour force had to be reduced accordingly, with 347 workers being retrenched"

Production at the No 6 ventilation shaft had reached 30 000 tons a month, with the recovery grade improving from 3,9g/t to 5,0g/t The No 6 main shaft was being equipped for hoisting. Development necessary to expose the reef would probably commence this month. The project was on target and within budget, he added

Turnover rose 13,3% to R416,2m (R367,2m), with distributable income 5,7% higher at R40,7m (R38,5m). An unchanged dividend of 315c a share was declared.

Bracken plans for profitable production

B/Day 4/1/91

214 GARETH BELL

GENGOLD's Bracken gold mine was expected to continue operations for the next few years at a reduced milling rate while maintaining the present recovery grade, Bracken chairman J E Olivier said in the latest annual report

Recovery grade increased by 21,9% to 3,9g/t in financial 1990 due to the concentration on the higher grade shaft, while the value of square metres mined decreased by 22,7% to R143 000 and the value of tonnage milled decreased by 22,9% to R530 000

To ensure profitable operation until closure the mine had cut costs but further measures would have to be taken, Olivier said Working costs increased by 0,6% to R31 310/kg in financial 1990

Working costs were decreased by placing Bracken and Leslie under joint management in June, which allowed for rationalisation

Workforce reductions of 474 employees were dictated by the declining gold price and diminishing ore reserves

Labour relations were currently good after a stormy first half of the year, Olivier said

Dividends for the year increased by 37,5% to 55c

FM 4/1/91 (214)
RAND MINES PROPERTIES

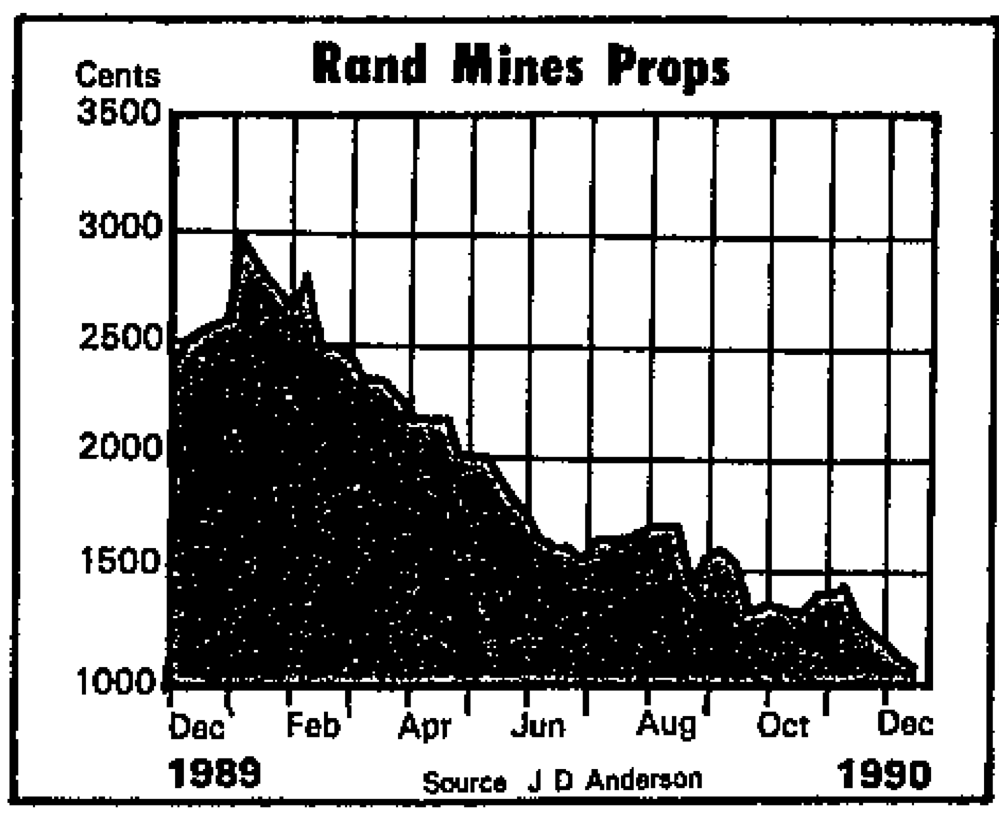
IN THE DUMPS

(214)

A collapse in profit from Rand Mines Properties' gold recovery operations was mostly offset by a sharp increase in profit from its property interests in financial 1990 This year, with conditions in the gold industry remaining unfavourable and the property market set to soften, lower earnings and dividends look inescapable

The contribution of property to group profit increased from 27% in financial 1989 to 80% last year, yet its contribution to turnover remained fairly stable at 25% (21%) Despite a weaker property market, chairman Dammy Watt says, the group benefited from the good location of properties and was able to increase sales Revenue of R28,5m from sale of township land was the highest in six years. Expropriation and disposal of undeveloped land also boosted income. The only purchase during the year was an undeveloped, 46,7 ha site in Germiston

Income from sale and expropriation of properties helped increase the group's cash resources Surplus cash of R58,2m (R51m)



RMP's Watt *expects lower profit*

FM 4/1/91 (214)

Activities: *Reprocesses gold dumps and markets, develops and administers property*
Control: *Rand Mines 76,4%*
Chairman: *D T Watt, joint MD J R Forbes, J P S Turner*
Capital structure: *12,4m ords Market capitalisation R136m*
Share market: *Price 1 100c Yields 12,7% on dividend, 15,4% on earnings, p'e ratio, 6,5, cover, 1,2 12-month high, 3 100c, low, 1 125c Trading volume last quarter, 106 000 shares*

Year to Sep 30	'87	'88	'89	'90
Gold produced (t)	2,8	3,7	3,6	3,5
Turnover (Rm)	105	154	166	172
Operating profit				
Gold (Rm)	21,4	32,7	25,3	4,4
Property (Rm)	5,9	9,1	9,5	17,7
Taxed profit (Rm)	19,3	28,3	25,7	21,1
Earnings (c)	155	224	205	169
Dividends (c)	80	120	140	140

FM 4/1/91 (214)

was available at year-end and, with higher interest rates, interest received more than doubled to R12,2m

This was offset by a sharp fall in the profitability of gold recovery operations at Crown Mines, City Deep and the Pilgrim's Rest area — operating profit fell from R25,3m in financial 1989 to R4,4m In addition to gold producers' common problems of cost increases and a lacklustre rand gold price, recovery grades declined

More than R160m has been invested in the gold recovery division over the past few years, and the returns are disappointing Projects in the pipeline include a feasibility study into treatment of alluvial and eluvial material at Pilgrim's Rest, which is almost complete, and the exploration of mineral rights in this area, with Rand Mines

Watt expects the property division's profit to be "substantially lower" this year He cites slower economic growth, high interest rates and political uncertainty as having a negative impact on demand for vacant township land But the group has the resources to make additional investments in the property or mining sectors

Lower profit from property and a dismal outlook for the gold operations are expected to cause a "significant" fall in group profit Last year the dividend was held at 140c despite lower earnings, but Watt warns of a dividend cut in financial 1991

Poor prospects are mirrored in the share price which has plunged from its January R30 high to R11 There is scant reason for a recovery

Pam Baskind

GFSA has rosier future as production costs slide

(214)

B/Day 8/1/91

ROBERT LAING

GOLD Fields of SA's (GFSA's) December gold quarterly reports show the group was marginally successful in its battle to reduce production costs without retrenching staff.

Venterspost and Doornfontein improved, but were still making losses With the exception of Kloof, all of the group's gold mines showed better results than in the September quarter

GFSA executive director Alan Munro said yesterday "No jobs were lost within the Gold Fields group Fortunately we have two new mines — Kloof's Leeudoorn section and Northam Platinum — coming on stream Recruitment has been very easy for them"

East Driefontein's problem with its No 2 shaft winder was solved and tons milled for the quarter recovered to the levels of last year's first two quarters Munro said the mine's underground problems had eased, but it was still short of stope-faces

"New faces are being developed and the mine has a good long-term future West Drie has to carry East Drie for the moment," Munro said

West Drie's yield improved to 11,3 g/t from 10,3 g/t This resulted from the mine's strategy of abandoning the Main reef in favour of developing the shallower North Drie area

Munro said "Carbon leader mining in the new area is producing good grades — far better than expected"

Kloof was under strain, spending heavily on capital Gold production costs rose to R17 794/kg from R17 375/kgof gold produced

Convert

"Kloof is in transition to a better mining area, and moves cost money However, these production costs are not sustainable and overheads will have to be reduced"

The development of Leeudoorn, Kloof's extension, is on track Munro forecast that the new mine would be milling 60 000 tons a month from March, increasing to 100 000 tons a month by July 1993 He dismissed speculation that Leeudoorn would need refinancing There were no plans to list it separately on the JSE

Kloof must convert its debentures into ordinary shares once Leeudoorn reaches a sustainable milling rate of 100 000 tons a month

"Our peak cash requirement is now to pay dividends in February Leeudoorn is five months late, but it's full steam ahead now"

Venterspost's extension was going well It was ahead of budget and should intersect ore shortly The mine would raise more money in November by exercising options on forward sales Munro could not say when the extension would start making profits

Libanon, one of GFSA's older mines, produced surprisingly good results

"It is a 50-year-old mine that nobody thought as game as it is We were pleasantly surprised to find it keeping its head above water so successfully It was in deficit last year, but is working its way out"

Mining operations at Doornfontein have not recommenced after two fires in December killed a miner and filled all shafts above the 35 level with smoke

Deelkraal's production was back to normal after last quarter's fire

GOLD FIELDS OF SA December Quarterly Report	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
	720	8,2	5 923,6	152,23	18 503	31 034	—	—	—
East Drie	**695**	**8,1**	**5 605,2**	**159,79**	**19 812**	**31 754**	—	—	—
	705	11,3	7 947,4	172,98	15 345	31 305	130 899*	86 613*	42,5*
West Drie	**705**	**10,3**	**7 234,0**	**172,29**	**16 791**	**31 745**	**108 340***	**63 216***	**31,0***
	540	12,5	6 776,2	223,28	17 794	31 161	91 318	(32 248)	(26,6)
Kloof	**540**	**12,4**	**6 691,3**	**215,30**	**17 375**	**31 765**	**97 345**	**(33 416)**	**(27,6)**
	390	3,6	1 395,1	128,23	35 848	30 938	(1 243)	(14 867)	(73,6)
Venterspost	**390**	**3,5**	**1 369,3**	**135,91**	**38 710**	**31 732**	**(4 382)**	**(15 510)**	**(76,8)**
	435	4,7	2 062,5	139,15	29 348	31 272	4 696	2 409	6,0
Libanon	**435**	**4,7**	**2 047,2**	**142,04**	**30 182**	**31 841**	**4 301**	**1 913**	**4,8**
	344	5,2	1 792,8	191,18	36 676	31 449	(3 236)	(4 090)	(10,2)
Doornfontein	**390**	**5,2**	**2 012,2**	**183,08**	**35 484**	**31 725**	**(6 791)**	**(12 704)**	**(31,8)**
	395	5,7	2 248,4	145,65	25 613	31 765	16 040	(3 008)	(3,0)
Deelkraal	**405**	**5,7**	**2 308,5**	**145,65**	**25 554**	**31 691**	**15 838**	**(4 702)**	**(4,7)**

* Combined results of both sections

Gold houses happy to look at forward selling

PETER GALLI

MOST of the large gold mining houses have indicated they would consider forward selling of their gold production in 1991

However, they would not give any details of their plans

Anglo American's gold and uranium division chairman Clem Sunter said the group was bullish about gold in the longer term, and therefore did not want to be caught short by selling too much gold forward

Anglo did not have a dogmatic approach to forward selling, and took advantage of opportunities when they arose, he said

Sunter said he was bullish about gold in the long term because by the late 1990s jewellery demand could outstrip total world production Jewellery demand accounted for 80% of gold production in 1990

A war in the Gulf would see a rise in the gold price, but if it were protracted this would deepen the existing world recession

Gold Fields of SA (GFSA) executive director gold Alan Munro said the firm's practice of forward selling would continue to be reviewed continually

A spokesman for Rand Mines said the group would take forward selling opportunities when they arose A JCI spokesman said that, subject to the price being right, JCI would be involved in forward selling

Gold Fields' mines winning costs battle

SKW 8\1\91. (214)

By Derek Tommey

Gold mines in the Gold Fields group are beginning to win the fight against rising costs and a static gold price.

However, on the downside is the news that no plans have yet been formulated for reopening Doornfontein, where operations have been halted by a fire Doornfontein produced some R64 million worth of gold in the September quarter

A batch of encouraging December quarterly reports issued today shows that several of the groups mines were able to increase their profits in the quarter Those that did not are expected to make this up by showing better result this quarter

The mines in the group increased their gold output from 27 341 kilograms to 28 178 kilograms, lifting group revenue from R869,3 million to R881,5 million and group working profit from R272,6 million to R293,3 million Working costs fell from R596,7 million to R588,2 million, although tonnage milled dropped from 3 589 500 to 3 535 332 tons

Development

Mr Alan Munro, GFSA's executive director, gold, said the increase in the yield from 7,6 grams to 8,0 grams a ton was a "welcome development not before time"

In the battle to cut costs, all the mines were re-using every piece of equipment, they were feeding on the fat of the past, he said

He added that the GFSA group was in the fortunate position of not having actively retrenched

anyone, as it had two new mines — Northam and Leeudoorn — coming into production Leeudoorn would probably employ between 10 000 and 15 000 people

Driefontein, Libanon and Deelkraal increased their profits in the quarter Kloof's profits were downbut profits were expected to recover this quarter Doornfontein made good progress towards returning to profitability, until a fire halted production Venterspost was able to reduce its operating loss

The feature of the quarterlies was the jump in the taxed profits of Driefontein from R103,3 million in the September quarter to R130,9 million in the December quarter Part of the improvement was the result of **East Dries** recovering from its 25 00 ton loss of production in the September quarter But the increased earnings was also the result of a jump in the grade at **West Driefontein** from 10,3 grams to 11,3 grams a ton

Kloof's profit dropped from R97,3 million to R91,3 million, mainly as a result of a jump in costs from R215,30 to R223,30 a ton milled, though a lower gold price was also a contributory factor

Part of the cost increases was the result of Kloof moving operations to better paying areas At Kloof's twin, the developing mine, **Leeudoorn**, work is going ahead in preparation for starting production The metallurgical plant is being commissioned and stoping operations have started in the 67 Longwall, and it is hoped to reach a milling rate of 60 000 tons a month later this year

Production

Venterspost is under severe strain, said Mr Munro, as it had not much of its old lease area left to mine However, the aim was to keep the old mine going until its new mine, now being developed, starts production

Good progress was being made opening Venterspost's new lease area The 10 level haulage from Venterspost No 1 Shaft had holed with the No 4 Shaft complex where the ore can be mined a much lower cost than ore from the old lease area This area will give Venterspost a new lease of life The mine had a working loss in the December quarter of R6,7 million (September quarter, loss of R9,5 million), but this csh outflow was partly offset by sundry revenue of R5,5 million (R4,9 million)

Vlakfontein, which is in the brink of ending production, had a loss R818 000 for the quarter, (September loss R211 000)

Mr Munro said that the mine had arranged the sale of its slimes dams It also had a large piece of freehold land for sale The mine would have assets in hand after meeting its shut-down obligations

Deelkraal's operations were affected by a fire in the December quarter which led to the milling rate falling 9 600 tons below the planned figure An insurance claim has not yet been submitted Production should be back to normal this quarter The mine, which had a taxed profit of R16,0 million (R15,8 million), is pushing to improve its yield, currently 5,7 grams a ton

Doornfontein, which experienced two fires in the December quarter, reports a working loss of R3,2 million for the quarter — an improvement on the September loss of R6,8 million

The first fire was extinguished Attempts are being made to seal off the second fire But its is at the foot of the mine and smoke is rising through the mine workings creating a health hazard

Libanon improved its taxed profit from R4,3 million to R4,7 million helped by a drop in costs from R142,04 to R139,15 a ton milled

GFSA profit fruit of cost containment

ROBERT LAING

GOLD Fields of SA kept ahead in the fight to contain operating costs without retrenching miners in the quarter to end-December

(214)

13/1/97

The aggregate pre-tax profit was R350m (R312m) with after-tax profit increasing to R238m (R214m) The quarter-on-quarter capex decrease was R12m to R204m Working costs dropped R9m to R588m

Underground fires in Deelkraal and Doornfontein, and winding down operations at Vlakfontein caused the group's mill throughput to drop to about 3,535-million tons (3,589-million)

This decrease was offset by the increase in average yield per ton of ore milled to 8,0g/t from 7,6g/t and gold production went up to 28 178kg (27 341kg)

The average price received for gold decreased to R31 239/kg from R31 752/kg but increased production put revenue up to R881m (R869m)

● See Page 7

Cons Modder restored to profitability

B/Day 9/1/91

ROBERT LAING

A HIGHER gold recovery grade combined with lower unit working costs to restore the Consolidated Modderfontein (Cons Modder) gold mine to profits in the final quarter of last year.

The mine, the largest managed by Loucas Pouroulis's Golden Dumps group, added to its cash flow by selling some of its residue dumps, but remained reluctant to commit large amounts to capital projects.

In contrast, the South Roodepoort mine remained in the red as a lower overall gold recovery grade largely offset the advantages of a substantial reduction of unit costs.

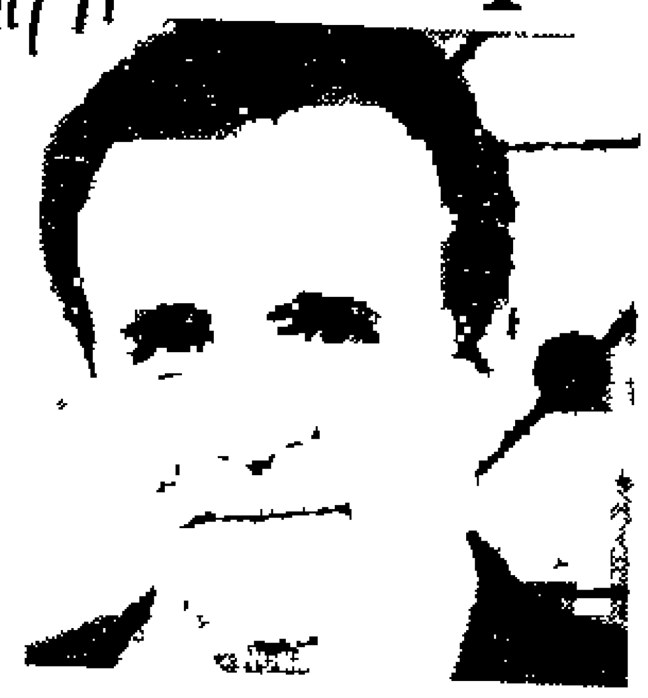
Cons Modder converted an operating loss of R2,09m in the September quarter into an operating profit of R1,18m in the December quarter.

However, interest charges swallowed most of the operating profit, leaving a pre-tax surplus of only R76 000. Below the line cash flow was enhanced by the R4,1m sale of dump permits and material.

The mine's efforts at cost control were helped by the fact that operations were not disrupted by work stoppages which adversely affected costs in the September quarter.

In addition retrenchment payments had been absorbed in earlier periods.

Pouroulis was up-beat on Cons Modder's prospects at



● POUROULIS

a Press briefing yesterday.

"We have equipped the north-east vertical as a new shaft and concentrated development at No 1 shaft-Springs. This mine has 50 years left in it — it has hardly been touched."

He was less cheerful about South Roodepoort which reduced its operating loss to R358 000 in the December quarter from the September quarter's R960 000.

2/4

Operating costs were reduced with the help of sharp reductions in the mine's underground development rate.

Pouroulis said "The reefs are so spread out we are forced to spend three times more on development than other mines. That's our problem."

Both mines are concentrating on opening up Kimberley reef reserves.

"This will definitely bring production costs down at Cons Modder. It has a fifty-fifty chance of working at South Roodepoort, but we have work the Kimberley reef to get at new faces in the main reef here."

GOLDEN DUMPS December Quarterly Report	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
South Roodepoort	65 306	3,26	213,0	106,10	32 530	30 629	(529)	(529)	(3,03)
Main Reef....	**65 795**	**3,74**	**246,0**	**133,52**	**35 711**	**31 728**	**(1 099)**	**(1 099)**	**(6,30)**
Consolidated	116 977	4,54	530,6	133,44	29 418	31 402	4 176	660	1,33
Modderfontein	**121 952**	**3,89**	**474,3**	**144,59**	**37 176**	**32 366**	**(3 137)**	**(6 763)**	**(13,61)**

(214)

Merger lifts New Wits

BDay 10/1/91

ROBERT LAING

ENLARGED New Wits's December interim report shows the company increased its surplus on realisation of investments to R13,35m from R3,39m by merging with Selected Mining and Wit Deep in November.

New Wits achieved earnings a share of 65c (50c) and declared an unchange dividend of 17c.

The three companies, all owned by Gold Fields of SA (GFSA), merged to place themselves in a better position to develop a new mine in the Potchefstroom Gap.

In the second half of last year R1,22m was spent on exploration.

Vogelstruisbult Metal Holdings reported a drop in investment income to R15,19m (R20,03m). Earnings a share fell to 85c (114c) and a dividend of 60c was declared.

RMP profits better than forecast

Star 11/1/91 (214)

By Derek Tommey

Profits of Rand Mines Properties in the three months ended December were somewhat better than forecast, the chairman, Mr Dammy Watt, told shareholders at the annual meeting in Johannesburg yesterday.

In the annual report issued at the end of October Mr Watt said that the group's profits would be significantly lower in 1990-1991 and that the 140c dividend would not be maintained.

He told shareholders yesterday that the better-than-expected results were prompted partly by a marginally improved performance by the gold recovery operations but mainly by some property sales coming through ahead of schedule

However, he warned that the first quarter figures should not be taken as an indication of what will happen for the year as a whole.

A new forecast of RMP's profits would be given with the interim results in May.

Mr Watt said that depending on the profit flow the company was considering repeating its interim dividend of 40c a share and reducing the final.

He said that drilling to the south of the company's mining title had confirmed that ore reserve grades similar to that previously mined were likely to persist.

Dr Gulley said

far the metal price will actually

Lindum's losses mount

(214)

By Derek Tommey Star 11/1/91

Lindum Reefs, a new company which works part of Randfontein's old lease area, had a net loss of R1 105 000 for the December quarter This was a sharp deterioration from the R380 000 loss in the September quarter.

The increased loss was the result partly of retrenchment costs following a reduction in underground operations. This resulted in a smaller tonnage of ore being milled and gold production falling from 116,5kg in the September quarter to 91,16kg in the December quarter, even though the yield showed a small increase

The quarter's loss from underground operations was R1,25 million (R620 000)

The directors says that the grade of the underground blocks accessed has been below expectations and stoping has been stopped at both Stubbs and SD32 Shafts.

However, results from the Ventersdorp Contact Reef are still encouraging and the opening up and stoping of the Kimberley reefs continued from Monitor shaft

The company has also increased the milling of surface ore and this produced a profit of R112 000 (R162 000) The company's viability rests largely on the grade of this material, say the directors

Persbel agreement amended

Persbel confirmed yesterday that control of the group is now not in question

In a statement management said it did not wish to make any comment on the recent active trading in Persbel shares.

The statement follows speculation that Persbel was involved in a hostile takeover bid which pushed up Persbel shares from around 250c to 600c at one stage

The purpose of the raid apparently was to gain control of Perskor, which is controlled by Persbel, and then to strip it of its valuable assets, which were worth more than its share value

To prevent this Persbel concluded an agreement with the Rembrandt group

In terms of the agreement certain printing and packaging interest in the Rembrandt group were acquired by Persbel in exchange for the issue of new shares

The statement confirms this agreement which has since been amended The acquisition has been reduced from R17,38 million, as previously announced, to R11,29 million

As a result, the number of new shares issued by Persbel has been reduced from 3,95 million shares to 2,56 million shares

Persbel will acquire a proportionately smaller holding in the Rembrandt subsidiary — Sapa

Star 11/1/91

Gloomy RMP outlook unchanged

(214) BDay 11/11/91

ROBERT LAING

RAND Mines Properties (RMP) was not optimistic about the future development of new gold mines, chairman Dammy Watt said at the company's AGM yesterday

He said there was little enthusiasm about starting a new mine in the Pilgrim's Rest area unless the gold price rose considerably, and its drilling operation on Central Wits remained a long shot

Watt had to field a barrage of tough questions from shareholders disgruntled by his gloomy forecast in the annual report for the year to end-March 1990 — released in October — that dividends would not be maintained in the light of RMP's expected lower earnings.

Watt told investors that while the gold price had risen slightly since he wrote his report and RMP had used peaks as high as $393 per ounce to make forward sales last month, there were no real developments to make him change his prediction

RMP would concentrate on refurbishing dilapidated mining land for use as township land this year The prospects of pushing grades up and bringing production costs down at RMP's three gold reduction plants remained bleak, he said

The head grade of slime processed at RMP's Crown Mine gold recovery plant dropped from 1,410 g/t in 1989 to 0,543 g/t last year Watt said RMP was searching for more high grade material to replenish high-grade reserves

Exploration on Central Wits was continuing, with five of the 15 boreholes needed to evaluate the feasibility of a new mine completed

Free State ore yield probe

PETER GALLI

MINING and exploration company Target Exploration is to undertake a detailed drilling programme to determine the nature, location and extent of any payable ore reserves in the Odendaalsrus area of the Free State, the pre-listing statement published today says (214)

Target was formed specifically for further exploration of these mineral interests, obtained from Anglovaal's Loraine gold mine. BDay 11/1/91

The drilling programme would cost about R36,5m over a period of two years, and followed positive borehole results previously obtained, the statement said

Should the drilling results warrant it, a further programme would be undertaken to determine the feasibility of establishing a new gold mine.

Applications have been granted by the JSE for separate listings under the Mining — Exploration sector for letters of allocation in respect of 16,37-million Target ordinary shares on January 14 and for 21,8-million Target ordinary shares on February 7

RAND MINES FM 11/1/91

PAINFUL YEAR

(214)

For Rand Mines' staff and shareholders the 1990 year was a nightmare and there's more trouble to come in 1991 as the group faces that anathema for a mining house — a cut dividend

FM 11/1/91 (214)

Activities: *Mining house with major investments in coal, gold, platinum, base minerals, property and forestry*
Control: *Barlow Rand 74,4%*
Chairman and MD: *D T Watt*
Capital structure: *14,9m ords Market capitalisation R894m*
Share market: *Price R60 Yields 9,3% on dividend, 26,5% on earnings, p e ratio, 3,8, cover, 2,8 12-month high, R117, low, R60 Trading volume last quarter, 35 760 shares*

Year to Sep	'87	'88	'89	'90
Investments				
Book value (Rm)	204	371	242	221
Market value (Rm)	671	611	507	506
Attrib profit (Rm)	154	165	216	226
Earnings (c)	1 369	1 467	1 929	1 592
Dividends (c)	435	450	560	560
Net worth (R)	112,7	88,1	97,6	98,2

Conventional investment wisdom is that mining houses are not supposed to cut dividends They either diversify their interests to balance the flows of income from their various cyclical businesses like Anglo American Corp or, like Gold Fields of SA, they follow a tight financial policy, holding back funds in the good times to maintain dividends in the rough years

Rand Mines does not have that financial strength and its recent attempts at diversification have yet to pay off Markets for the house's one trump card, coal, have temporarily weakened, resulting in chairman Dammy Watt's prediction that profit from coal will also drop in 1991, despite a full year's contribution from the new acquisition, Middelburg Colliery

Much went wrong during 1990 The dismal ERPM saga continued while two new mines, Vansa Vanadium and Barbrook gold mine had to be closed, while gold output from the flagship gold producer Harmony was cut by a fifth in an attempt to restore profitability Barplat's Crocodile River platinum mine hit full first-phase production five months behind schedule, putting further financial strain on Barplats and halting progress at Kennedy's Vale mine

The only sector to perform well was coal, which contributed R163m — 72% — of group attributable earnings Coal earnings were 15,2% up on the R142m earned in 1989, thanks to better coal export prices and nine months' contribution to earnings from Middelburg Colliery But higher coal revenues were hit by the interest charges on loans the group raised to buy its stake in Middelburg

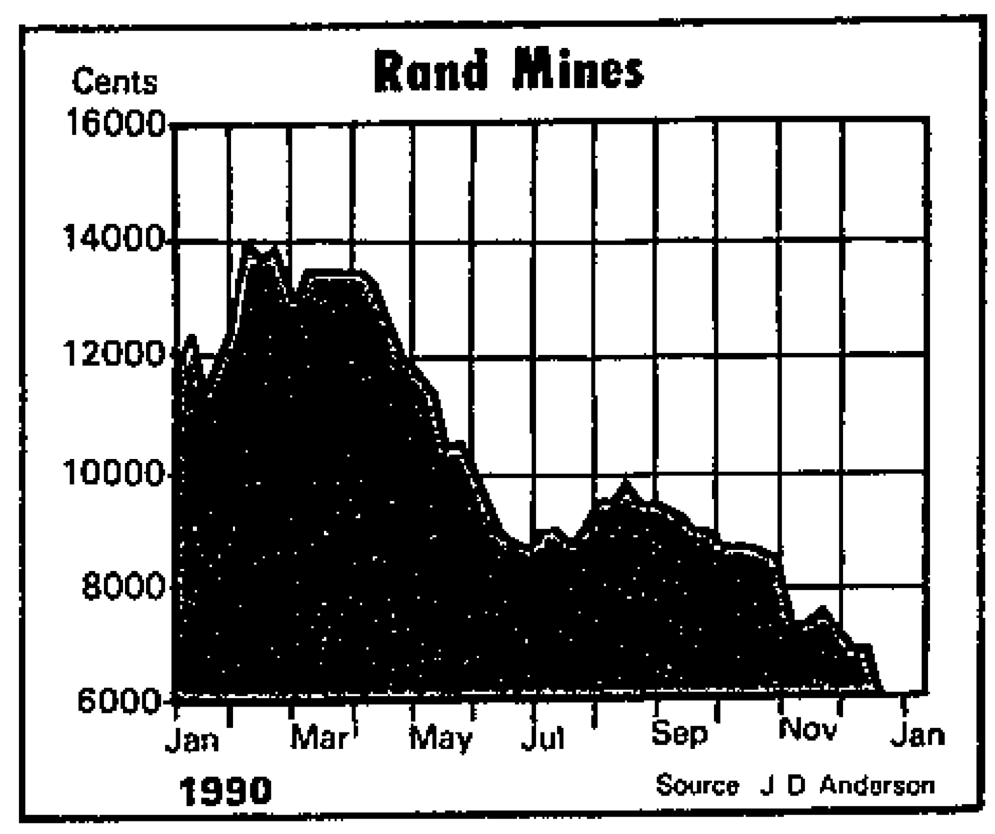
Middelburg contributes for a full year in 1991, but the coal market has softened with an oversupply of product coming mainly from Australian producers. Coal consumers have taken full advantage to dig in their heels on price negotiations for 1991 delivery Price negotiations are still under way with many customers, but it appears SA companies are being forced to settle for increases ranging from 1%-4% above last year's prices around US$31/t

A stable rand means there is no, or little, compensation from this source for the mining companies where costs are still rising at the inflation rate or faster Watt reckons coal earnings will drop despite additional profit from Middelburg

Barlow Rand cannot be too happy about the situation as Rand Mines contributes a fifth of Barlow's attributable earnings Barlow chairman designate Warren Clewlow says "Prospects for the mining division in its present form and under present world precious metal and commodity market conditions are not favourable The entire asset portfolio of Rand Mines is being reviewed and it can be expected the cash position of the division will be strengthened by disposal of underperforming assets and non-core businesses "

The Rand Mines report shows the group has sold 20% of its 5m shares in Harmony, as well as smaller proportions of its stakes in Durban Deep and ERPM Watt says the group is still overexposed to marginal gold mines, so the disinvestment programme will continue.

The market has knocked the share price down to R60 from R72,50 a month ago That compares with the 12-month high of R117 The historical dividend yield of 9,3% is more than double the sector average, reflecting the cut to come and Rand Mines' poor rating against the other mining houses



However, at these levels the share may be worth buying if you are prepared to take the risk of investing in a trough in anticipation of better times Recovery could come in 1992 through an improvement in the coal market, where the SA exporters stand to gain from the lifting of sanctions, which would remove the political discount on their prices

Brendan Ryan

CSO DIAMOND SALES (216) FM 11/1/91.

CAN THE MARKET HOLD?

As expected, 1990 has turned out to be a continuation of the consolidation phase in the diamond market which started in 1989. In dollar terms, CSO rough sales edged up 2% last year to US$4,167bn, narrowly failing to equal the record level set in 1988

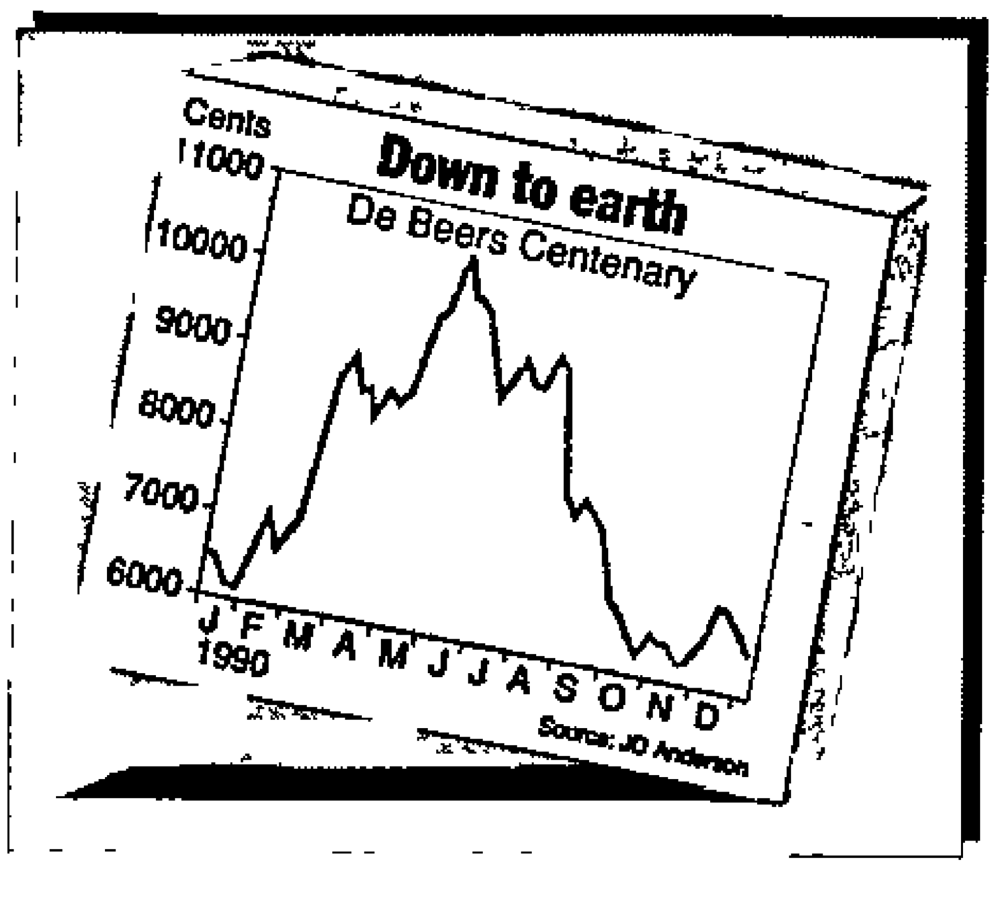
The state of the market is, however, revealed more clearly in the half-yearly figures. In the first six months of 1990, sales were up by 6,9% on the 1989 first-half, but in the second six months they were down by 4,5% on the corresponding period last year With an average price increase of 5,5% taking effect in March 1990, sales volumes plainly fell in 1990, making it the second consecutive year of real contraction in the market

In rand terms, the situation was not much different as the rand/dollar rate remained reasonably stable Sales rose marginally to a new high of R10,8bn, but there was a considerable drop in the second six months

"It seems the deal entered into at mid-year with the Soviet Union, whereby De Beers Centenary acquired the exclusive right to market Soviet goods, essentially formalised their existing relationship," says Keith Bright of Edey, Rogers "No additional stones seemed to flow through the CSO channel."

Most of the second-half sales decline came from the slowdown in the US economy, which has evidently become more severe than the authorities were initially admitting Offtake in Japan and Germany showed only modest declines.

For the current year the market outlook will depend heavily on the US recession, but most analysts are looking to pretty much unchanged figures Says William Bowler of Fergusson Bros. "Going into 1991, the sights are likely to be weak relative to the corresponding ones last year Sales early in 1990 were relatively strong and they are unlikely to be maintained at that level during the first half of 1991 However, during the second six months sales should be up on last year's softer levels."



CONSOLIDATION PERIOD

CSO Sales

	1988	1989			1990		
	full	1st half	2nd half	full	1st half	2nd half	full
US$m	4 172	2 317	1 769	4 086	2 477	1 690	4 167
Rm	9 476	5 916	4 745	10 661	6 460	4 337	10 797
Ave R/$rate	2,2713	2,5533	2,6823	2,6092	2,6080	2,5663	2,5911

Another prominent analyst feels that the traditional seasonality of the market — sales higher in the first half than in the second half — will be broken for the first time in five years Of course, these more sanguine views assume that world economies and market sentiment will start recovering from about midyear

The CSO has indicated it would like to raise diamond prices in line with the international inflation rate and will look to smaller, but possibly more frequent price rises, than sometimes seen in the past The trade reacted extremely negatively to the 15,5% price increase in 1989 and the CSO had to keep a tight rein on the market to support its action

"At present, with a soft market, I would look to a 3%-5% price increase in the first or second quarters," says Bowler "Diamonds are a dollar commodity and, with the dollar weak, the group will probably be seeking some compensation " With volumes likely to be down during 1991, a price increase could enable sales to hold steady in nominal terms

A Gulf war probably would not have a significant impact on demand for diamonds There could, however, be some disruption if Israel, an important cutting centre, becomes embroiled in it — as is probably inevitable In such an event, the CSO would be forced to add to its rough stockpile

De Beers' results for 1990 should be slightly better than the CSO sales figures may imply Firstly, fewer of the low quality (and low margin) Indian goods were sold last year, following the Indian trade's overstocking in 1989 This could result in a better mix of stones with a higher margin

Secondly, both investment income and interest income are expected to be slightly up on the previous year There could also be a boost from a lower tax rate for De Beers, as capital spending at Venetia is building up

Analysts are looking to an attributable earnings rise of about 4% for 1990 and a dividend per linked unit of 300c, compared with De Beers' 1989 payout of 280c Given the uncertainties about the world economy and potential war in the Middle East, the 1991 results are exceptionally difficult to forecast Analysts were generally reluctant to be specific at this stage, but the feeling is that the group will remain in what chairman Julian Ogilvie Thompson called a consolidation phase

There is little potential for earnings growth While diamond sales will at best remain static and investment income is also likely to be flat, interest income will probably fall Declining sales volumes imply a rise in the stockpile, placing pressure on cash resources And international interest rates are poised to drop

Financial effects of last year's deal with the Soviet Union have yet to be seen This involved a five-year $1bn loan to Glavalmazzoloto, the USSR's department of precious metals and minerals, which was "financed from Centenary's own cash resouces and loan facilities " The advance was at "market-related rates" and the effect on the income statement is unlikely to be large

Centenary is concluding an agreement with the Angolan State diamond mining company, Endiama, along similar lines. For the right to market production of the Cuango region in Angola, Centenary will lend $50m to Endiama to extend the alluvial production from Cuango (*Fox* January 4)

Despite the uncertainties, analysts agree that the share is cheap at around 6 275c "The yield is protecting De Beers," says Charles Booth of J D Anderson "We have rarely seen an earnings yield higher than the present 16,8% and I doubt it could increase much more The share could fall to R60, but anything lower would be shortlived "

On the other hand, nobody is predicting the price will return soon to last year's peaks above R100 Talk about "uncoupling" De Beers has faded and it's back to the fundamentals for what remains a cyclical business

Gillian Findlay

TARGET EXPLORATION

TOUGH TASK AHEAD

FM 11/1/91

Loraine's Target Exploration is being launched at a time when conditions on the JSE are arguably the worst in recent years for the listing of a mining exploration company, particularly one involving a deep-level gold project

Target intends raising R45m through a one-for-one rights issue to Loraine shareholders, at 275c a share The money is intended to fund a two-year drilling programme on ground north of the present Loraine lease area, where drilling to date has shown some promising results

Problem is, the market dealt savagely at the end of last year with the South Deep Exploration (Soudex) issue, while even blue-chip Anglo American Gold Investment's rights issue to fund the Moab extension at Vaal Reefs was panned

Only 30% of Western Areas' issue of Soudex shares at R14,30 each was taken up, with underwriter JCI collecting the rest The share price has since collapsed to current levels around 680c Amgold's rights offer at R230 a share was only 82,9% subscribed Underwriter Anglo American collected the rest of the shares, raising its stake in Amgold to 50,4%, with the result that Amgold is now an Anglo subsidiary.

Rejection of the Soudex issue by Western Areas shareholders appears to have been reinforced by the way JCI structured the deal Gold Fields Properties (GF Props) and JCI-controlled exploration company Free State Development (Freddev) passed their entitlements in Soudex through to their shareholders at 675c a share, compared with the R14,30 that Western Areas shareholders had to cough up

Even so, only 41% of the Freddev issue was subscribed for, while 76% of GF Props' shareholders took up their entitlements It's worth noting that the Soudex price is now about equal to the Freddev/GF Props issue price

The South Deep prospect is one of the large new gold mining projects being looked at by the industry, while the Moab project would be an extension to the blue-chip mine, Vaal Reefs In contrast, Loraine is a marginal gold mine battling to survive under present conditions While the initial borehole results released for the northern area contained good values, some JSE analysts reckon they are not good enough, given the depth of the orebody, to attract investor interest under current gold market conditions

Three critical years of rising costs and, on average, static gold prices have even soured some of the major mining houses on deep-level gold projects Comments one gold analyst "Just look at the way GFSA passed up its stake in South Deep by allowing GF Props to pass the shares through The house would never have done that under better conditions for the industry "

Unless there is a sudden surge in the gold price, it seems that the underwriter, Anglovaal, could wind up with much of the Target issue

Anglovaal executive director David Crowe tells the *FM*. "Obviously there could be better timing for the issue, but we have decided that the drilling work must go

Anglovaal's Crowe *drilling must go on* (214)

FM 11|1|91 .

ahead While Anglovaal would not wish to end up holding most of the shares, we certainly would not cry about it should that happen "

Leaner times for the mining exploration companies appear to be one of the reasons for the merger of Potchefstroom Gold Areas (PGA) with Lydenburg Exploration (Lydex), which will be put to Lydex shareholders for approval on January 15 Terms are the issue of 115 Lydex shares for every 100 PGA shares held

The deal results from the joint purchase by both companies of 44 Mt of gold-bearing dump material from ERPM PGA's major interests until then were in the Potchefstroom Gap where a number of deep gold deposits are being drilled out Putting PGA into Lydex exposes PGA shareholders to a wider range of prospects, some of which should be brought to account far sooner than Potch Gap gold mines It also cuts out competition and conflicts of interest between the companies, which were linked through a cross-shareholding with three directors sitting on the boards of both companies

Brendan Ryan

OHIO

LITTLE CHEER

Ohio shareholders, who have been in the dark about the group's performance for more than a year, are at last being given an insight into the problems facing this computer supplier

The company's 1990 annual report, containing audited figures for the 12 months to February 1990, is expected to be distributed later this month

Unaudited figures for the 1990 year, with an interim report for the subsequent three quarters to November, were released by the company on December 31 Ohio chairman Rob Brothers says he expects the company's accounts to be signed by the firm's auditors this week and foresees no material change If this is the case, there is little joy in store for shareholders

According to the figures published at the end of last month, Ohio ran up an attributable loss of R6,4m in the 12 months to February 1990, compared with a shortfall of R5m for the previous year Brothers attributes much of last year's deficit to loss-making operations — including the now liquidated Thruput subsidiary — that have been discontinued

Shareholders' interest of R3,1m at the end of the 1989 financial year was whittled away to a deficit of R2,5m Only the presence of debentures valued at R2,6m ensured that there was any permanent capital at all

Brothers says approval was sought from the Registrar of Companies to delay the publication of results because of uncertainties over warranties relating to the sale of the business and assets of Polygon Systems to TSI The matter was put into arbitration in October

He says the published balance sheet includes provision for the outcome of the arbitration, though he declines to quantify such provisions "The only qualification in the accounts revolves around the warranties I don't expect any changes in the figures," says Brothers

Both Brothers and TSI director Peter Ibbotson expect the arbitration to be complete within a couple of months

Ohio sold the business and assets of Polygon to TSI for R11,25m in January 1989, less than a year after it bought the company from its founders More than R6m received from TSI was paid to the original vendors of the company and Ohio lost an estimated R200 000 on the transaction

Ohio has undergone a major reorganisation in the past 12 months — including the shedding of Thruput — in order to focus on providing computer solutions Also, the company's capital has been restructured in an attempt to improve liquidity, profitability and long-term asset value

Brothers is optimistic that the company has finally turned the corner and will record a small profit at the end of the current year — though he warns it will take another two years before shareholders' funds are again in the black There will be no dividends until this happens, he says

According to the interim report, Ohio produced profits in its last two quarters However, most of the operating income generated in the first nine months was wiped out by interest charges EPS to date stands at a mere 0,06c Looking on the bright side, this is an improvement on the losses of 22,6c and 23c a share produced in the previous two years

Simon Cashmore

MESSINA FM 11|1|91

SELLING ASSETS

In what amounts to a management buy-out, Messina is to sell its non-platinum mining interests to Messina Investments Ltd (MIL),

6 .

Fall in base metal prices hits Gold Fields profits

B/Day 15/1/91. (214)

MATTHEW CURTIN

DECEMBER quarter results from the base metal operations managed by Gold Fields of SA (GFSA) reflected the long-term decline in metal prices as profits fell across the board.

However, Gold Fields Coal proved an exception to the drop in base metal profits

GFSA director John Hopwood said yesterday average prices for copper, lead, zinc and silver were 15% to 20% lower than the previous quarter

"This was the quarter when the long-predicted decline in base metal prices arrived," he said This had ad inevitably adverse affects on company results

GFSA was "not unhappy" with the performance of its mines, but Hopwood expected weaker prices and a stronger rand would continue to affect results into the next quarter

Gold Fields Namibia posted an after-tax loss of R1,05m compared with a R5,06m profit for the previous quarter, while Black Mountain's after-tax profit fell 75% to R3,6m (R14,1m)

Hopwood said margins in the Namibian operations centred on Tsumeb were small even when prices were good, but the decline in prices and poor sales, which he attributed to transport problems and unfavourable shipping schedules, combined to produce poor results for the quarter

Copper sales dropped to 7 525 tons from 8 199 tons, lead to 6 148 tons from 8 929 tons, and silver to 20 tons from 22 tons

He said Namibian independence had adversely affected operations, as the morale of skilled labour fell, while the expectations of the unskilled labour force rose dramatically Productivity had suffered as both groups "were not on the job" in 1990

Rooiberg Tin remained under pressure although it posted a further reduction in its pre-tax loss to R436 000 (R519 000) to give a total loss of R3,5m for the year to December

Hopwood would not speculate on the future of the mine, which he said last year was likely to close without a sustained increase in the tin price Closing the mine or reducing operations to care and maintenance would be expensive, but there was no room to restructure Rooiberg further.

Rooiberg was maintaining production at 1989 levels of 20 tons a month while only 70% operational, the mine's A shaft was closed last year Tin would have to rise to between R17 000 and R18 000 a ton for the mine to break even — the current price is R15 200 a ton — and management was prepared to run the mine on the basis of minimal losses for the time being

Gold Fields Coal posted an after-tax profit of R7,24m (R4,36m) but costs rose by 33,9% compared with a 29,9% rise in profits

Hopwood said the results were disappointing but margins were being squeezed

Cape Times 16/1/91

GFSA profits slide by 29% to R134m

Own Correspondent 214

JOHANNESBURG — Reduced income from its major gold mines saw Gold Fields of SA's interim attributable profits for the half-year ending December slide 29,5% to R134m (R190m)

This translated into an equivalent fall in interim earnings a share to 140c (198c), though the interim dividend was maintained at 70c Dividend cover accordingly dropped from 2,8 to 2 times

Instrumental in the less than satisfactory mid-year showing was the fall in investment income — the mainstay of GFSA's revenue — to R136m (R159m)

GFSA corporate finance executive director Alan Wright attributed this largely to reduced gold earnings — illustrated recently by reduced interim dividends from Kloof and Deelkraal, two major producers.

Overall revenue was further reduced by an absence of profit on realisation of investments (R31m profit last time around).

Anglovaal ups profits amid static gold price

CAPE TIMES 16/1/91

JOHANNESBURG — The ~~four~~ gold mines in the Anglovaal Group received fairly static gold prices in the December quarter, but the mines' total taxed profit increased to R39,26m (R37,87m)

Costs were well contained and total gold production rose by 43kg from 10 349kg to 10 392kg The mines' total tax bill decreased to R33,13m (R40,19m)

Costs were generally very well contained at all the mines with Loraine and ETC reporting decreased costs, while Village and Harties figures were only slightly higher than the previous quarter

The total capex bill increased to R10,56m (R9,14m).

The mines have sold forward portions of their gold production over the next three quarters

Hartebeestfontein milled 752 000 (757 000) tons and, with the yield unchanged at 9,1g/t, gold recovered decreased slightly to 6 845kg (6 874kg)

Revenue was higher at R31 862 (R31 261) per kg, but the lower mill throughput lifted costs to R23 829 (R23 441) per kg

Taxation and the state's share of profit dropped by 14% to R31,41m (R36,44m), resulting in an after-tax profit of R34,39m (R34,54m)

Capex was higher at R7,42m, while loan repayments totalled R478 000 (R422 000)

ETC's mill throughput increased to 82 200kg (81 100kg) and, combined with a higher yield of 10,1g/t (9,7g/t), led to 828kg (785kg) of gold being recovered

Pre-tax profit dropped to R5,24m (R7,58m) and, because of a decreased tax charge of R1,25m (R3,59m), largely as a result of higher capex, the after-tax profit was slightly up at R3,99m (R3,98m) Capital expenditure totalled R1,68m (R790 000)

Loraine's ore milled decreased by 2% to 372 000 (378 000) tons and this, together with a higher yield of 5,2g/t (5,1g/t), led to an increase in gold production to 1 943kg (1 920kg)

Revenue was down at R31 766 (R32 046) per kg, and costs were reduced to R33 052 (R34 000) per kg The end result was a reduced working loss of R1 286 (R1 954 — loss) per kg and a total working loss of R2,49m (R3,75m — loss)

The tax charge was R356 000 (R182 000) which resulted in an after-tax profit of R312 000 (R1,16m — loss)

Village Main Reef milled 205 300 (192 300) tons with an average yield of 0,93g/t (0,98g/t), leading to gold production of 191kg (189kg)

Revenue per kg was marginally higher but costs rose to R28 230 (R27 651) per kg

Capex totalled R111 000 (R18 000 — recoupment) and the tax charge was lower at R121 000 (R341 000) The after-tax profit rose to R563 000 (R503 000)

Prieska milled 380 000 (402 000) tons, with underground ore treated rising to 132 000 (106 400) tons and the balance of 248 000 (295 600) tons being drawn from the low-grade surface dumps

This all resulted in an increased production of both copper and zinc concentrates — the former was 511 tons higher and the latter was 2 379 tons up Copper despatches were higher at 3 820 (3 123) tons and zinc despatched totalled 6 255 (12 466) tons

This, together with final price determinations on despatches made during previous quarters, resulted in an operating loss of R2,29m (R2,95m — profit)

Non-mining income improved this to a pre-tax loss of R1,66m (R3,86m — profit) This resulted in a tax credit of R2,09m (R2,09m — debit) which left an after-tax profit of R426 000 (R1,78m)

In a notice sent to shareholders during the quarter under review, it was announced that the mine will cease production at the end of January 1991 — Sapa

Anglovaal holds steady in battle of rising costs

214

B/Day 16/1/91

ROBERT LAING

HIGHER rand gold prices helped Anglovaal's two largest gold mines counter the effects of rising costs in the December quarter

The group's mines were relatively active in hedging future gold revenues, though this did not give rise to appreciably higher rand gold prices than those received by other houses in the past quarter

Hartebeestfontein, the group's largest mine, increased its operating profit, while Loraine cut its working loss from the September quarter's level

In contrast, Eastern Transvaal Consolidated suffered a small profit decline despite mining higher-grade ore than in the September quarter

Harties continued to suffer from the shortages of payable stope face which have curbed ore production levels since last March Development was not increased to accelerate the opening of new stopes in payable areas

In any event, analysts pointed out, the focus of mining is gradually shifting westwards towards the lower-grade areas of the old Zandpan property and greater development rates might not be appropriate at present

As it was, the December quarter's sampling disclosed lower ore grades than the September quarter

ET Cons increased its ore milling rate and yield, more by hazard than design according to Julian Gwillim, a spokesman for the mining house

Gwillim said there was no deliberate attempt to switch production towards richer ore zones and added that the grade increase was likely to be temporary

Loraine, which has floated off its Target exploration venture, managed to show a slight increase in its ore recovery grade and cut capital spending

Village Main Reef, which reprocesses old residue dumps, cut its gold production cost in the December quarter However this failed to offset the effects of a lower recovery grade

ANGLOVAAL December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Hartbeesfontein	752	9,1	6 845	216,90	23 829	31 862	34 392	26 976	24,0
	757	**9,1**	**6 874**	**212,86**	**23 441**	**31 261**	**34 536**	**28 289**	**25,3**
Loraine	372	5,2	1 943	172,63	33 052	31 766	312	(1 036)	(6,3)
	378	**5,1**	**1 920**	**172,70**	**34 000**	**32 046**	**(1 161)**	**(3 280)**	**(20,0)**
E T Cons	82,2	10,1	828	224,45	22 283	31 071	3 991	2 311	2,7
	81,1	**9,7**	**785**	**218,56**	**22 580**	**31 906**	**3 987**	**3 197**	**3,7**

COMPANIES

Controlling stake in Rand Leases sold

MATTHEW CURTIN

A EUROPEAN consortium bought the controlling stake in Rand Leases Gold Mining Co, sold with some difficulty last month by the Severin Mining & Development Company (SMD), SMD director Franka Severin said yesterday B Day 16/1/91

The foreign buyer, whom she said already had a stake in Rand Leases, acquired control on December 24 On December 19 SMD issued a cautionary announcement that it was negotiating the sale at a price lower than the current market price

In the event, 95,3-million Rand Lease shares, 81% of the total, were sold at 7,3c a share, 75% below their current market value, and in contrast to a January 1990 peak of 275c.

Severin said the decision to sell its controlling interest was "poorly received" on the SA market The company was "lucky" to have found a buyer in the end

In June, SMD reported the low gold price and rising costs had led to restructuring at the mine after a R12,8m year-end loss In August, Rand Leases announced a R32m rights offer to reduce the mine's R28m debt 2145

Severin said Rand Leases had lost its borrowing capability, prompting the decision to make debt reduction a priority

But SMD had to take up most of the 106-million share issue at 30c, after only 4,3% were taken up Members were offered 900 new shares for every 100 held

Analyst Peter Bahneman said yesterday the prospects for Rand Leases were not good Only a large rise in the gold price would improve the mine's marginal status

Anglovaal's gold mines profit from cost control

Star 16/1/91. (214)

The four gold mines in the Anglovaal Group received fairly static gold prices in the December quarter, but costs were well contained and total gold production rose by 43kg

According to quarterly results released yesterday, the four mines' total taxed profit for the quarter was R39 258 000 (R37 865 000)

The mines' total tax bill decreased to R33 134 000 (R40 199 000) while gold production increased slightly to 10392kg (10349kg)

Costs were generally very well contained at all the mines with Loraine and ETC reporting decreased costs, while Village and Harties figures were only slightly higher than the previous quarter

The total capex bill increased to R10 555 000 (R9 138 000)

The mines have sold forward portions of their gold production over the next three quarters

Hartebeestfontein milled 752000 (757000) tons and, with the yield unchanged at 9,1 g/t, gold recovered decreased slightly to 6845 (6874)kg

Revenue was higher at R31862 (R31261) per kg, but the lower mill throughput lifted costs to R23829 (R23441) per kg leaving a slightly higher profit of R8033 (R7820) per kg

Taxation and State's share of profit dropped by 14 percent to R31 406 000 (R36 444 000), resulting in an after-tax profit of R34 392 000 (R34 536 000).

Capex was higher at R7 416 000, while loan repayments totalled R478 000 (R422 000)

ETC's mill throughput increased to 82200 (81100) tons and, combined with a higher yield of 10,1 (9,7) g/t, led to 828 (785) kg of gold being recovered

Pre-tax profit dropped to R5 242 000 (R7 583 000) and, because of a decreased tax charge of R1 251 000 (R3 596 000), largely as a result of higher capex, the after-tax profit was slightly up at R3 991 000 (R3 987 000)

Loraine's ore milled decreased by two percent to 372000 (378000) tons and this, together with a higher yield of 5,2 (5,1) g/t, led to an increase in gold production at 1943 (1920) kg

Revenue was down at R31766 (R32046) per kg, and costs were reduced to R33052 (R34000) per kg The end result was a reduced working loss of R1286 (R1954 loss) per kg and a total working loss of R2 498 000 (R3 752 000 loss)

The tax charge was R356 000 (R182 000 credit) which resulted in an after-tax profit of R312 000 (R1 161 000 loss)

Village Main Reef milled 205300 (192300) tons with an average yield of 0,93 (0,98) g/t, leading to gold production of 191 (189) kg

Revenue per kg was marginally higher but costs rose to R28 230 (R27 651) per kg

The tax charge was lower at R121000 (R341000) and the after-tax profit rose to R563000 (R503000)

Prieska milled 380000 (402000) tons, with underground ore treated rising to 132000 (106400) tons and the balance of 248000 (295600) tons being drawn from the low-grade surface dumps

This all resulted in increased production of both copper and zinc concentrates the former was 511 tons higher and the latter 2379 tons up Copper despatches were higher at 3820 (3123) tons and zinc despatched totalled 6255 (12466) tons

This, together with final price determinations on despatches made during previous quarters, resulted in an operating loss of R2 293 000 (R2 951 000 profit)

Non-mining income improved this to a pre-tax loss of R1 663 000 (R3 865 000 profit) This resulted in a tax credit of R2 089 000 (R2 089 000 debit) which left an after-tax profit of R426000 (R1 776 000)

In a notice sent to shareholders during the quarter under review, it was announced that the mine will cease production at the end of January 1991 — Sapa in the coming months.

Zimbabwe judge in threat to land law

MICHAEL HARTNACK

HARARE — Zimbabwe's Chief Justice has publicly criticised new legislation aimed at removing safeguards against the nationalisation of land, and threatened that the courts might declare the law invalid

Chief Justice Anthony Gubbay's open challenge to President Robert Mugabe's government seems likely to draw Zimbabwe's judges into a constitutional crisis

Speaking on Monday at the opening of the Supreme Court term, the judge warned that although Lancaster House constitutional guarantees had elapsed, the government did not have unquestionable power to enact laws "destroying the very foundation or structure of the constitution".

He predicted the judiciary would pronounce invalid any law to that effect.

He said removing the right of appeal to the courts over compensation payments, reduced constitutional pledges of "fair" treatment to "an empty handed gesture".

At the heart of the crisis are Mugabe's plans to settle 110 000 peasant families on 5-million hectares in the highly productive maize and tobacco farming belt, which is largely in the hands of 4 500 white farmers

The farms were worth R3bn at market prices, but only R540m has reportedly been set aside for compensation.

If Mugabe signs the Bill into law, as expected, a constitutional crisis appears inevitable, as judges cannot be sacked

Chief Justice Gubbay said he had to allay citizens' fears "that the judiciary's power to enforce the basic rights and freedoms of the individual is now in jeopardy"

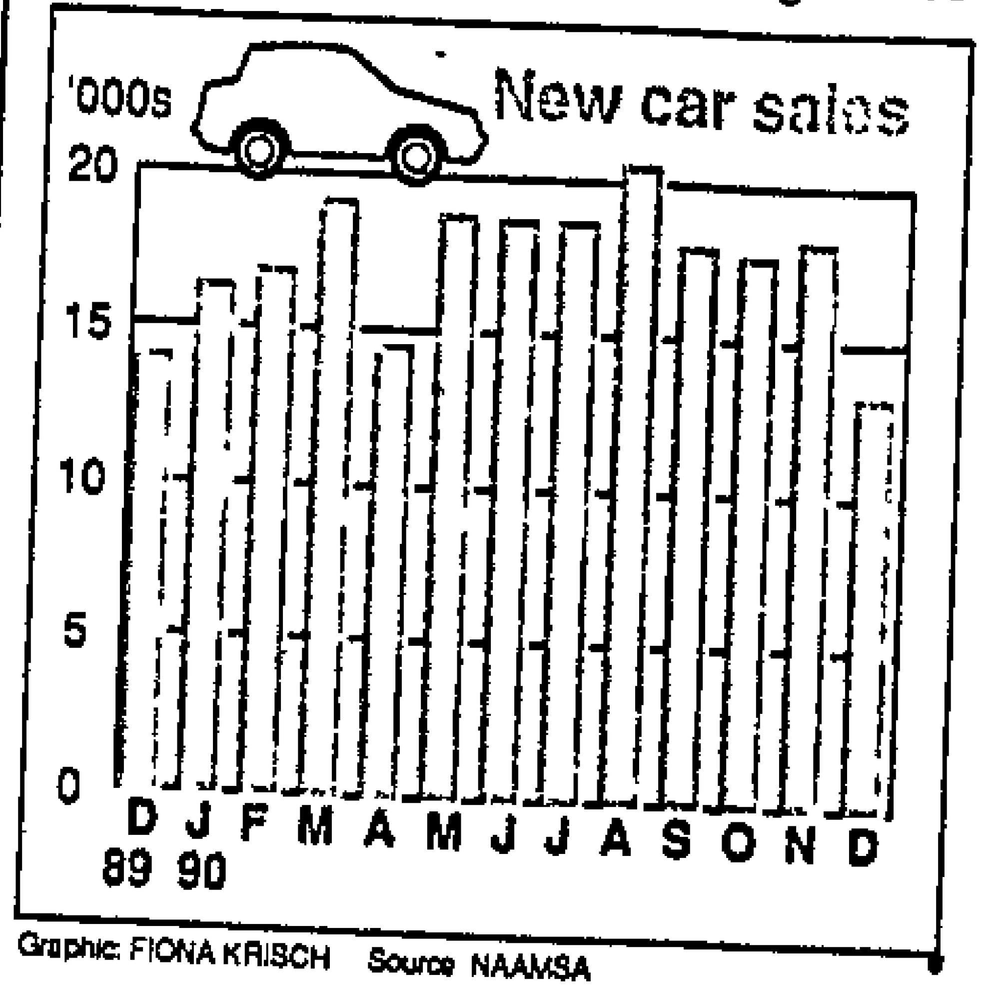
The judge also condemned a constitutional attempt to reinstate whipping as a legal punishment BDay 16/1/91

1990 car sales down by 5%

BDay 16/1/91

MARC HASENFUSS

MOTOR manufacturers ended a dismal 1990 with new passenger vehicle sales for December plummeting to the lowest monthly level in four years, figures released yesterday by the National Association of Automobile Manufacturers of SA (Naamsa) showed



Graphic: FIONA KRISCH Source NAAMSA

Confirming the downturn in the economy, December car sales decreased 5% to 13 198 units compared with 13 875 in the corresponding month last year

The monthly and yearly sales figures were adversely affected by the serious industrial unrest and work stoppages at Volkswagen and Mercedes Benz during the second half of the year and the fewer trading days in December

Total passenger vehicle sales for last year showed a drop of 5% to 209 603 units against the 221 342 units recorded in 1989, according to Naamsa figures

Only medium commercial vehicles (MCV) managed a marginal improvement

☐ To Page 2

GFSA interim profits slide nearly 30%

ROBERT GENTLE

REDUCED income from its major gold mines saw Gold Fields of SA's interim attributable profits for the half-year ending December slide 29,5% to R134m (R190m) BDay 16/1/91

This translated into an equivalent fall in interim earnings a share to 140c (198c), though the interim dividend was maintained at 70c Dividend cover accordingly dropped from 2,8 to 2 times.

Instrumental in the less than satisfactory mid-year showing was the fall in investment income — the mainstay of GFSA's revenue — to R136m (R159m)

GFSA corporate finance executive director Alan Wright attributed this largely to reduced gold earnings — illustrated recently by reduced interim dividends from Kloof and Deelkraal, two major producers

Overall revenue was further reduced by an absence of profit on realisation of investments (R31m profit last time around)

With surplus cash and a low stock market, GFSA had not felt the necessity to deal, Wright said (214).

He said that with adverse developments in the world economy and continuing strain on gold, the trend was likely to persist for the remainder of the year

San family finds new home on game farm

BDay 16/1/91

LESLEY LAMBERT

CAPE TOWN — Members of a destitute tribe of Khoi San people were resettled yesterday on a game farm in the northwestern Cape — an area where their ancestors lived 200 years ago

The plight of the family of about 30 men, women and children was seen on television by the owners of the farm Kagga Kamma, who decided to offer the San a more secure environment

Kagga Kamma, in the Ceres-Karoo region, near the Koue Bokkeveld, was home to San people until 200 years ago

"We hope to create a symbiotic and not an exploitative relationship with them," said Hester Alberts, who markets the farm "The men will work as trackers and the women will make their traditional bead and artwork for sale They will have a secure environment which is not too different from the one they are used to," she said

The San seemed delighted with their new home when they arrived in traditional skins and beads yesterday

Tribe leader Dawid Kruiper immediately suggested that the old, faded rock paintings be touched up by one of his sons. "There are a lot of matters we still need to discuss and negotiate," said Alberts

One of these was hunting, said Kagga Kamma manager Jopie du Preez "They use bows and arrows and poison to hunt animals We will allow them to kill a certain number of buck each year but, because this is a commercial game farm, we will obviously have to have some rules"

Kruiper described the long journey from their previous home in Vanzylsrus, near Upington, as "a short, cold winter", referring to the air-conditioning in the minibus

His family would build traditional reed homes and had already discovered edible plants in the region, Kruiper said

Gencor gold income drops sharply

CAPE TIMES 17/1/91

THE income of the Gencor gold mining companies (Gengold) was sharply down for the December quarter in spite of the average yield being the highest recorded for several years

Results for the December quarter released yesterday show that the yield on seven of the mines improved, pushing up average yield to 5,3g/t from the previous quarter's 5,2g/t

However, income after taxation and capex dropped 11,2% to R50,9m from R57,4m in the September quarter

Total gold production was virtually unchanged at 19 892kg (19 891kg)

Eight of the mines managed to reduce working costs and average working costs/kg decreased 2,9% to R26 027 (R26 810)

Capex down 27,8%

Average gold price received was 1,1% lower at R31 107/kg (R31 439/kg). Total capex fell by 27,8% to R43,7m from R60,5m in the previous quarter

Only two of the mines in the group, St Helena and Grootvlei, reported improved results

A higher grade of 4,9g/t (4,5g/t) and a sharp decrease in working costs from R190,88 per ton to R151,14 per ton helped Grootvlei in posting a profit of R1,09m for the quarter after incurring a loss of R2,49m the previous quarter. Ore milled dropped from 117 000 tons to 115 tons but the increased grade helped to push up the gold produced to 569kg (507kg).

Lower working costs of R182,27 per ton (R191,63) and a slightly higher grade of 6,4 (6,3) gram per ton helped St Helena recoed an increased profit of R9,96m from the previous quarters R5,5m Ore milled dropped to 405 000 (407 000) tons but gold produced rose to 2 591 tons (2 583 tons) Capex dropped to R4,17m (R4,77m).

The other mines in the group — Stilfontein, Bracken, Buffels, Beatrix, Winkels, Leslie and Kinross — all posted lower profits — Financial Staff and Sapa

COMPANIES

Lower gold prices negate Gengold's cost overhaul

B/Day 17/1/91 · (214)

ROBERT LAING and MATTHEW CURTIN

EARLIER labour cutbacks and rationalisations helped Gengold, the Gencor group's gold division, maintain gold production at its 11 mines in the December quarter.

However, a lower average gold price was not offset by reduced working costs and better recovery grades, which led to a lower overall working profit for the group as a whole.

Exchange rate shifts led to a drop in the average rand-denominated gold price received by the group's mines, which contrasts with a higher average dollar-denominated price.

With the exception of Bracken, which is almost on its last legs, all of the group's marginal mines benefited from retrenchments which started in 1988 and a further concentration of mining in higher-grade ore zones.

Gengold CE Gary Maude said the restructuring of several mines in the previous quarter had paid off in the last three months as retrenchment costs had largely been absorbed by September and did not affect the mines' December quarter costs. In the September quarter 4 800 miners were retrenched at a cost of R11,8m.

Yesterday Maude predicted Bracken would close within 18 months but would remain profitable until the end.

Grootvlei was threatened with closure at the end of the September quarter, but the mine had increased its yield even more than he wanted, to 5,2g/t in the past quarter from the previous quarter's 4,4g/t.

He was optimistic about the mine's prospects. "Retrenchment costs which inflated the September quarter are over. There is a tremendous area of Kimberley reef and Grootvlei will start mining the Black reef in the third quarter If the mine can find enough payable face to maintain its yield, it can pull itself back on its feet"

Effort

Stilfontein reduced its working loss from R3,85m to R678 000. The special dividend received from Chemwes dropped to R10m from the R15m paid in the September quarter.

"Stilfontein is in a difficult situation It is making a big effort to break even while development is under way to find new reef.

"The mine was kept going because we felt the Ventersdorp contact reef (VCR) was unexplored The board voted to spend R5m of the mine's retained earnings on development of the VCR. Half of this has been spent. The development is disappointing — the VCR does not look attractive."

Winkelhaak's ore throughput dropped because stope faces were lost in the upper level of its No 6 ventilation shaft.

Consulting engineer George Lee said: "There is nothing left to stope there because of the presence of a fold fault, which is a dislocation between the upper and lower reef"

Development from the No 6 main shaft is underway, projecting down from 7 to 10 level

Maude said "The mine is trying to make up lost production by working its older areas, but throughput is likely to fall over the next two quarters"

Leslie was also struggling to maintain productivity with its present stope faces The problem should be solved when the northern block's reserves become accessible in the second half of the year, Maude said

Unisel was back on the recovery path after experiencing labour problems, fire and seismic events

Buffelsfontein, which shocked analysts in the September quarter with a working loss, moved back into a small profit. "Costs will drop once retrenchment expenses have been overcome and the effect of restructuring has worked its way through," Maude said.

Kinross and Beatrix did well So did West Rand Cons, but it entered a zone of faulting recently which has affected underground operations The development of Oryx and Welteverden was on track last quarter

GENGOLD December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix	535	6,2	3 300	132,24	21 439	31 079	13 588	9 503	11,2
	528	**6,1**	**3 225**	**132,08**	**21 624**	**31 632**	**14 977**	**9 958**	**11,7**
Bracken	112	4,6	510	135,13	29 676	31 149	1 222	1 283	9,2
	112	**4,5**	**503**	**140,58**	**31 302**	**31 705**	**2 907**	**2 742**	**19,6**
Buffels	556	5,6	3 130	172,93	30 719	30 925	7 047	6 199	42,3
	569	**5,6**	**3 206**	**179,88**	**31 925**	**31 663**	**15 412**	**14 003**	**95,5**
Grootvlei	115	4,9	569	151,14	30 547	31 984	1 097	1 253	10,9
	117	**4,3**	**507**	**190,88**	**44 049**	**30 968**	**(2 489)**	**(2 720)**	**(23,8)**
Kinross	481	6,3	3 030	137,33	21 800	31 471	16 983	12 805	71,1
	489	**6,3**	**3 083**	**138,24**	**21 927**	**31 189**	**19 038**	**12 089**	**67,2**
Leslie	116	4,9	565	146,15	30 007	31 164	980	785	4,9
	119	**4,9**	**578**	**152,07**	**31 308**	**31 603**	**3 009**	**2 294**	**14,3**
St Helena	405	6,4	2 591	182,27	28 491	31 000	10 873	6 707	52,2
	407	**6,3**	**2 583**	**191,63**	**30 195**	**31 677**	**10 056**	**5 290**	**41,2**
Stilfontein	514	2,2	1 122	69,01	31 613	30 903	8 243	8 019	61,4
	530	**1,9**	**1 031**	**68,90**	**35 418**	**31 557**	**10 293**	**97**	**0,7**
Unisel	242	6,2	1 503	154,93	24 945	30 716	8 288	1 872	6,7
	230	**6,1**	**1 400**	**149,40**	**24 544**	**31 272**	**11 361**	**3 943**	**14,1**
West Rand	202	2,8	570	90,47	32 060	31 361	629	1 577	27,9
	213	**2,7**	**570**	**82,24**	**31 105**	**31 863**	**640**	**1 324**	**23,4**
Winkelhaak	492	6,1	3 002	142,77	23 399	31 090	25 709	930	7,6
	515	**6,2**	**3 205**	**137,5o**	**22 095**	**31 033**	**32 693**	**8 336**	**68,4**

Duiker has hopes for anthracite

LIZ ROUSE

ANTHRACITE producers might be able to recommence operations if world supplies and stocks were reduced, Duiker Exploration chairman Terry Wilkinson said in his latest annual review.

He said the planned closer ties within the EC might see subsidies to anthracite producers in Europe and Britain being significantly reduced, which would lead to reduced supplies and stocks.

Prices should improve, enabling South African anthracite producers to recommence operations, he said. Bday 17/1/91.

Steam coal exporters had shown confidence in long-term prospects by deciding to refurbish and upgrade Richards Bay Coal Terminal to an annual capacity of 53-million tons at a cost of R316m.

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Positive

In common with the SA gold industry as a whole, operations at Erfdeel had been subjected to increasing pressures from the combination of rising costs and a static rand gold price.

However, long-term prospects for gold were positive and Duiker would benefit from its investment in Erfdeel in time, Wilkinson said.

Capital expenditure on Erfdeel to date totals R927,7m and by utilising the Freegold tax shield Eastgold loans have been held to R236m. Duiker's contribution amounts to R75m.

Drilling continued in the Joint Venture area (in which Duiker has an effective 25,8% interest) adjoining the northern section of Freegold with encouraging results, not only in the basal reef, but also in the B reef.

Gengold lops R28-m from dividends

(214)

By Derek Tommey Star 17/1/91

The devastating effects the static gold price and rising costs are having on the gold mining industry are highlighted by the R27,7 million cut in the January dividends declared by mines in the Gengold group

The reduction is even more disturbing when it is considered that Gengold was the first of the mining groups to face up serously to the difficulties confronting the industry.

For the past two years Gengold has put in sterling work to ensure that its mines profitably weather the difficult conditions the gold mining industry is now encountering

Gengold managing director Gary Maude told a Press briefing on the quarterlies yesterday that without such action, four, and possibly six, of Gengold's mines would probably have been shut down by now.

However, despite the group's efforts, the five mines which pay dividends in January have only declared a total of R41,4 million this year, down almost 40 percent from last year's R69,1 million

Stilfontein is paying 60c, against 130c last year

St Helena is paying 115c, against 145c, and Buffelsfontein is paying 180c (300c).

Although Grootvlei is paying only 5c (30c), the dividend is a a sign that the board considers the mine has pulled up its socks and is over the worst.

At the end of the September quarter, Grootvlei was threatened with closures unless it cut costs and improved grade.

West Rand Consolidated has also done much better, declaring a dividend of 50c (40c)

A year ago this mine was also near to closing and its greatly improved results are a vindication of Gengold's actions in increasing mining efficiency

Mr Maude had good news about management-labour relations He said labour attitudes to management were good these days

This is in marked contrast to ths situation last year when many of the industry's mines suffered serious strikes

One reason for the improvement was that workers had be corne disillusioned with the unions, which made promises they could not keep

Another reason was that management had worked hard to improve its communications with the workforce

The group had introduced the "green area" concept where, for the first 15 minutes of each shift, groups would discuss working problems and seek ways to overcome them.

This had encouraged workers of all ranks to talk to each other.

The group as a whole had reduced its working costs by 2,9 percent in the December quarter The year-on-year increase was held at eight prcent.

Working profit before capital expenditure was up 7,7 percent from R95,6 million to R102,9 million, though it was sharply below the R194,6 million working profit in the December quarter of the previous year

Mr Maude said that several suppliers had limited price increases, especially on goods sold to marginal mines

Stilfontein reached close to the break-even point in the Decmber quarter, with working revenue of R34,7 million, against working costs of R35,5 million, which trimmed the working loss to R761 000 (R3 97 million)

Stilfontein received a dividend of R10 million (R15 million) from Chemwes, which enabled it to show a taxed profit of R8,2 million (R10,3 million)

Development on the Ventersdorp Contact Reef had been disappointing

Winkelhaak had a taxed profit of R25,7 million (R32,7 million) for the quarter

Revenue and grade were affected by the rundown of operations at the upper levels of No 6 ventilation shaft.

Production from the lower levels of No 6 main shaft should start in the second half of the year

Bracken earned R1,2 million (R2,9 million). The mine has an estimated life of 18 months to two years.

Leslie reduced working costs, but gold production dropped, and its taxed profit fell from R3 million in September to R980 000

West Rand Cons earned R629 000 (R640 000).

Buffelsfontein, recovering from its shock working loss in the September quarter, had a working income from gold of R795 000.

Kinross earned R17 million (R19 million), but profit after capital expenditure was maintained.

Grootvlei converted a R6,5 mil lion working loss in the September quarter to a R867 000 working profit.

St Helena cut working costs Working income increased from R5,5 million in September to R6,7 million.

Beatrix maintained its profit.

Anglo reports 17% increase in profits

CAPE TIMES 18/1/91 (214)

JOHANNESBURG — Anglo American Corporation's gold mines recorded a 17,6% increase in available profit to R164,8m (R140,1m) for the December quarter

Releasing the results yesterday, the gold and uranium division chairman, Clem Sunter, said that the group took advantage of the higher pre-Gulf war gold price to sell production forward

The quarterly results show that gold production was virtually unchanged at 64 755kg, against the September quarter's production of 64 920kg.

Sunter said a particularly pleasing feature of the results was the ability of the mines to contain costs effectively, in light of the tough conditions facing the industry

Total working costs increased marginally by 0,2% to R1,66bn (R1,65bn) and unit costs increased by only 0,5% to R25 673/kg (R25 548/kg) produced

"In as far as the rand per unit cost of gold produced is important to us, we can say that we have achieved our objective"

Results from Free State Consolidated Gold Mines (Freegold) for the quarter ended December 31, 1990 reflect a return to stable operating conditions following the wide ranging remedial measures taken during the previous quarter to effect a return to profitability

Available profit declined by 40,9% to R47,4m (R80,2m) This is mainly attributable to a decrease in revenue from gold sales to R917,6m (R967,8m) arising from a decline in gold production and a lower rand gold price received of R32 279/kg (R32 717/kg)

The operating results of Vaal Reefs Exploration and Mining Company showed a 34,2% increase in after tax profit to R161,7m (R120,5m)

Available profit for the quarter increased to R73,3m (R31,7m), and a final dividend of 550c per share (800c) has been declared, making a total for the year of 1 035c per share (1 600c)

Gold profit increased by 16,3% to R176,4m After taking account of profits of R8,7m from uranium oxide, R0,3m from tribute mining and the dividend from Southvaal Holdings of R9,4m, profit before tax improved by R43,2m to R175,4m

At Western Deep Levels the rand gold price was 1,2% higher at R32 284/kg (R31 897/kg) and gold revenue showed a 3,2% increase to R318,5m A final dividend of 150c (220c) has been declared, making a total of 310c

Operations at Elandsrand showed a marked improvement with gold production increasing by 10,6% to 3 948kg This was the result of a 10,8% increase in tonnage milled to a record 593 000 tons The average grade remained virtually unchanged at 6,66g/t (6,67g/t)

A final dividend of 15c per share (40c) has been declared, making a total of 30c a share for the year

At Ergo the flotation, uranium and the larger of the two acid plants will be closed down by April 1991 The carbon-in-leach section and the small acid plant will continue to operate at present levels At the same time operations at the Simmergo plant will be curtailed

The directors estimated that the closures will prolong the life and substantially enhance the profitability of Ergo at current gold price levels, as the reduction in working costs is forecast to exceed the decline in revenue

Sallies' gold revenue was 5,9% higher at R13,9m, reflecting the increase in production to 444kg (411kg) and the improved average grade of 0,76g/t (0,70g/t)

Available profit for the quarter was 14,1% higher at R1,0m (R0,9m), and a final dividend of 22c per share (20c) has been declared, making a total for the year of 42c per share (45c) — Sapa

Duiker earnings halved

Business Day Reporter

LOWER gold sales and a higher tax bill pulled Duiker Exploration's quarterly earnings to December down to 6c a share from 12,7c in the previous quarter

Although sales of anthracite more than doubled to 171 000 tons, sales of steam coal dropped by about 200 000 tons and only 46kg of gold were sold against the 52kg sold in the previous quarter However, the directors point out in a note to the statements that sales do not accrue evenly over the year.

The group has not declared a dividend

Duiker, a Lonrho company, operates bituminous and anthracite collieries and a gold mine It has a 36% interest in Eastern Gold Holdings which owns 85% of Erfdeel, a section of Free State Consolidated (Freegold). 214

Duiker also has an interest in an Anglo American and Free State Consolidated venture to explore ore bodies in an area underlying Freegold's northern division

In the quarter ended December the Erfdeel operation milled a higher tonnage on a larger area and produced 1 053kg against 973kg in the previous quarter. However working costs rose by nearly R2m to R35,8m.

Duiker spent R570 000 in capex in the last quarter while Erfdeel spent R342 000.

'Freddev has cash to go on'

MATTHEW CURTIN (214)

JCI's Free State Development and Investment Corporation (Freddev) had sufficient cash resources to fund continuing operations, it was announced yesterday on the release of its interim report for the six months to end-December. B/Day 18/1/91.

Short-term borrowings had been repaid from the proceeds of the rights offer to shareholders of its South Deep Prospect entitlement, and the repayment of loans by South Deep Exploration.

Freddev posted a higher after-tax loss of R626 000 (R483 000), while the loss a share increased to 2,9c (2,2c)

Retained income for the period fell to R5,7m from R6,6m.

Net interest paid rose significantly to R452 000 (R130 000) while share of mining profits rose to R109 000 (R51 000)

Shrewd gold hedging helps Anglo producers

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B\Day 18\1\91

MATTHEW CURTIN AND ROBERT LAING

SHREWD gold hedging contracts taken up in the September quarter helped Anglo American's six gold producers turn in healthy December-quarter results, with four posting improved after-tax profits.

Available earnings for the group as a whole rose 17,6% to R165m

Poor demand for uranium has caught up with the Anglo group, and production has been curtailed at Vaal Reefs and Ergo, and terminated at Freegold

Clem Sunter, head of the group's gold and uranium division, said yesterday the mines had effectively contained costs — unit costs rose just 0,5% in the quarter

Over the past few weeks, he added, the group had taken advantage of the better gold price to sell more gold forward

Executive director Lionel Hewitt added that the production drive in the September quarter at Freegold could not have been sustained in the December quarter.

The production drive was inaugurated after the June quarter in which the mine earned a profit after tax but suffered a R14,2m cash flow deficit after capital expenditure

Operations had now stabilised, Hewitt said

Operating costs were held to a 0,1% increase, but available profit fell 40,9% to R47,4m (R80,2m) Freegold's north and south regions turned in similar results, with marginal declines in gold production and average grades

In contrast, the after-tax profit at Vaal Reefs rose 34,2%, with a final 550c a share dividend (800c) declared, making a total for the year of 1 035c (1 600c)

Despite a marginal drop in Vaal Reef's average yield to 6,39g/t (6,44g/t), Hewitt highlighted the mine's successful battle against costs and "pleasing higher values" in the North lease area from the Vaal reef

Nevertheless, lower gold production at the mine's South division more than offset increased output in the North division The Afrikander Lease division had terminated underground mining

Hewitt said Western Deep Levels enjoyed a good December quarter

He said Elandsrand had a particularly good quarter, achieving its highest production

But the higher mining rates were greater than the mill could handle and 80 000t of ore accumulated on the surface for processing later this year

Analysts believe the ore stockpile has been put in place in anticipation of labour disruptions at the mid-year wage negotiating round.

The after-tax profit rose from R34m to more than R37m

Ergo posted mixed results for the quarter, but Sunter said he was confident the high-cost Ergo and Simmergo divisions could be brought into line with Daggafontein, where unit costs fell for the third quarter and now stood at R14 722/kg

Unit costs at the other divisions stood at more than R32 000/kg, higher than the present gold price

SUMMARY OF RESULTS

COMPARISON QUARTER ENDED DECEMBER 1990 WITH QUARTER ENDED SEPTEMBER 1990

	Tons treated 000s	Yield g/t	Gold produced kg	Costs R/t	Costs $/oz	Costs R/kg	Price received $/oz	Price received R/kg	Profit after tax R000s	Available profit R000s	EPS cents
Freegold	6 493	4,42	28 683	128	356	28 933	397	32 279	102 978	47 402	40
September	6 588	4,50	29 616	126	328	27 976	384	32 717	142 691	80 207	68
Vaal Reefs	2 936	6,39	18 748	144	275	22 494	385	31 552	161 693	73 293	384
September	2 920	6,44	18 797	151	282	23 465	382	31 799	120 560	31 685	166
Western Deep Levels	1 669	5,96	9 953	140	286	23 444	394	32 284	89 372	21 817	78
September	1 675	5,75	9 627	135	275	23 405	375	31 897	85 405	20 060	72
Elandsrand	593	6,66	3 948	147	271	22 151	389	31 823	37 359	11 327	12
September	535	6,67	3 570	146	261	21 829	382	31 974	33 701	604	1
SA Lands	586	0,76	444	20	313	25 899	381	31 511	942	1 033	11
September	584	0,70	411	18	307	25 864	378	31 881	937	905	10
ERGO	9 790	0,30	2 979	—	—	—	392	32 146	13 010	9 921	21
September	9 645	0,30	2 899	—	—	—	375	31 608	13 791	6 623	14

Southgo cost drive offset by gold price

B/Day 18/1/91

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ROBERT LAING

GOLD recovery plants were more profitable than underground operations for Consolidated Mining's Southgo in the December quarter Lower gold prices offset better working costs at its five gold producing companies, pushing a second one into the red in the quarter

Underground operations at Nigel resulted in a working loss of R13,47 per ton milled compared with September's loss of R7,18 per ton, resulting in a loss of R616 000 compared with a profit of R345 000 in September.

In contrast Nigel's dump retreatment operation maintained a working profit

Witwatersrand Nigel went further into the red Revenue from its tributing operation with Nigel and other sources failed to offset expenses, resulting in the quarter's loss of R179 000.

Knights recovery plant contained its costs while increasing throughput of sand and slime and increasing its net profit.

Newly commissioned Benoni Gold Holdings's recovery plant announced its results for the first time, showing a profit of R169 000.

The group said this modest net profit reflected lower than expected recovery grades and the abnormal initial consumption of reagents and consumables

The current quarter's results would show the plant operating as planned, MD Glen Laing said in a statement

The West Wits successfully commissioned its high-tech carbon-in-pulp plant and was operating well, the statement said.

Anglo's Vaal gold mines cut dividends

(214)

Star 18/1/91

By Derek Tommey

Substantially reduced dividends have been declared by Transvaal gold mines in the Anglo American group

Vaal Reefs has cut its final to 550c from 800c a year ago making 1 035c (1 600c) for the year Western Deep Levels is paying a final of 150c against 220c last year making 310c (480c) for the year Elandsrand is paying 15c against 40c making 30c (80c) for the year Southvaal is paying 145c against 275c last year, and Afrikander Lease is paying 2c against 5c

The only bright spot in today's Anglo American dividends is the 22c paid by Sallies which is an increase of 2c on the 20c paid a year ago Sallies is paying 42c (45c) for the year

A particularly pleasing feature of the Anglo American group's reports for the December quarter was the ability of the mines to contain costs effectively, in the light of the tough conditions facing the industry

Vaal Reefs' working profit from gold rose from R151,7 million to R176,4 million, principally because of a significant drop in unit working costs After-tax profit rose 34,2 percent from R120,5 million to R161,7 million Available profit for the quarterly, after provision for capital expenditure, increased from R31,7 million to R73,3 million Available profit for the year was R197,7 million (R296,3 million)

Because of economic conditions, uranium production has been sharply curtailed. Contracted sales will be met out of stocks and future production at reduced levels.

Western Deep Levels increased its working profit in the December quarter from R83,4 million to R85,2 million, and profit after tax rose from R85,4 million to R89,4 million Available profit for the year ended December was R86,5 million (R131,3 million)

Elandsrand increased its working profit from R35,0 million in the September quarter to R39,7 million in the December quarter, following a 10,6 percent rise in tonnage milled. Taxed profit was R37,4 million (R33,7 million) and available profit was R11,3 million (R604 000) Available profit for 1990 was R27,3 million (R77,4 million)

Ergo had an operating profit of R21,7 million (R20,3 million) for the December quarter but this is expected to improve in the March quarter when the effects of changes in certain operations are felt. These changes are expected to lead to unchanged gold production but substantially lower costs

SA Lands earned R942 000 after tax against R937 000 in September following a 5,9 percent rise in gold revenue.

At **Freegold** remedial measures should lead to improved profits in the March quarter Pre-tax profit was R107,4 million (R158,9 million) and available profit R47,4 million (R80,2 million). Working profit in the north region fell from R59,5 million to R45,9 million and in the southern region from R79,7 million to R41,9 million.

'Dump' gold proving profitable

By Derek Tommey (214)

Knights Gold Mining Company, which recovers gold from surface dumps and slimes dams, is the feature of the Southgo Group gold mining December quarterlies issued today.

Its net profit rose from R2,48 million in September to R2,57 million in the December quarter in spite of the average gold price received dropping from R32 044 to R30 945 a kilogram.

Newly listed Benoni Gold Holdings, which also treats slimes and sands for gold, experienced start-up problems at its plant which was commissioned at the end of September Star 18/1/91.

Revenue was R5,95 million and working costs R5,4 million, leaving an operating profit of R570 000 Net profit for the quarter was R169 000.

This was a better result than Knights achieved in its first operating quarter, says Southgo managing director, Mr Glen Laing

West Wits, which treats surface dumps and also engages in some underground mining, earned R1,3 million in the quarter against R2,08 million in September The lower profit was mainly the result of a R1 000 a kilogram fall in the gold price

Nigel, which also mills ore from the surface and underground, had a loss of R616 000 for the quarter against a profit of R345 000 in September A lower grade and lower gold price resulted in underground operations running at a loss

Witwatersrand Nigel, which receives revenue from its tributing with Nigel, had a loss for the quarter of R179 000.

An exploration study of the area between Wit Nigel's No 7 Shaft and the West Spaarwater Shaft has shown encouraging results and a feasibility study to conduct mining operations has been commissioned

GFSA FM 18/1/91

SQUEEZED (214)

Gold Fields of SA (GFSA) is the mining house that relies most on gold for earnings, and the interim results reflect the squeeze on gold mine profits It depends heavily on just three mines — Driefontein Consolidated, Kloof and Deelkraal — and the 14% drop in investment income to R136m for the six months to end-December (previous comparable period R159m) results mainly from dividend cuts at Kloof and Deelkraal

Things won't get any better in the second half Executive director Alan Wright does not expect any marked improvement in the rand gold price

While other minerals, particularly copper, contributed 17% of group income in the financial year to June 1990, income from these sources is also dropping

The 29% drop in attributable profits to R134m (R190m) reflects higher administration and technical costs and the fact that December 1989 results were boosted by a R31m profit on realisation of investments

Conservative policy

So far tougher times have not hit two crucial areas the dividend, on which a mining house's financial stability is judged, and exploration expenditure, on which its long-term future depends

GFSA has long followed a conservative policy of holding back funds in good years against bad years to come in the business cycle and, as widely expected, the interim dividend has been maintained

Drilling and prospecting expenditure is up 35% at R19m (R14m) Chairman Robin Plumbridge indicated last year that the group is looking at new projects as the bulk of the work on Northam Platinum and the Leeudoorn expansion of Kloof is completed

The final dividend should be maintained provided gold does not drop for any sustained period below the current R32 000/kg That could lead to a rethink by management on the traditional policy.

At R72 the share yields 2,8%, compared with the sector average of 3,9%, and looks fully priced given poor forecasts on the gold price for the rest of 1991 *Brendan Ryan* was slightly injured, but all planes and

☐ To Page 2

Hedged gold sales bolster Anglo results

BDay 18/1/91 MATTHEW CURTIN (214)

ANGLO American bolstered the December quarterly results of its gold and uranium division by hedging gold sales, division chairman Clem Sunter said yesterday

Anglo posted improved after-tax profits at Vaal Reefs, Western Deep Levels, Elandsrand and SA Lands (Sallies).

Attributable earnings rose 17,6% to R165m for the group as a whole

Sunter said Anglo had taken advantage of the improved gold price in the two weeks before the outbreak of war in the Gulf. Most gold sold forward came from the Freegold operation.

Anglo's hedging policy did not represent speculation but was rather an attempt to find a good gold price to cover working costs and capex programmes.

Gold mining experts said Anglo's decision to hedge on gold prices represented a major strategy shift Frankel Max Pollak Vinderine analyst Rob Gillan said yesterday that, until the September quarter last year, Anglo had never hedged on gold.

In the third quarter, it had begun to do so "aggressively". He estimated 20%-22% of Freegold's production, about 6 000kg, was sold forward, with smaller amounts sold from Elandsrand and Sallies

Anglo had judged the impact of the outbreak of war correctly, banking on the gold price increasing to around $400 before falling away once the conflict had started, said Gillan.

● See Page 13

30% bid surprises Saambou

BDay 18/1/91.

SEAN VAN ZYL

SAAMBOU Holdings's board of directors was taken by surprise yesterday when a bid, rumoured to be backed by the Bankorp group, for 30% of the building society's share capital was announced

Market rumours suggest that everyone from Nedbank to Mannie Simchowitz is behind the Trafalgar bid. But the strongest suggestions surround the Bankorp group. Bankorp's executive chairman Piet Liebenberg was unavailable for comment last night.

Saambou's chairman Hendrik Sloet says that the first time he heard of the bid was when he opened yesterday's paper "We have not been approached by any of Trafalgar's directors and I haven't a clue as to what they intend doing should they gain a 30% interest"

Despite the rumours, Trafalgar MD Pieter Hougaard says the offer is being financed solely by his company

"The bid is not an attempt to gain control, but to build up a strategic stake in Saambou," he says

Saambou's share price is trading at a discount of about 59% to its net asset value of approximately 220c, Hougaard says

"The difference in net asset value and the share price of 130c made Saambou a good buy"

Volumes traded in Saambou climbed to 136c yesterday from the 130c close in response to Trafalgar Portfolio Manager's

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Mugabe calls on Chief Justice to quit

MICHAEL HARTNACK

HARARE — Zimbabwe's President Robert Mugabe yesterday called on Chief Justice Anthony Gubbay to resign if his conscience could not accept the recent amendment of the declaration of rights, permitting nationalisation of land without appeal to the courts

"I do not know whether he is using his legal brain or any other brain," Mugabe said when asked to comment on the judge's warning the judiciary may repudiate the amendment BDay 18/1/91.

"If certain laws are repulsive to the conscience of a judge then that person should not sit as a judge, pure and simple."

Mugabe challenged the judge's statement that legislation which undermined the principles of the constitution could be invalidated by the courts, despite the lapse of the 10-year guarantees in Zimbabwe's 1980 constitution and Mugabe's parliamentary majority of more than two thirds

"If we decide that a certain law is necessary and the law is duly passed by parliament, the role of the judges is to interpret the law and not seek to reverse it," he said

ANC set to buy R20m Jo'burg building

PATRICK BULGER

BDay 18/1/91

THE ANC is set to buy the 22-storey Shell House in central Johannesburg

A property broker put the value of the 16 000m² building at about R20m

Negotiations for the purchase are at an advanced stage, although neither the ANC nor Shell would formally confirm yesterday that they were dealing with each other

A Shell employee said, however, that staff were told at a meeting on Wednesday that they would move to new premises in Rosebank in October They would share their present premises with the ANC from March

A decision had been taken to allow the ANC to use the executive suites on the eighth floor, the employee said, adding that Shell staff were perturbed by the deal because it raised fears of possible bomb attacks and political protests in their midst

Reacting to a Business Day inquiry, a Shell spokesman said Shell SA had informed the Shell Pension Fund, which owned the building, that it wanted to leave The fund's trustees had decided to sell the building

"We are currently negotiating with an interested party and hope a deal can be concluded in the near future," he said

The ANC would not confirm that it was buying the building

A spokesman said the organisation had been searching for a building to accommodate all its headquarters staff under one roof and was looking at a number of possibilities

However ANC sources this week also confirmed the deal

The ANC head office is now in Munich Reinsurance Building, Sauer Street

Gazgold progresses steadily

810am 18/1/91 ROBERT LAING (214)

GAZANKULU Gold (Gazgold) continued to make steady progress in opening up the old Klein Letaba mine, increasing its grades and tonnages to boost gold production to 76,66kg (58,40kg) in the December quarter.

Development in the Birthday mine yielded better grades than expected, helping the group increase its operating profit. The small mining house now has cash on hand after capex and interest payments for the first time, director FJ Rahn said.

Gazgold's dump reclamation plant increased its yield, but this was offset by higher working costs and a lower gold price, resulting in its working profit decreasing to R3,32 a ton (R4,92 a ton) in the final quarter.

Forward sales help mines

B/Day 21/1/91 (214)

ROBERT LAING

A HIGHER gold price resulting from forward sales helped the Rand Mines group reduce the operating loss of its five gold mines to R13,6m in the December quarter from R22,1m in the September quarter.

However Harmony and ERPM, the group's two largest mines, remained firmly in the red

ERPM has improved by cutting its quarterly operating loss to R1,02m from the previous quarter's R4,98m, but interest payments remained a major burden.

Rand Mines gold division chairman Clive Knobbs said "So far ERPM's performance is ahead of the plan which we put to the Melamet Commission"

The mine appeared to change direction, and chose to increase its underground ore mill throughput at the expense of recovery grade, which dropped to 4,49g/t last quarter from 5,5g/t in the September quarter

The mine compensated for its disappointing grade by increasing underground tonnage to 262 000t from 242 000t, but production was down to 1 176kg from 1 250kg in the previous quarter ERPM's high level of borrowing caused it to be hit by an interest bill of more than R10m, resulting in its bottom line loss of R8,9m.

Barbrook, the small eastern Transvaal mine, was mothballed on December 19 after several quarterly working losses

Chairman Dammy Watt said at the

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Mines

B/Day 21/1/91. (214)

☐ From Page 1

group's AGM last week that the decision was made after miners became violent Unless there was a dramatic improvement in the gold price, the mine's status would not be reviewed before September Retrenchment costs exceeded revenue, leaving a working loss of R3,7m for the quarter against September's loss of R3,1m

Despite cuts in development and retrenchments, Harmony's working loss remained R15m

Knobbs said· "The benefits of the rationalisation programme have been slower in coming through because of labour problems which have beset the mine Were it not for work stoppages and disruptive labour practices, Harmony's performance for the quarter would have been better"

The bulk of retrenchment costs will be felt in the current quarter, eclipsing any profits made in February and March, the statement said Despite a slightly higher grade, the mine's production is down in line with the planned reduction in mill throughput to two megatons

Blyvooruitzicht's underground operation maintained its recovery grade at the expense of ore milled, resulting in a reduction in underground unit costs The recovery grade and volume of its surface operation dropped

Durban Deep maintained its grade and increased tonnage Increased gold production was offset by higher costs and the mine failed to lift its after tax profit

RM gold producers post losses of R18-m

Star 21/1/91 (214)

Finance Staff

Rand Mines' five gold producers have reported a combined taxed loss of R17,7 million for the December quarter, with operating losses of R13,9 million — down from R22 million in the previous quarter

The main problem area appears to have been the Harmony gold mine where a far-reaching rationalisaton plan has just been completed.

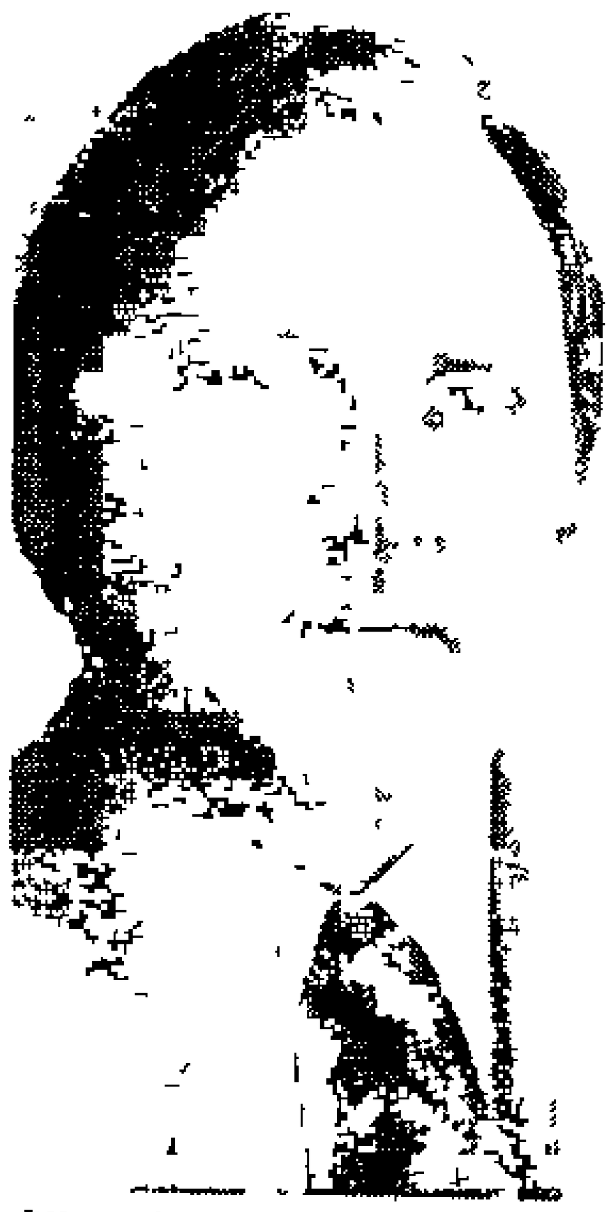
This mine has been dogged by problems, including illegal work stoppages and labour unrest, and again came up with a taxed loss of over R12 million for the quarter

ERPM, which was at the centre of last year's Melamet Commission of Inquiry reported a working loss of R1 million — down R4 million on the previous quarter's loss and well below the working loss of nearly R14 million reported for the first quarter of 1990

But ERPM was again hard-hit by an interest bill of over R10 million and ended up with a bottom-line loss of R8,9 million

Group capex for the quarter was R10,3 million — up from R8,2 million in the September quarter

The group's gold production for the quarter



Clive Knobbs .. benefits have been slower in coming through

was down from 12 155kg to 11 444 kg from underground tonnage milled of 3 million tons and 708 000 tons of surface material treated (against 3,2 million tons and 590 000 tons respectively in the previous quarter).

The underground unit costs of the five mines were virtually unchanged at R123,84 per ton and R33 925 per kg.

The average gold price received by the group was R32 559 per kg, against R32 172 previously

Looking ahead, some of the mines — notably Durban Deep — have hedged at attractive prices ranging as high as R36 752 per kg

BLYVOORUITZICHT reported an increase in working profit from R4,2 million to R6,9 million

Sundry revenue of R2 million took pre-tax profit to R8,9 million (R4,5 million).

Taxed profit of R7,4 million was more than double the previous quarter's R3,4 million

Tonnage milled was down to 388 000 from 400 000 which, at an unchanged grade of 5,56 grammes per ton, yielded 2 158 kg of gold (2 224 kg)

The mine's revenue was down R2 million to R76 million, but this was more than offset by a drop in overall costs so that working profit was up

The mine has sold a total of 1 088 kg of its gold forward for the first and second quarters of 1991 at R34 981 and R36 242 per kg respectively.

DURBAN DEEP reported a virtually unchanged taxed profit of just under R3 million

The grade was maintained at 3,45 g/t on an increased tonnage of 256 000 tons, raising its underground gold production from 870 kg to 883 kg

The mine's overall costs were 31,5 million — almost R1 million up on the previous quarter

Helped by hedging, revenue was marginally higher at R34,3 million (R33,5 million)

The mine has hedged 1 152 kg of its gold production for the first three quarters of this year at prices ranging from R35 423 to R36 752 per kg

ERPM milled 262 000 tons (242 000), but the grade was down from 5,17 g/t to 4,49 g/t and underground gold production was down to 10176 kg (1 250)

ERPM's borrowings were up to R374 million (R360 million)

HARMONY reported a virtually unchanged working loss of R15 million.

Group chairman Clive Knobbs says "The benefits of the rationalisation programme have been slower in coming through because of the labour problems which have beset the mine."

Tonnage milled was down to 2 million (2,3 million) and the grade was up to 3,24 g/t (3,2 g/t)

BARBROOK reported a working loss of 3,7 million (R3,1 million)

After adding interest this resulted in a net loss of R6,5 million (R5,7 million)

JCI mines benefit from higher recovery grades

B/Day 23/1/91 (214)

ROBERT LAING

HIGHER recovery grades returned JCI's Western Areas gold mine to profits and cut losses at the group's H J Joel mine during the December quarter At Randfontein the quarter's pre-tax profits slid as the mine's overall recovery grade level-pegged

Randfontein held steady by cutting underground mining rates and lifting the rate at which it processed ore from low-grade surface dumps The strategy allowed the mine to boost its underground gold recovery grade while raising the grade of the dump material it processed

Western Areas' strategy of concentrating gold mining in its southern area, while limiting its North shaft to uranium mining paid off, putting the mine back into the black Closure of North shaft resulted in a lower mill throughput and raised unit working costs But this was was more or less offset by higher gold recovery grades which resulted in a relatively small drop in gold output Working costs were lifted by retrenchment payments, gold division chairman Ken Maxwell said yesterday

The sale of mineral rights to South Deep allowed Western Areas to repay its debt and left the mine with R44,8m in cash at the end of the last quarter

Joel, JCI's newest mine, reached its target of sustaining monthly mill throughput at 80 000t It also managed to improve its recovery grade Development results were promising and the mine could maintain this production level, said consulting engineer Con Fauconnier

Maxwell added "We are very encouraged by Joel's sustained level of production We were concerned about the future of the mine, but it is now achieving forecast results"

Fauconnier expects the mine to break even by mid-year if present gold prices are maintained

Randfontein has slowed underground production while reassessing the Kimberley reef at its Doornkop section The mine spent R6m on exploration in the December quarter Maxwell said geologists were identifying target zones before money was spent on increasing reserves

The South Deep venture is concentrating on defining the structure and nature of its VCR ore Maxwell said early indications of reserve grades were in line with expectations

JCI December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Randfontein	2 266	3 25	7 363	89 99	27 694	31 034	32 495	12 086	19 8
	2 292	3,25	7 449	91,93	28 287	31 756	32 308	20 126	32,9
Western Areas	563	5 75	3 238	166 51	28 951	31 762	9 386	(2 577)	(6 4)
	710	4,69	3 333	156,80	33 402	31 834	(11 503)	(15 285)	(37 9)
H J Joel	228	4 4	1 002	168 81	38 411	31 117	(11 951)	(20 688)	(21 1)
	223	3,7	815	171,22	46 848	31 649	(19 126)	(29 999)	(30,6)

JCI to set up retrenched miners' fund

B/Day 23/1/91

MATTHEW CURTIN

RETRENCHED mineworkers at JCI's three gold mining operations would benefit from a retrenchment fund which was likely to exceed R1m, gold division chairman Kennedy Maxwell said yesterday

His announcement follows Anglo American and Gengold decisions in December and January to set up R1m funds for the thousands of mineworkers they laid off in 1990 About 35 000 miners lost their jobs on SA's goldmines last year

Presenting the group's December gold quarterlies in which its after-tax profits rose sixteen-fold, he said the exact amount allocated to the fund would depend on the reaction of mine managements

The gold and uranium division's after-tax profits rose to R29,9m (R1,7m) Losses after capital expenditure fell 55,6% to R11,2m (R25,2m) Western Areas converted an R11,5m after-tax loss in the September quarter to after-tax profit of R9,4m Costs fell 13,3% to R28 951/kg, yield returned improved 22,6% to 5,75g/t (4,69g/t), with increased revenue offsetting a 20,7% cut in production

● See Page 8

Sparkling turnaround by Western Areas

Star 23/1/91.

(214)

By Derek Tommey

JCI's three gold mines — Randfontein, Western Areas and Joel — all had a satisfactory December quarter, with Western Areas the star performer.

And the first underground borehole results from JCI's potential gold mine, South Deep, show high values and confirm the results of the surface boreholes.

On the earnings front, Randfontein's taxed profit was virtually unchanged, despite a drop in the gold price.

Western Areas moved strongly into profit and Joel significantly reduced its loss and could be operating in the black by the middle of the year, Kennedy Maxwell, head of JCI's gold division, said yesterday.

To help reduce the impact of a lower gold price, Randfontein had sold forward about a quarter of its 1991 production at R33 798 a kg and Western Areas had sold forward about 40 percent at R33 935 a kg

Joel had not yet sold forward because there was concern about the mine, said Mr Maxwell But it would now start selling forward

Mr Maxwell elaborated on plans to build up contingency cash reserves at Randfontein and Western Areas The intention was to ensure that the mines would survive, even if the gold price were to fall to R29 a gram for a full year.

The average gold price received by Randfontein last quarter was R31,03 a gram and at Western Areas R31,76 a gram.

Partly as a result of this policy, Randfontein had R132 million in liquid resources and Western Areas a cash balance of R44,8 million at the end of December.

To help build up these cash resources, Randfontein held its December dividend to 20c a share.

Depending on the financial situation, the June dividend could be similarly affected, Mr Maxwell said.

Randfontein had a profit from gold of R27,1 million (September: R29,1 million), and a profit after tax and State's share of R32,5 million (R32,3 million)

Production was only slightly down, even though production at the Doornkop Shaft was cut by 116 000 ton

But this was offset by a 90 000-ton increase from surface sources and an improvement in grade

Some 1 100 people were retrenched at the Doornkop Shaft at a cost of R2,5 million.

Western Areas had a profit from gold of R9,3 million (September loss· R4,9 million).

This was the result of a jump in the yield from 4,69 grams to 5,75 grams a ton.

Profit from uranium was R5,8 million (R5,15 million) and sundry revenue R664 000 (R686 00), giving an operating profit of R15,8 million (R904 000)

Taxed profit, after interest payments (which will be lower this quarter) and North Shaft closure costs, were R9,39 million (loss of R11,5 million in the September quarter)

There were several encouraging features in the Joel results Yield a ton rose from 3,7 grams in September to 4,4 grams, gold production rose from R815 kg to 1 002 kg and working costs a ton milled eased slightly

This reduced the loss a ton milled to R32,27 from R54,33 in September

Joel was still short of stoping face, Mr Maxwell said, but tons stoped rose 33 percent from 120 251 tons to 158 711 tons, which accounted for the 19 percent improvement in the recovery yield.

Revenue from gold was R31,1 million (R26,1 million) and working costs were R38,5 million (R38,1 million), resulting in a loss from gold of R7,4 million (loss R12,1 million)

The loss after interest was R12 million (R19,1 million).

Mr Maxwell said the mine had reached its 80 000 tons-a-month milling rate and plans were in hand to increase the rate to 90 000 tons

Gold price reduces Randex exploration

BDay 24/1/91

214

MATTHEW CURTIN

THE weak gold price has forced Randex, SA's largest mineral rights participation company, to reduce its involvement in long-term gold exploration projects, MD Mike Saner said yesterday

Randex trimmed its exploration expenditure by a third for the six months to end-December 1990

The company reduced its deficit from R7,5m to R903 000

This was the result of a sharp turnaround in mining income received, R2,2m up from a R1,4m loss for the six-months to end-December 1989

Saner said in a statement the company had decided to reduce its involvement in a number of long-term Wits Basin gold projects

However, he was unable to comment further at this stage on Randex's decision when contacted last night

In the statement, he advised shareholders that overall industry exploration expenditure on these projects was on the decline

The dilution effect on Randex's interests in these joint ventures would be minimised and delayed

Randex's improved cash position, which more than doubled between end-December last year and the year before to R25,9m, was boosted by the sale of its stake in Lydenburg Exploration (Lydex) in March

Randex sold the Lydex shares, valued at 2,9m in 1988 when original Rand Exploration projects were contributed to Lydex in exchange for the shares, for R21,5m

Saner said the company was continuing to diversify its mineral rights portfolio, with emphasis on platinum and base metals

In November last year, Randex finished drilling for metallurgical testwork on the platinum deposit near Kroondal

Randex acquired the deposit for the issued new shares last year, and Saner said it contained 9-million drill-indicated tons of UG2 ore

Randex was formed in 1988 after the reversal of various mineral rights into Marievale

MINING & COMMODITIES

Gold mining: pointers to the future

214

BDay 25/1/91

ROBERT LAING and MATTHEW CURTIN

THE gold industry, caught between capped gold prices and relentlessly rising costs, came through last year's December quarter almost unscathed. This was an indication of how the industry could develop until the gold price develops a sense of direction

The past quarter showed some of the benefits of earlier rationalisations as several mines cut costs after fully absorbing retrenchment payouts in earlier quarters But others still have to bite the bullet of layoffs — the Chamber of Mines has warned that as many as 40 000 jobs could disappear this year — and mines which plan cost-saving retrenchments are likely to suffer the short-term pain of retrenchment payouts this year and next

Several mining groups demonstrated their concern that the gold price is set for a period of stagnation and that it is unlikely to rise to match cost increases. Anglo American abandoned its former policy of not hedging and sought to take advantage of short-term price advances by trading forward at appropriate times And while the gold price remains directionless, analysts say, trading on futures markets is likely to become increasingly important in the mines' profit planning

As gold lurched towards $400/oz in the run-up to the Gulf war, Anglo American, which began hedging only in the September quarter, sold 22% to 25% of Freegold's production forward, about 6 000kg a quarter, according to Frankel Kruger analyst Rob Gillan. He said hedging had contributed to the industry's stable performance in the quarter, but added producers ran the risk of capping the market by overtrading

Gengold MD Gary Maude said his group's mines were selling as much as 5% of their production forward He made it clear, however, that his group's policy was to keep speculative trading to a minimum in the belief that investors should be able to select their exposure to gold's price

The major producers turned in solid results for the quarter, with only Rand Mines as a group showing a drastic decline in net operating profit as its Harmony mine floundered Harmony's earlier strategy was to contain unit costs by emphasising high milling rates

It has now changed tack and plans to focus on cutting overall costs and the cost of producing each ounce of gold by retrenching staff, reducing mill throughput and mining higher grade ore zones

This is a significant development, analysts believe Until recently that sort of strategy had been largely confined to the smaller, low-tonnage mines

The fact that Harmony, a high-tonnage/low-grade producer, is now taking the higher grade option signals possible changes by other large producers Western Areas has cut back by stopping gold production at its North shaft and large mines such as Freegold have considered reducing operations at unprofitable shafts

Maintaining near-term profits is at present more important than longer-term ore reserve considerations

The other trend is towards closure

The likely pattern of development of new mines was indicated by Target and South Deep projects Originally these venture properties were expected to have been developed under the tax-saving umbrellas of neighbouring mines — Loraine and Western Areas. Both mines have sold their interest in the properties, again underscoring managements' concerns over the mines' profit prospects

DECEMBER QUARTER	Tons milled 000s	Yield g/t	Gold produced kg	Costs per per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s
Anglo American	22 067	5,9	64 755	140	24 584	31 933	405 354	164 793
	21 947	**5,8**	**64 920**	**140**	**24 508**	**31 979**	**397 085**	**140 084**
Anglovaal	1 206	8,1	9 616	205	26 388	31 566	38 695	28 251
	1 216	**8,0**	**9 579**	**201**	**26 674**	**31 738**	**37 362**	**28 206**
GFSA	3 529	7,3	28 146	165	25 590	31 275	238 474	34 809
	3 560	**7,1**	**27 268**	**165**	**26 273**	**31 750**	**214 651**	**(1 203)**
Gengold	3 770	5,3	19 892	138	26 027	31 439	94 659	50 933
	3 829	**5,2**	**19 891**	**142**	**26 810**	**31 107**	**117 897**	**57 356**
Rand Mines	3 718	3,8	11 444	124	28 395	32 599	(17 722)	(25 256)
	3 812	**4,0**	**12 155**	**124**	**27 962**	**32 172**	**1 364**	**(2 043)**
JCI	3 057	3,8	11 603	110	28 970	31 244	29 930	(11 179)
	3 225	**3,6**	**11 597**	**112**	**31 062**	**31 771**	**1 679**	**(25 158)**

Randex reduces stake in Wits basin gold project

By Derek Tommey 214

Randex, a mineral rights holding company in the Gencor group, is to reduce its stake in a number of long-term deep Wits basin gold projects

Managing director Mike Saner says this follows the local and world markets' disillusionment with the performance of gold and the difficulty in predicting the gold price Instead the company intends investigating other minerals.

Income in the six months ended December increased from R1,75 million to R5,28 million while exploration expenditure dropped from R9,2 million to R5,3 million

This resulted in the deficit contracting from R7,46 million in the second half of 1989 to R903 000 in the second half of 1990

At December 30 the company had assets of R108,7 million (R88,9 million) of which R25,9 million (R11,5 million) was in cash.

Star 22/1/91

Problems with funding push Osprey into the red

(214)

ROBERT LAING

OSPREY Gold Mine fell into the red in the December quarter as a result of being cut off from overseas funds needed to develop higher-grade ore reserves, says MD Ralph Hodgen

It made a loss of R50 752 compared with a R74 036 profit in the third quarter

Osprey's plan to sink a new shaft to a more profitable area was thwarted by a Reserve Bank investigation into its offshore holding company, Garditex.

Unable to access development capital, the mine could not open up new reserves and was forced to spend the last quarter mining low yield ore Gold recovery grade dropped to 1,71g/t from 1,79g/t in September

Hodgen said "We had a bad trough. Besides facing the same tough conditions as all gold mining companies, we had our wings clipped by the Reserve Bank's investigation"

B|Day 28|1|91

Osprey's shares were suspended and its bank account was frozen by the Reserve Bank, which probed the possibility that the company was involved in a forex fraud Osprey was cleared, but the investigation into its shareholders Garditex, Manserv and Financial Ltd has still to be resolved

The mine is heading towards new blocks, which Hodgen hopes will bring its recovery grade back to 3,0g/t by the next quarter

Genbel's move from gold shares pushes interim income up 23%

B/Day 29/1/91 (214)

MARC HASENFUSS

GENBEL Investments increased interim attributable income 23% to R74,5m (R60,6m) in the six months to end-December after streamlining its portfolio and moving out of low growth gold shares into other resource-based equities, the group announced today

However, because of its 10-for-one share split last April, the mining and resources based investment group lifted earnings a share by only 10% to 17,2c (15,6c) and declared an interim dividend of 13,5c (12c)

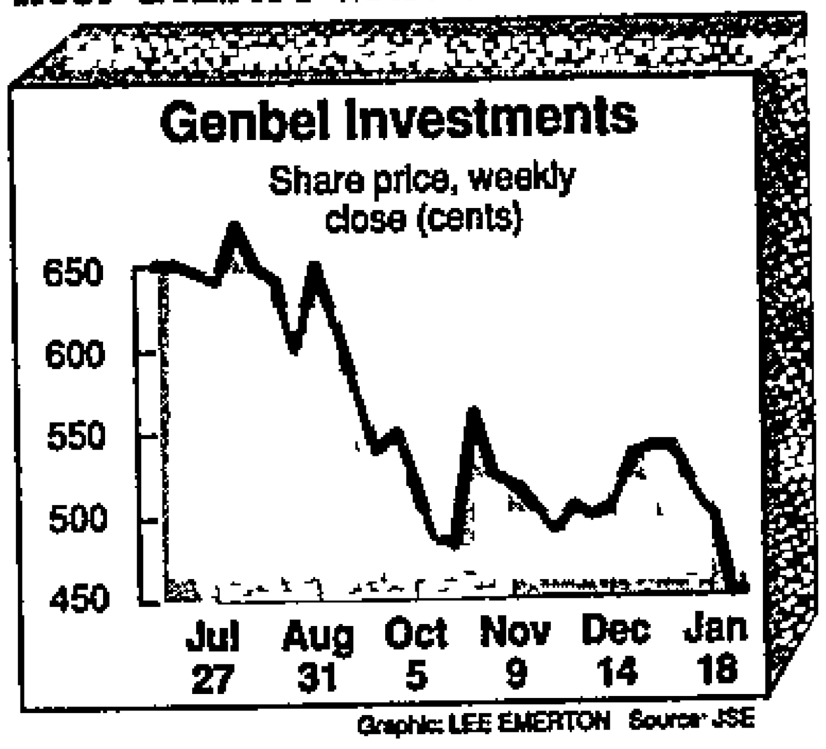
The reduction of Genbel's gold exposure continued during the year under review, with the group disposing of its holdings in Industrial Selections and National Selections, and reducing its stake in Kinross, Winkelhaak, Vaal Reefs and Impala Platinum, directors said

Furthermore, Randex is to dilute its interest in certain gold projects and is investigating various non-gold opportunities Genbel acquired an additional 7,3-million Oryx Gold Holding shares, increasing the number of shares held to 23,8-million

Had the portfolio remained unchanged, Genbel's net asset value for the period under review would have been R52m or 12c a share lower, directors said

The portfolio changes affected Genbel's market value which decreased to R2,8bn (R3,4bn), and after allowing for the 10-for-1 share split, Genbel's net asset value stands at 642c (782c) a share

MD Anton Botha said the group took advantage of the moratorium on stamp and transfer duties and reorganised its structure better to reflect Genbel's activities



Graphic: LEE EMERTON Source: JSE

As a result, Genbel's wholly owned subsidiary Unisen was expanded

All Genbel's short- and medium-term investments, with a value of R346m, were transferred to Unisen, while a significant portion of Unisen's portfolio was sold at a profit

Botha said in the six months management had taken appropriate action to improve liquidity and reduce Genbel's exposure to certain low growth market sectors The realisation of R458m worth of investments was the main factor in improving liquidity from a deficit of R252m at the June 1990 year-end to the present R175m surplus

"Following the reorganisation Genbel will hold only long-term investments and will endeavour to maximise shareholders' wealth in the long term by way of real growth in net asset value and earnings per share To achieve this we will continuously upgrade our investment portfolio," Botha said

He said that worsening conditions in world economies and stock exchanges did not have a significant impact on Genbel's income from investments, and anticipated that earnings and dividends for the full year would comfortably exceed last year's level of 27,5c a share

"Although the first half income was bolstered by Genbel's first dividends from its R5,8m and R8,9m investment in Engen and TransAtlantic respectively, some decline in gold dividend receipts was experienced and further cuts in the second six months are expected," he added

Genbel's five largest investments are Gencor Beherend 15,3% (11,8%), TransAtlantic Holdings 12,8% (9,5%), Engen 10,9% (7,2%), Impala 10,2% (14,3%) and Kinross Winkelhaak 8% (9,7)

Genbel saves itself a R52-m loss

By Derek Tommey 214

Genbel, the investment company in the Gencor stable, saved itself a loss of R52 million by selling R458 million worth of investments in the six months ended December.

Had it not sold these shares the net asset value of its shares would have been 12c lower, the company reports. The sale of these shares improved its liquidity from a deficit of R252 million at June 30 to a surplus of R175 million at December 30.

Star 29/1/91

Genbel's distributable income rose from R61 million to R74 million in the six months ended Dcember while earnings a share rose from 15,6c to 17,2c and the dividend rose from 12c to 13,5c.

The net asset value of the shares dropped from 782c to 642c, reflecting the decline in share prices.

Gold production figures dip

B Day 30/1/90 (214)

PETER GALLI

SA's gold production dropped to 602,7 tons in 1990 from 1989's 606,3 tons despite the fact that extraction of higher-grade ore gave a fillip to production in December.

The Chamber of Mines said total production was 48 770kg in December — a generally slow month because of the holidays — against November's 52 150kg and 46 747kg in December 1989.

A Chamber of Mines economist said the year's 1% production decline was due to the industry's efforts to cut mining costs while maintaining production. Though milling rates had fallen overall, the average gold recovery grade had increased to 5,06g/t in 1990 from 4,99g/t in 1989.

Modder B shares fall on suspension rumours

B/Day 1/2/91 (214)

MARC HASENFUSS

MODDER B Gold Holdings shares plummeted on the JSE yesterday after market rumours suggested a possible suspension of operations at the Modder B Gold mine.

Modder B shares fell 64% from 14c to 5c and analysts speculated that the group may be cash strapped and unable to finance its mining operations in light of the weakening gold price and recent labour unrest

After settling in to what seemed to be a profitable routine, Modder B's quarter to September 1989 showed a decline in net profit before tax to R67 478 from R287 478 in the quarter to June

The tonnage ore milled fell to 11 307 tons from 14 267 tons and gold recovered fell to 49,47kg from 64,48kg, while working profit per ton milled fell to R13,82 from R21,05.

The mine continued to perform steadily until the quarter to December 1990 which showed a net loss of R409 942, while tonnage ore milled fell to 7 400 tons from the previous quarter's 10 020 tons at a working loss of R22,75

Analysts believe a possible suspension of Modder B shares on the JSE is in the offing.

One analyst said the possibility that Modder B directors no longer saw eye to eye could not be discounted

Modder B's situation was compared with Rand Mines' Barbrook mine that was recently placed on "care and maintenance" after being adversely affected by labour unrest and disappointing recovery grades

Modder B directors could not be reached for comment

Lydex second only to South Deep after merger

BDay 1/2/91 (214)

ROBERT LAING

WHEN Lydenburg Exploration's (Lydex) merger with Potchefstroom Gold Areas (PGA) takes effect on Monday, the group will become SA's second largest purely exploration company after South Deep

PGA's shares will be listed for the last time on the JSE today From next week the company will be a wholly owned subsidiary of Lydex The combined market capitalisation is R160m

Shareholders approved the merger last month. Lydex will issue about 48,3-million ordinary shares to scheme members on the basis of 115 new Lydex ordinary shares for every 100 PGA ordinary shares PGA options will convert to Lydex options on a one-for-one basis

Lydex and PGA director Chris von Christierson said yesterday the new group's most important project would be recovering gold from East Rand Proprietary Mines' (ERPM) sand and slimes dumps

Lydex and PGA, both controlled by Old Mutual, together own about 90% of ERPM's dumps which contain 44-million tons of material with a gold recovery grade of 0,6g/t They also own equal rights to a 7,53ha plant site Besides the ERPM dump project, the group will hold a large portfolio of mineral rights with close mining house associations Von Christierson listed the Cyferfontein and Kalkoenkrans projects as being particularly promising.

The group intends being more aggressive in exploration and in mineral rights acquisitions The merger will also prevent conflicts of interest.

Lydex and PGA merge to take second spot

214

Finance Staff S/Cw 1/2/91

Lydenburg Exploration Limited (Lydex) and Potchefstroom Gold Areas Limited (PGA) will merge with effect from February 4 to become the second largest exploration company after South Deep Exploration

Director of both Lydex and PGA, Chris von Christierson said last night that not only will the merged business hold a larger and better diversified portfolio of mineral interests, with good short and long-term prospects and close mining house associations, it should also derive substantial long-term cash flow from the treatment of the ERPM dumps.

Cash flow from this project would enable Lydex to become one of the more effective companies in the exploration sector and would enhance the prospects of reward for its shareholders

The merged company will be controlled by the SA Mutual East Daggafontein Mines Limited which will also hold a significant minority interest in the company

Shareholders approved the scheme of arrangement in January and Lydex will issue 48 340 774 ordinary shares to scheme members on the basis of 115 new Lydex ordinary shares for every 100 PGA ordinary shares

Similarly, options in PGA will convert to Lydex options on the basis of one option in Lydex for one option in PGA.

GENBEL FM 1/2/91 (214)

STRATEGIC CHANGES

Under prevailing market conditions, Genbel has turned in a pleasing set of results for the six months to end-December Distributable income increased by almost 23%, from R60,6m to R74,5m, though EPS were up by only 10,3% at 17,2c as the average number of issued shares rose with the October 1989 rights issue

A three-year programme of restructuring the portfolio, now ended, has brought useful benefits Unisen, now a wholly owned subsidiary, is the short- and medium-term investment arm, while Genbel holds its long-term and strategic investments directly Unisen is not consolidated but fully declared

The move from low-growth gold shares into better performing resource-based equities has continued With prodigious timing, Genbel sold its holdings in Industrial Selec-

Continues —P

FM 1/2/91 (214)

tions and National Selections and reduced its stake in Kinross, Winkelhaak, Vaal Reefs and Implats, principally in July last year

"We wanted to strengthen the balance sheet," says MD Anton Botha "From having debt of R252m, the realisation of the investments took the group to a surplus of R175m We are now in a comfortable position We are happy with the present structure of the portfolio and we have the cash to act if an opportunity arises "

The only call on cash that Botha sees for the rest of this year would be from Oryx, should the developing gold mine need it He is not in a hurry to invest further but will if circumstances are right "We are watching the Gulf War closely," explains Botha, "and considering whether we are in for a short or protracted recession We will start buying only when we are sure the market has turned around "

The ruling in last year's Budget speech by Finance Minister Barend du Plessis, that investments held longer than 10 years would not attract capital gains tax on their realisation, was used to advantage Most of the R246m surplus on Genbel's sale of investments will not attract tax Says Botha "This has been freed for further investment in the industry, such as Oryx, which is exactly as the minister intended "

The current six months will see a further reduction in dividends from gold mines but this should be more than compensated by growth in other fields, such as Engen and TransAtlantic. Overall, Botha expects earnings and dividends for the full year to exceed comfortably last year's levels of 28,8c and 27,5c respectively

Gillian Findlay

GOLD QUARTERLIES FM 1/2/91

ACTION STATIONS (214)

If nothing concentrates the military mind like being caught in an ambush then facing the prospect of imminent closure obviously focuses the mining engineer's attention on the priorities for survival

December quarter results show that a number of the gold mining industry's laggards have got their acts together to try to survive the crisis facing them

Favourable average cost performances from groups like Genmin, Gold Fields of SA and Anglo American indicate the industry's major mines are pulling up their socks Anglo reported a 0,5% increase in average group working costs to R25 673/kg of gold produced from R25 548/kg in the September quarter GFSA dropped its average working cost 4,4% to R20 874/kg (September quarter — R21 825/kg) while Genmin's average working costs are down 2,9% at R26 027/kg (R26 810/kg)

As well as good cost control, these figures also reflect the industry's move to higher grades Pay limits are going up as costs rise while the gold price remains static GFSA pushed its average yield to 8,0 g/t (7,6 g/t)

While not wishing to detract from these sterling performances two points have to be kept in mind December is traditionally a good quarter for cost control The full effect of increases in the major cost item, labour, is felt in the September quarter

Anglo's mines have a December year-end so December quarter figures reflect year-end accounting adjustments on various suspense accounts, making the cost performance look a bit better than it really was

The quarterlies also show large-scale forward selling by some mines to lock in expected revenues as an insurance policy A number benefited from past sales while others, including Anglo American's mines, are getting increasingly involved

Gold division head Clem Sunter won't specify how much gold Anglo mines have sold forward, citing the size of Anglo output in relation to the market as an excuse. That's not acceptable. Rand Mines and Anglovaal report quantities and prices of their hedging programmes and shareholders in Anglo mines have a right to the same disclosure.

Two bitter lessons learnt in the past few years by certain gold mine managements are that it does not pay to borrow to keep loss-making mines going, and that one major cutback is better than a series of small ones.

Rand Mines, which bent over backwards to keep **ERPM** alive, is not following the same policy at group flagship **Harmony**, where rationalisation programmes amounting to a 20% cut in gold output were ordered in the December quarter. The mine lost R24,8m for the six months to December and forecasts more losses in the March quarter, which will feel the full impact of retrenchment costs

Having cleared out debt at **Western Areas** through the South Deep Exploration deal, **JCI** gold division chairman Kennedy Maxwell has introduced a conservative financial policy for this mine and **Randfontein Estates**. The intention is to hold back sufficient funds to be able to withstand a 10% fall in the expected gold price over a year **Randfontein** held back R20,1m in distributable earnings for the six months to December but Maxwell will not specify how much more it will retain during the rest of its financial year

GFSA has long followed a policy of holding back funds to be able to continue with capital expenditure programmes during periods of low gold prices However, at end-December after three years of lean times, only **Deelkraal** has reserve funds left in the kitty. The cupboards are bare at the others, which is why GFSA may be considering forward gold sales for marginals **Venterspost** and **Doornfontein** That would represent a complete change of group policy

Good performances came from a number of **Genmin** marginals as that group's hard-nosed policies continued to pay off **West Rand Cons**, which two years ago seemed doomed to imminent closure, is now consistently profitable and paid dividends totalling R4m in the year to December

Gengold MD Gary Maude threatened **Grootvlei** with closure in the September quarter, when it lost R2,5m. It responded by pushing yield to 4,9 g/t (4,3 g/t) and cutting working costs to R17,4m (R22,3m) to make a R1,1m profit for December.

Exception to the rule is **Stilfontein** which, in strict accordance with Genmin policy, should be closing The aim is to try to break even while exploration work on the Ventersdorp Contact Reef is concluded following last year's agreement with the overseas institution representing the majority of shareholders

Brendan Ryan

Continue →

S Times 3/2/91.

PGA and Lydex now No 2

214

MINING exploration companies Lydex and PGA (Potchefstroom Gold Areas) hope to rediscover their way after tomorrow's merged listing appears on the JSE

In terms of market capitalisation the sum of the two components is R140-million with both counters at 120c This makes the new Lydex about half the size of the biggest listed exploration group

In terms of the arrangement approved in January, Lydex is to issue 48,3-million ordinary shares, 115 for every 100 PGA The options in PGA will be converted into Lydex options one for one

Lydex ordinaries fell to a near-low of 120c this week, and PGA's hit a low of 120c

Chris von Christierson, a director of both Lydex and PGA, says the merged company will cut out possible conflict of interest, increase marketability and improve prospects The new group is controlled by Old Mutual, with East Dagga a large shareholder

The two are already partners in the ERPM dump venture A decision will be taken soon about treating the dumps

Lydex options are convertible into ordinaries at the end of August 1992 at a price of 260c Technically without value as long as the ordinaries are below 260c, the options last traded two weeks ago at 19c The double quote is currently 7c to 15c PGA options were offered at 25c

GFSA 'should maintain dividend'

B/Day 4/2/91

LIZ ROUSE

214

GOLD Fields of SA's (GFSA's) earnings are forecast to decline by 27% in the year to June 1991; but the dividend is expected to be maintained

Earnings for the year to June 1992 are forecast to remain at the same level as in 1991, while the dividend should continue to be maintained

This is the view taken by Davis Borkum Hare analyst Trixie Ingram, who projects GFSA's 1991 and 1992 earnings at 286c a share, down from 1990's 393c a share The dividend should be steady at 200c

This projection is based on GFSA's interim results to December 1990, when earnings showed a decline of 29% to 140c a share (198c in 1989) The interim dividend was maintained at 70c

No investment trading profits were made during the six months with the result that the total income from investments declined by 28%

The dividend income from unlisted investments (excluding base metals) was higher, that of the listed investments was substantially lower

Compared with the 1990 results, major investments reported lower contributions Driefontein (-0,7%), Kloof (-32%), Black Mountain (-33%), O'okiep (-30%), Deelkraal (-58%) and GF Namibia (-66%)

Ingram estimates that, in the second half of the year, dividend income from listed investments will remain at 1990 levels Due to weak base metal demand, income from the unlisted investments is expected to drop substantially

In 1992 higher income is expected from Driefontein, Kloof and Deelkraal Lower income, from Black Mountain in particular, is forecast to counter-balance the increased income from gold revenue

Ingram says despite the utilisation of rights issue money to fund the Northam and Venterspost projects, the group's cash balance remains healthy GFSA does not plan to embark on any further capital expenditure programmes over the next 18 months, unless exceptional opportunities arise The cash balance should remain at current levels over this period.

GFSA has a well-defined gold prospect at Kalkoenskrans in the southern Free State But, because of the current low gold price, exploration in this area is currently limited However, should the gold price improve, the group is expected to proceed with the development of a new gold mine

More gold mines at risk

Star 7/2/91

By Derek Tommey

214

The slump in the gold price in the past few weeks has plunged several more gold mines into a major crisis.

Should the gold price remain at its present level they will have to undertake major restructuring which could entail huge production cuts and substantial retrenchments.

If the gold price falls further, a number of mines would probably have to close down.

In the past three-and-a-half weeks the gold price has declined more than $30 to just above $360 an ounce. This fall in the dollar gold price together with an improvement in the rand's exchange rate has resulted in the local gold price dropping by about 10 percent since mid-January from around R1010 to R910 an ounce.

Figures based on last year's production costs show that at this price 16 of the country's 34 major gold producers are operating at a loss — and only 10 of the 34 are making money after providing for capital expenditure.

Gary Maude, managing director of Gengold, the Gencor group's gold mining division, said last night that four of the group's mines were at risk at the current gold price.

These were Stilfontein where operating costs were R983 an ounce, West Rand Cons (R997), Bracken (R923) and Grootvlei (R950).

Other mines not paying their way at the current gold price are Libanon, Blyvoor, Leslie, Buffels, Durban Deep, ERPM, Loraine, Harmony, Venters, Ergo, Doorns and Joel.

These 16 mines produce some 110 tons of gold a year worth R3,2 billion at $360 an ounce.

Were these mines forced to close completely, the loss of this revenue would undoubtedly affect the economy. But South Africa would still have 18 mines producing some 470 tons of gold a year and between them putting some R15 billion a year into circulation.

At the moment the mining industry is waiting to see whether the latest drop in the gold price is merely temporary. Overseas reports indicate that much of the selling is coming from the Middle East, possibly the result of countries in the area selling some of their gold stocks to raise money for the Gulf War effort.

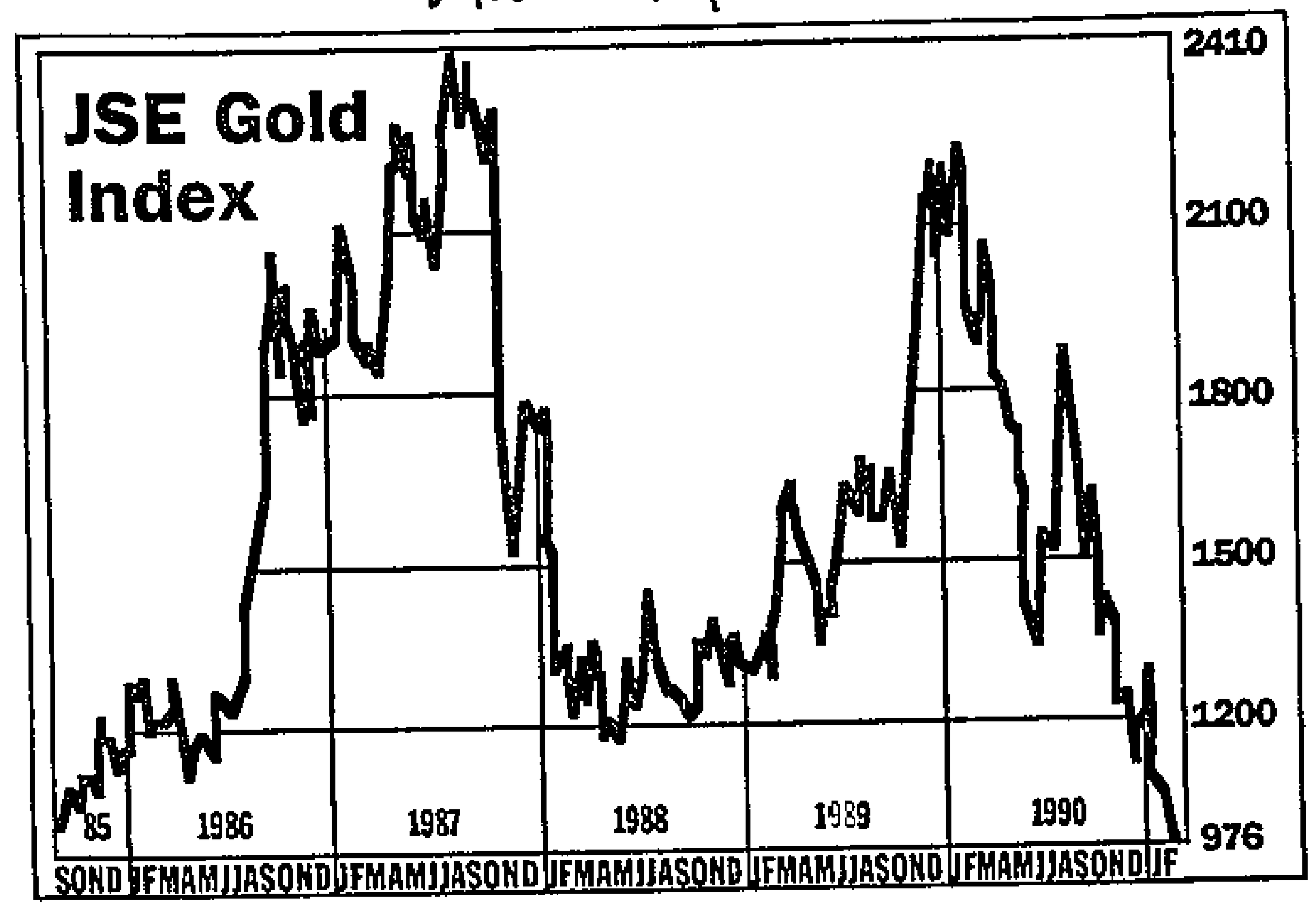
Some brokers overseas are forecasting a possible drop in the gold price to $340 or even $290 an ounce.

Should the gold price ever reach these levels the industry would have no choice about closing down several mines.

But brokers in Johannesburg do not believe that the gold price could sink so low.

As the gold price declines, more mines become unprofitable and have to shut down, a broker pointed out. This cuts the amount of gold going to the market and helps the price to improve.

The big question facing the country's loss-making mines at the present is whether they can cut their costs sufficiently to survive at the current gold price, or whether, ironically, it will be their very demise that pushes the gold price back up to a level at which they could have stayed in business.



Mining costs per ounce

Ranked by operating costs excluding capex

Mine	Annual tons	Costs Excl capex R/oz	Costs Incl capex R/oz
East Dagga	4,04	467	483
Dries	57,09	513	610
Kloof	27,10	553	1 121
Beatrix	13,20	667	705
Southvaal	37,47	670	796
Kinross	12,12	678	721
Elands	15,79	689	894
ET Cons	3,31	693	756
Harties	29,72	720	751
Winkels	12,01	728	985
West Deeps	39,81	729	940
Vaals Reefs	36,70	730	857
Unisel	6,01	776	909
Deelkraal	8,99	797	1 060
Randfontein	29,45	861	948
Saints	10,36	886	936
Freegold	114,73	900	960
West Areas	12,95	900	1 015
Libanon	8,25	913	947
Blyvoor	9,33	922	926
Bracken	2,04	923	919
Leslie	2,26	933	944
Grootvlei	2 28	950	942
Buffels	12,52	955	964
Durb Deep	4,00	979	1 014
Stils	4,49	983	989
WR Cons	2,28	997	945
ERPM	5,36	1 000	1 101
Loraine	7,77	1 028	1 050
Harmony	26,52	1 082	1 098
Venters	5,58	1 115	1 419
Ergo	6,37	1 127	1 182
Doorns	7,17	1 141	1 156
Joel	4,01	1 195	1 466

FM 8/2/91 (214)

FM 8/2/91

GOLD INDEPENDENTS (214)

ON THE BRINK

For the independent gold mines, the December quarter was another bad one and the collapse in the gold price during January, if sustained, could well push more of these producers over the edge in the wake of **Modder B**

The gold price received by the industry peaked at about R34 400/kg at the start of the Gulf War It has since dropped to around R29 700/kg, as the dollar price of gold tumbled 10% while the rand has strengthened against the weakening US dollar by nearly 3% Favourable domestic political developments could further support the rand That price compares with an average of about R31 200/kg for the December quarter, and with the level of about R33 000/kg that has ruled for the past three years.

A number of mines took advantage of the Gulf War gold price spike to sell part of their output forward and lock in favourable future revenues, but it appears most of independents missed the hedging boat. That is because they are so strapped for cash they were unable to pay the minimum guarantees that have to be lodged to take advantage of the Reserve Bank's attractive gold hedging scheme

Modder B is heading into liquidation barely a month after its directors said in their quarterly report they were confident the mine could operate profitably. It remains to be seen what role neighbouring **Consolidated Modderfontein** will play in the liquidation, as it already mines sections of Modder B under tribute and mills Modder B's production on a toll basis.

Cons Modder returned to operating profitability last quarter, but interest payments consumed all but R76 000 of the R1,2m working profit Sale of dump permits and material brought in R4,1m, which will be used to reduce the mine's debts

Lindum Reefs continues to have severe underground grade problems and lost R1,2m (September quarter — R0,6m loss) It now appears Lindum will stand or fall according to the grade of the surface dumps it is treating.

The **Southgo** group's results look the best of the independents, largely because of its successful dump retreatment projects **Knights** maintained its consistent profitability, making taxed profits of R2,6m (R2,5m) and showing a cumulative profit of R7,8m for the nine months to end-December

Similarly, the Goldam dump operation at **Nigel** remained profitable, earning working profit of R1,24m (R1,6m) — just as well, given the continuing losses from underground operations, which amounted to R1,1m (R0,6m loss) Further cutbacks in underground production have been imposed to try to turn the operation around

The success of these dump operations is a favourable point for Southgo's latest dump project, **Benoni Gold Holdings**, which reported for the first time, showing taxed profit of R169 000

In the **Severin Mining and Development (SMD)** stable, **Rand Leases** reduced its losses to R0,2m (R1,3m loss) After the rights issue the mine has got rid of its debt burden, but its operating performance remains worrying especially as management is forecasting unchanged grade for the current quarter

Eersteling lifted grade by 40% to 3,71 g/t (2,65 g/t) but still made a working loss of R0,3m (R0,7m)

Gazankulu Gold Holdings continued the steady improvement in grade shown since the start of 1990, but operating profit of R1,55m for the nine months to December did not cover capital expenditure Interest charges of R2,1m were capitalised over the same period

Primrose lost R0,9m (R0,7m), and the mine's lower recovery grade of 4,25 g/t (5,41 g/t) is cause for serious concern, given the drop in the gold price *Brendan Ryan*

Gold not everything 214

CAPE TOWN — Gold was losing its shine and South Africa had tried to reduce its economic reliance on the gold price, Mr du Plessis said

"We have seen, through the years, that gold has to a large extent undergone a dramatic change in significance But it is more than 10 years since we have relied on it.

STW 9/2/91

"We don't rely on the gold mines' contribution to tax. The industry is still important, however, from the point of view of providing jobs, and gold is still a decisive factor in that our selling of gold can still generate foreign exchange

"We have tried to reduce the reliance of the South African economy on the gold price" — Sapa

Modder B is first victim

214

S/Times 10/2/91.

By JULIE WALKER

MODDER B gold mine, reopened and floated in 1985, will go into liquidation if an application by parent Modder B Gold Holdings succeeds

Modder B is the first mine to capitulate to the gold-price siege, but operations have been curtailed at Barbrook, and cut back on many other marginal mines

The share price fell sharply the week before directors warned shareholders of the position

The directors said they had been told by mine managers they were unable to secure further financing Labour problems and the low gold price were blamed

Only a month ago, the directors were confident that the mine could operate profitably at a reduced tonnage In the December 1990 quarter, 7 200 tons were milled, from which 4,72g/t of gold were extracted Revenue fell short of costs by about R5 000 a kilogram

Interest-bearing debt was R1,84-million at the end of the quarter, but total liabilities were not mentioned, neither were provisions for capital expenditure

Originally, the mine was to have accumulated cash for its own development with money from a heap-leaching operation The mine even warranted its own head office, Modder B House, in Braamfontein

But the heap leach never worked and was discontinued A rights issue was held to raise more capital The new plant never worked well either Its book value of R9-million was written down to R940 000

Toll

The auditors had to qualify the financial statements to June 1988 Net current liabilities were R5,4-million at that date

In May 1988 an agreement was signed between founder Cyril Heever and Loucas Pouroulis' Salene Salene bought half of Mr Heever's shares Modder B's ore was to have been toll treated at neighbouring Consolidated Modderfontein.

Eskom closure nets Trans-Natal R109m

S/Times 10/2/91.

(214)

By JULIE WALKER

TRANS-NATAL Coal deserved a rerating even before the latest interim figures.

Not only did it increase income in spite of reduced SA sales for the six months to December 1990, it has effectively reaped the present value of the next 14 years' profit from the Usutu colliery.

Usutu was established to serve the Camden power station, which Eskom has mothballed. The contract has been terminated, Eskom paying R109-million in cash to Trans-Natal for the coal rights to Usutu and adjoining property, effective from January 1 this year.

The interim cash pile of R283-million will swell to nearly R400-million — not bad for a company which was all but bust three years ago.

Trans-Natal's fortunes allow it to repay over two years a foreign loan of $26,1-million, starting in January.

Although total tonnage was down by 1,4-million tons to 14,1-million, sales revenue rose by 5% to R712-million.

Export tonnage grew by 200 000 tons, but Eskom take-off fell by 800 000 tons to 6,1-million and other inland demand by the same amount to 2,7-million, reflecting the slowdown in the economy.

Cost of sales were up by a tenth to R607-million. This was a rise in unit costs of 21%, but a large increase in railage this year was a major factor. In terms of an agreement with Spoornet, increases for the next four years will be much lower.

The sharp rise was also due to a change in the amount of raw and clean coal sold. Raw coal production fell by 12%. Labour problems and a fire at Optimum also hampered production.

The lifting of sanctions will more likely boost coal prices than result in large tonnage rises.

The capacity of the Richards Bay Coal Terminal (RBCT) is being raised from the 44-million tons a year to 53-million. The new instalments are viewed as backup more than expansion because some existing facilities will need maintenance. Trans-Natal's quota will increase from 9,3-million tons to 11,2-million.

Trans-Natal managing director Mike Salamon says that coal trade is a global business. When one supplier loses business in favour of another, a price war is precipitated.

"Three years ago, export prices fell by 35% in a year. We don't want that to happen again."

More likely is the reduction of the political discount to which SA's coal has been subjected.

Japan is a good customer for Optimum coal which is used in steel production. Opencast production at the colliery will be supplemented by underground mining on the Pullenshope reserve at a present-day cost of R250-million in the next three years. Expansion at Gloria is on schedule.

Natrawl in deal with Mozambique

(218)

Star 11/2/91

By Michelle Maliepaard

While Natal waters continue to be decimated by commercial and recreational fishermen, a Durban company has secured extensive fishing rights in Mozambique

Jack Walsh, chairman of Natal Ocean Trawling (Natrawl), says his company has been granted rights to bottom trawl for crustaceans (prawns, crabs and crayfish) on the Mozambican coast.

"Mozambique is one of the poorest countries in the world and its wealth lies in the ocean, while we have the expertise and equipment to harvest the wealth," he says

The agreement stipulates that the catch has to be landed in Mozambique and then exported to SA and elsewhere

The SA market for prawns and crabs is about 4 000 tons, of which only ten percent comes from Natal waters The rest is imported SA has an abundance of crayfish, large quantities of which are exported

Natrawl, bought by Mr Walsh in 1985, and listed on the JSE two years later, has managed to gain control of all the licences in Natal.

"The Cape crayfish has been exploited to the point where they are in serious danger

"In my opinion, the authorities will have to reduce quotas to ensure the future of the industry," says Mr Walsh

The company has contracted an Australian prawn expert to advise on upgrading fishing techniques and to help in the joint venture with Mozambique

He says Natal waters are not rich in sea life like Cape waters

The abundance of recreational and sports fishermen is eroding the supply faster than the life cycle of the fish

"Regulations have come too late and the lack of control in the fishing industry in the 60s and 70s has caused damage to the line fishing numbers from which it will never recover"

Natrawl has had disappointing results over the past two years and Mr Walsh says the December year-end results are poor

"However, the rights in Mozambique should turn the company around and 1991 is expected to be an excellent year"

Reasons for the poor performance were cited as high gearing after the takeover of Quintas in 1988 Certain prospects did not materialise

Also to blame, he says, were poor management decisions, over-expansion and high interest rates

Advisers hear litany of doom for gold

BDay 13/2/91. (214)

ROBERT LAING

PROPHECIES of doom and allocations of blame dominated discussion on the mining industry and its future at yesterday's investment conference in Johannesburg

The conference was hosted by Frankel Max Pollak Vinderine

Genmin MD Gary Maude shocked the audience by saying SA had to reduce its gold production by 20% at the present price and marginal mines should accept "death before dishonour"

In contrast, Rustenburg Platinum MD Barry Davison's speech painted a glowing picture of the platinum industry's future

Robert Weinberg from London stockbrokers James Capel said "I suspect we may find gold slipping down to $340, perhaps lower I also have a horrible suspicion we have already seen the high for the year"

To emphasise his argument, he asked the audience of investment advisers if any of them had bought Krugerrands Nobody had He said this showed despite a long list of "good" news for gold no-one had faith in the metal

Anglovaal executive director David Crowe called on government to ease the mining industry's tax burden

He said steps that should be taken were exploration loan funds should be tax deductible during the year in which they are expended, the fiscus needed a more "enlightened attitude" to hedging, personal tax on productivity bonuses should be on a downward sliding scale, and ring fencing should be abolished

Maude said at $400 an ounce 7% of world gold production was unprofitable, as was 7% of SA production This increased at $380 an ounce to 14% of world production and 17% of SA production being unprofitable At $370 an ounce, 20% of world production, 25% of SA production and 30% of Canadian production would be at a loss

"Some mines produce gold at $410 an ounce and sell at $380 This must be self defeating" Maude said mines using their cash reserves and even borrowing should cease production to limit supply

National Union of Mineworkers (NUM) general secretary Cyril Ramaphosa said poor worker productivity was due to poor training He asked mining groups to educate miners for other trades before retrenching

Davis elated the audience with his positive forecast of the platinum industry Greater demand caused by tightening exhaust emission standards worldwide and many infant technologies like fuel cells and high-tech storage data systems would ensure demand kept pace with supply

Close unprofitable mines, says Maude

BD 13/2/91 (214)

By Derek Tommey

Gary Maude, MD of Gengold, caused a stir at the Frankel investment conference in Johannesburg yesterday by calling for the closure of unprofitable gold mines

He said this would have a major and progressive impact on the supply of new gold to the market

It would eliminate perceptions that there was an unlimited gold supply, irrespective of price, and would lift demand

As 60 percent of the world's known reserves were in SA, the price would have to rise high enough to unlock them — and that would take $700 an ounce.

He said 20 percent of SA output was produced at break-even prices To get away from this situation, this 20 percent must come off the market

It could mean massive unemployment and a temporary loss of foreign exchange

But it also meant that SA production would be falling when supply from other countries was levelling off

Gold bugs at the conference, seeking words of hope from London broker and gold share trader Robert Weinberg of James Capel, were sorely disappointed

His short-term forecast for the price was dismal and he saw little recovery, even in the medium term He had a horrible suspicion, he said, that the price high for the year had already been seen

He suspected that gold could dip to $340, or even lower, and that the average price for the year could be $380

Looking farther ahead, he believed the price would more or less maintain its value in real terms in dollars

This is some encouragement for gold bugs here because it means the price will rise with US inflation

But while this would be positive for gold, it suggests its future is less than exciting.

He said that in the future, supplies to the market could be below mine output

This would be a change from the present situation where, as a result of heavy forward sales, the market has been having to absorb far more than mine production

He saw few raging bull markets in gold in the next decade. Instead, the market would have to rely on increased demand by fabricators and diminishing supplies

Gold's role, he said, would be that of a commodity with 50 years of inventory hidden away

The nationalisation risk facing the gold mining industry was dealt with bluntly by David Crowe, executive director of Anglovaal

He said the mining industry was the fly-wheel of SA's desperately required foreign exchange earnings and hence of the overall economy

"To put this key industry at risk by threats of nationalisation from certain quarters is tantamount to economic suicide," he said

PRECIOUS METALS (214)

BACK TO BASICS FM 15/2/91

Speakers at this week's Frankel, Max Pollak, Vinderine investment conference had plenty to say that was positive about the longer-term fundamentals on gold and platinum, but little to raise hopes of short-term price rises

Gengold MD Gary Maude said that, after a 75% increase in Western gold production to 1 670 t in 1990 from 947 t in 1980, output is peaking and set to fall The price is now at the SA break-even cost of the most expensive 20% of the country's production

"To break out, this 20% must come off the market That is the role of the marginal mine If it cannot improve its operation to produce gold at a profit it must close before it is bankrupt," he said *Brendan Ryan*

FM 15/2/91 (214)

MODDER B FM 15/2/91

SHARE SALES (214)

Application for the liquidation of the Modder B gold mine was made in the Johannesburg Supreme Court on Tuesday, but minority shareholders appear to have more to worry about than do Cyril Heever and Loucas Pouroulis

It turns out that Pouroulis sold his listed shareholding in Modder B Gold Holdings, which wholly owns the mine, in the first half of 1990 Heever's stake in the listed company also appears to have dropped sharply

According to the 1989 Modder B annual report — the last published — major shareholders at June 30 1989 were Cyril Heever (1,75m shares), Loucas Pouroulis (1,75m), Boganvilla Trust (1,15m) and MPM Nominees (890 000) MPM Nominees is a management portfolio company run by Heever.

The share register shows that on February 5 1991 Heever held only 325 000 shares while both Pouroulis and MPM Nominees were not listed as shareholders Boganvilla Trust retained its 1,15m shares

Heever refuses to speak directly to the *FM* However, through his financial director Rob Poisson, he denies he has sold his shares and claims he has actually increased his holding in Modder B to 2,125m listed shares and 350 000 unlisted shares These are held through various nominee companies which he refuses to identify "because it's my business," according to Poisson

Poisson says shares formerly held by MPM Nominees in Modder B are now held through another company, Juspoint Nominees, which has 690 000

Share transfer records show Salene Mining — Loucas Pouroulis's mining holding company in which he is the major shareholder — began a heavy selling programme of Modder B shares between February and August last year Salene Mining was not registered as a shareholder on February 5 1991.

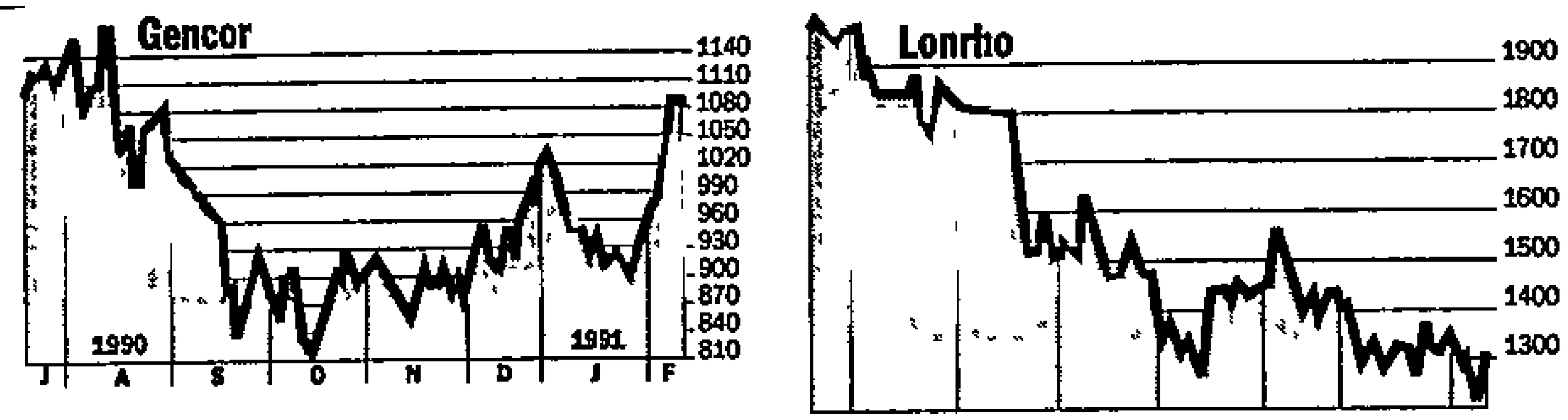
Pouroulis's attorney, Raymond ~~Blank~~, of Fluxman, Rabinowitz, Raphaely & Weiner, tells the *FM* that Pouroulis held 1,4m listed shares in Modder B at June 30 1989 He says Pouroulis left the Modder B board in January 1990 and between then and June 30 1990 sold 1,37m shares The balance was sold in July 1990 Blank points out these sales took place well before the notice (published on February 1) that Modder B might go into liquidation, and that Pouroulis still holds 350 000 unlisted shares in the company.

Seven months after the year-end, Modder B has yet to publish its annual report for the year to June 1990, which would have revealed these changes in directorships and shareholdings The JSE requires publication of annual reports within six months of the financial year-end.

Modder B traded between 12c and 45c last year It collapsed from 15c to 5c on February 1

Poisson says he has been appointed by the Modder B board to answer questions on the liquidation. However, he refuses to comment on Modder B's present liabilities, on the delay in publication of the annual report or on legal developments since June 1989 over a dispute between the company and Consolidated Modderfontein about gold sampling Cons Modder, controlled by Pouroulis, used to toll-treat Modder B's production and held back R386 000 which Modder B directors said was due to the company in the year to June 1989.

Neither will he comment on why the mine is being put into liquidation A month ago the directors said Modder B could operate profitably at lower gold prices after a scaling-down of operations *Brendan Ryan*



The graphs show the sharp rise in the price of Gencor and Lonrho

Lonrho, Gencor merger talk lifts prices

By Derek Tommey

15/2/91 2.14

Shares of Lonrho and Gencor have risen strongly in the past few weeks

British analysts say the reason is the possibility they might merge and list some of their interests

Analysts in Johannesburg said last night Lonrho might be considering seeking a London listing for Western Platinum in which Gencor has a stake

Gencor denied in December that it was planning a merger with Lonrho, but did say there could be co-operation at divisional level

Analysts in London suggested yesterday the two groups could amalgamate their mining interests to create a separately quoted company on the International (London) Stock Exchange

The analysts said this would highlight Lonrho's asset value. It would also appeal to UK investors who, since the takeover of Consgold in 1989, had found it difficult to maintain a weighting in precious metal mining

But mining analysts in Johannesburg felt that at this stage only the listing of Western Platinum was being considered

Lonrho chairman RW (Tiny) Rowland said recently Western Platinum was the world's lowest-cost producer of platinum

Its capital value must be in the order of £1 billion (R5 billion)

As Lonrho's current market value is about R7,3 billion, it seems that much of the group's assets are under-priced

All-time low coin tender

B Day 18/2/91

(214) ROBERT LAING

INVESTORS' mistrust of gold was underlined on Friday when less than one-third of the Rand Refinery's weekly coin allocation was tendered for

Rand Refinery, which manufactures gold blanks from which Krugerrands and other coins are pressed by the SA Mint, confirmed that only 1 600oz of the available 5 000oz were sold at last week's tender

"The low sale is extraordinary The entire limit had been subscribed for in the past few weeks," Rand Refinery's Brian Kemp said

The SA Gold Coin Exchange (SAGCE) said Friday's 32% demand was an all-time low Kemp would not comment on past sales and refused to confirm this

The SAGCE said the poor sale could cause the Krugerrand price to go below its gold value, as happened in 1985 and 1980

Randfontein throws lifeline to Lindu

ROBERT LAING

LINDUM Reefs Gold Mining Company has been thrown a lifeline by JCI's Randfontein Estates

214

In an announcement published today the company says an arrangement is being entered into with Randfontein whereby access will be given to Lindum for certain surface dump material. BDay 20/2/91

Randfontein will also employ Lindum to provide other services yet to be specified

These activities should help Li break even, the announcement said

The two-year-old company, which tributing agreement with Randfont mine the Old Randfontein Section, ra difficulties because of disappoi grades and the low gold price.

BDay 20/2/91

Modder B has suitors, say liquidators

214

ROBERT LAING

THE liquidators of Modder B Gold Mine — Highveld Trust & Management and Transvaal Board of Trustees — have already been approached with offers to purchase the mine.

Transvaal Board of Trustees' Trevor Giddy said he and Highveld Trusts' Selwyn Trackman were valuing the mine's assets Potential buyers had already approached them, he said

Modder B Gold Holdings' application for the final winding-up of its only subsidiary, Modder B Gold Mine, is set for March 19. The provisional winding-up order was granted by the Rand Supreme Court on February 12

Modder B has been managed under contract by Modder Management Services since May 1988 after the mine failed to get its new ore processing plant to work This forced it to have its ore treated by neighbouring Consolidated Modderfontein.

Cons Modder is part of Loucas Pouroulis' Golden Dumps group. Pouroulis, through his company Salene Mining, originally owned 1,75-million shares in Modder B. However, the share register shows these were all sold in the first half of last year

The share register also shows Modder B Holdings' chairman Cyril Heever reduced his direct holding from 1,55-million shares to 325 000 Modder B director Robert Poisson said Heever's indirect holdings increased, but refused to name the companies under which they were held

EDDIE KOCH reports on how a toxic waste dump has leached into a much-used stream

2/4

Arsenic River

A stream laced with toxic waste

wmail 22/12 - 28/2/91

GOLD mines in the mountains around Barberton have created a major environment hazard by dumping tons of waste laced with lethal amounts of arsenic in the open and allowing the poison to leach into local streams.

Investigations conducted by *The Weekly Mail* this month uncovered a vast dump of arsenic-contaminated waste in the veld surrounding the plant of the New Consort Gold Mine, located some 20km from Barberton, that is causing huge amounts of the deadly poison to leak into local rivers

New Consort is one of a number of mines in the Barberton area that produce arsenic as a byproduct of their smelting process Environmentalists are concerned that contamination of the air and surface water around the mining belt, the oldest in the country, is becoming a serious hazard to the health of people living in the area.

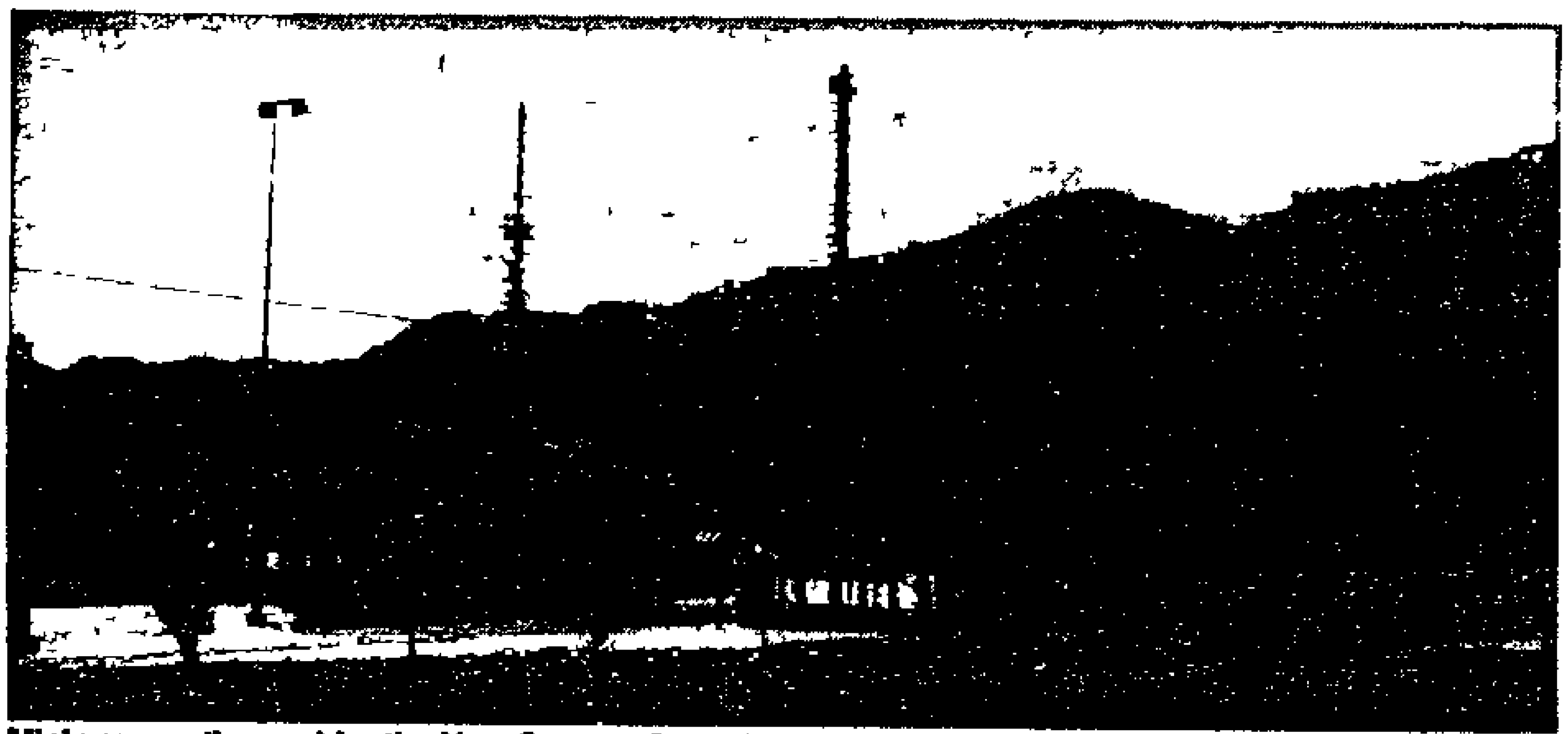
Samples of sediment and water that washes off the dumps at New Consort, owned by the Anglovaal corporation, were sent to an independent laboratory that specialises in mining work

The initial readings for arsenic were so high that they exceeded the upper limits of poison capable of being measured under the lab's sophisticated methods of analysis

After "busting the gauges" in the laboratory, our samples were retested under a different technique and found to contain levels of arsenic that far exceed the legal maximum for industrial effluent laid down by law in South African standards, which are themselves much more relaxed than those enforced in other parts of the world.

According to our tests, fast flowing water about a kilometre from the dump contained 0,96mg of arsenic for every litre — nearly double the legal limit of 0,5mg for industrial effluent that is meant to be enforced under South Africa law

The sediment samples contained even more staggering levels of arsenic. The highest reading, taken from a sample of mud directly below the dump, revealed an arsenic content of 4 500 parts for every million parts of soil.



Mining more than gold ... the New Consort Gold Mine near Barberton

Pool of poison ... high percentages of arsenic were found in samples of water washing off the dumps

Friends of the Earth, a respected international environment organisation based in London, reports that very small amounts of arsenic, ingested persistently over time, can cause malignant tumours, skin lesions, muscular weakness as well as ear, nose and throat diseases.

The Noordkaap river, which runs past the New Consort dump and through the mining belt, flows through a heavily populated agricultural region then, some 30km downstream, into the Crocodile River on whose banks is located the township of Matsulu, one of the biggest black settlements in the Eastern Transvaal.

The dump itself was not fenced and unprotected. Apart from a few old signs saying "Beware. Dangerous Ground" there is no warning that the dump is toxic and the public has easy access to the site. *The Weekly Mail* team was able to take samples on the dump and on the banks of the river without seeing any employees of the mine.

A report from Friends of the Earth says: "Arsenic causes death in doses of 70 to 180mg But poisoning occurs in doses of between three to six milligrams per day if taken over an extended period Chronic poisoning of this nature gives rise to muscular weakness, loss of appetite, nausea, skin lesions and inflammation of the mucous membranes in the eyes, nose and throat. It can also cause malignant tumours in vital organs of the body."

A World Health Organisation task force has also discovered that life-long exposure to water contaminated with even tiny amounts of arsenic can increase the chances of people contracting cancer of the skin.

Anglovaal assistant public relations chief Julian Gwillim said. "We cannot comment on your results as we are unsure as to the timing and location of the samples taken by your laboratory

"Eastern Transvaal Consolidated Mines has been monitoring, on an ongoing basis, arsenic levels in the mine area and their results indicate that they that they have not exceeded the SABS effluent standard."

But there is growing evidence that arsenic produced in the gold mines of the Barberton belt is one of South Africa's major — and little reported — environmental problems

- In 1985 large amounts of arsenic were found in a dam near Barberton and the toxins resulted in the death of five head of cattle and severe illness in another 21 animals
- More recent press reports describe a dam near Barberton which contains fish that have been blinded by exposure to heavy levels of the poison.
- The district surgeon in Nelspruit, a town not far from Barberton, has confirmed to *The Weekly Mail* that scores of workers from one of the gold mines in the area had to be tested for arsenic poisoning after being exposed to the toxin at a nearby mine late last year
- Large areas of vegetation around the Fairview Gold Mine in the district have been stripped bare, apparently by arsenic vapours that precipitate from the chimney stacks of the mine's smelting plant
- Employees from the New Consort mine also report that birds which fly over the mine's slimes dam frequently drop dead into the water from inhaling arsenic vapours The anecdote is not improbable given the high respiratory rate that birds produce in mid-flight.
- Up until the late 1970s, the disposal of arsenic dust that accumulated in various parts of the mines was considered so dangerous that convict labourers were taken out of the nearby Barberton prison to do the job

Mining engineers and environmentalists working inside the gold mining industry have agreed that air and water pollution from arsenic produced by mines in the area has created the potential for an environmental disaster

"The gold-bearing ore in this area, as well as Botswana and Zimbabwe, is different to that on the Witwatersrand. It is located in rock with a high content of arsenopyrites," says a mining engineer who asked not to be named

"The classic method of getting the gold out of the rock is to roast it in a huge furnace This sends volatised arsenic gases up the stacks and into the air and creates a fine arsenic dust that has to be disposed of. The mines try to sell some of this and treat the rest before they dump it. But it's an extremely dirty process which generates all kinds of problems."

The arsenic problem in this area is so great that Genmin has pioneered a unique method of using bacteria that grow on slimes dams to erode the sulphides in arseno-pyrite ore. This makes it unnecessary to use the dangerous roasting method of separating the gold from the rock.

MODDER B FM 22/2/91

STILL TRADING (214)

Joint provisional liquidators have been appointed for the Modder B Gold Mine, but the JSE has allowed trading in the shares of holding company Modder B Gold Holdings to continue

Following last week's application to the Johannesburg Supreme Court, Highveld Trust and Transvaal Board of Trustees have been appointed joint provisional liquidators

Richard Connellan, GM listings and equity markets, says the JSE has followed a new policy on suspensions since February 1 In the past, one of the main reasons for suspending shares was to prevent insider trading, but the situation changed with the establishment of the Securities Regulation Panel, which has firm rules concerning insider trading

He says Modder B Gold Holdings has not been suspended at this stage because the provisional liquidation concerns a subsidiary company and not, on the face of it, the top company

FM 22/2/91 (214)

However, the Modder B Gold Mine is the sole subsidiary and asset of the holding company and, if it is insolvent, that must affect the top company too

The key question now is what shareholders and creditors can expect to get out of Modder B It is going to take a few weeks before the liquidators are in a position to clarify the situation

Brendan Ryan

R6-bn sword of Damocles

Star 24/2/91 (214

That's the loss if SA gold output continues to drop

David Cumming

IF SOUTH Africa's gold production continues to drop at current rates, the country could face a R6-billion annual "loss" at current gold prices, says South Wits managing director Nic Stavrakis

This warning comes at a time when gold has dipped below the psychological $360 an ounce level, placing tremendous pressure on the country's embattled mining industry.

The exploration company chief said this week that South Africa's share of world production had dropped from 70 percent (670 tons) in 1980 to 38 percent (630 tons) in 1989.

"If production dropped to 450 tons we would face an extremely serious situation because, at current prices we would have to find R6 billion a year to make up the shortfall

"We have lost market share through complacency and it is impossible to compensate in the short term We must keep up the search for new deposits since, statistically, we have the best chance in the world of making significant discoveries," he said

One means of raising production, he said, was through co-operation and pooling of exploration data in contiguous areas

"For example, if Anglo, GFSA and Genmin pooled their historical data in the 30 km north of the Freegold Erfdeel section, they could form a new supermine

"The same would apply to the area between Unisel and Beatrix where most of the big companies are involved as well as Lydex, Randex and South Wits"

He estimated the mineral rights in both areas were worth between R200 000 and R300 000 per hectare

Dr Stavrakis said if South Africa was unable to replace its gold mines with new successors, the only way to make up for lost revenue would be beneficiation of prime minerals

He cited chrome ore and ferrochrome as an example It took two tons of chrome ore to produce a ton of ferrochrome The price of ferrochrome was currently US47c/lb

The price of the chrome ore to produce it was US6,25c/lb This meant beneficiation had added 7,5 times the value

Overseas investors would be eager to participate in such ventures but only if the "sterilisation" of mineral rights — the holding of mineral rights for long periods before development — ceased

Such projects would have many subsidiary benefits. They were big users of services and big employers and had the potential significantly to raise GDP, to the benefit of all in the country.

People would enjoy much higher levels of satisfaction in general and the drop in unemployment would see a drop in the crime rate

Future nationalisation was a real threat and it was up to the

● To Page 3

R6-bn Damocles sword

Star 24/2/91 ● From Page 1 (214

industry to prove the benefits which flowed from the efficiencies of private enterprise

"For instance, if you compare Palabora with Zambia's nationalised ZCCM, the head grade at Palabora is 0,5 percent copper

"That is the equivalent of ZCCM's tail grade and since Palabora is a successful operation, it illustrates the efficiencies of private enterprise The choice is clear"

Dr Stavrakis said South Africa was one of the few countries in which "big elephant" mines could still be developed

In the gold sphere, Australia's Bonnington mine produced 13 tons a year while Papua New Guinea's Porgerra produced 28 tons a year

This compared unfavourably with Freegold (107 tons), Vaal Reefs (67), Dries (51) and Kloof (26)

The total production of those mines was higher than that of the entire United States, South Africa's nearest gold producing rival 'ssible to own

l Savings
ɔdy to lean on.

Ramaphosa calls for crisis summit

9P ren 24/2/91

(214)

MONEY TALK

THE crisis in our gold-mining industry, which is currently causing large-scale unemployment throughout industry, received considerable attention during the annual investment conference in Johannesburg organised by stockbroking firm Frankel Max Pollak Vinderine

One of the most refreshing viewpoints aired was that of Cyril Ramaphosa, chairman of the National Union of Mineworkers. He appealed to South Africa's mining bosses to directly involve black workers in efforts to keep the industry afloat After all, it is mostly black jobs that are on the line when a shaft or mine is closed.

He believes a central register of retrenched mineworkers should be established so that they can be offered any job opportunities in the industry.

Ramaphosa is worried because these workers battle to find alternative employment It is therefore important they be retrained for new jobs In this regard Ramaphosa emphasised that retraining is dependent on the worker having a minimum level of basic education

Many members of NUM do not have this basic education and he proposed that negotations be held to provide a basic adult training course, linked to what he calls a career path.

Ramaphosa accused South Africa's mining companies of being extremely reluctant to involve workers in important decisions. Yet the crisis in the gold-mining industry is endemic, is facing a downscaling, with major knock-on effects causing job losses elsewhere.

In fact, his prediction was confirmed during the past week when AECI, South Africa's major chemical producer, announced a substantial drop in profits, partly due to the gold mines buying less explosives and at the same time being unable to absorb cost increases, thus placing pressure on profit margins

Ramaphosa also believes a national strategy must be devised to deal with the mining industry's problems and feels a summit should be held between labour represented by all mining unions and all mine owners

One hopes the mining industry will respond positively to Ramaphosa's ideas. However, it may be wise to invite other parties to such a summit because there is a simple question that must be answered urgently

Where are the jobs to be found for the retrenched workers if South African industry – not only mining – is reducing the number of jobs as a result of the economic recession?

It is important the best brains in South Africa tackle this question for without economic growth no new jobs will be available.

Rand Mines linked to two UK groups

KIN BENTLEY and ROBERT LAING

RAND Mines is keen to establish itself in Britain and is negotiating a tie-up with UK mining groups Geevor and Europa Minerals, a report in the Sunday Telegraph said (214)

Rand Mines, however, refused to confirm or deny the report. The group said it had noted it "with interest" and refused to comment further.

The report said given the bombed-out state of the small mines sector, the formation of a "string-of-pearls" house with a big parent held out the only prospect of survival for Geevor and Europa. S/Rep 26/2/91.

Geevor's share price has fallen over the past 12 months from a high of 86 pence a share to 6,25p on Friday. Europa Minerals' share price over the same period also fell from 98p a share to 24p.

Europa recorded pre-tax profits last year (1990) of £6,08m, while Geevor's was £1,43m in the red.

Geevor's mining activities include a tin mine in Pendeen, near Penzance, Cornwall The mine ceased production in February 1990 owing to the low price of tin.

The Europa Minerals Group operates coal mines in the UK and is involved in exploration for precious metals and acquisition of mineral interests, mainly in Europe, the US and Australia. It has a gold processing operation in Ghana

"Insiders believe the key to Europa's future lies with Rand Mines. Europa plans disposals in coal to leave it a pure metals play," the newspaper said.

Geevor chairman Mark Wood was quoted as saying. "We are finding it difficult to find a bank that will see us as a good credit risk. But we are having talks with several corporate entities"

CLOSING PRICES FROM THE JOHANNESBURG STOCK MARKET CAN BE FOUND ON PAGE 22.

Lonrho-Gencor rumours rekindled

(214)

Star 26/2/91.

By Neil Behrmann

LONDON — Lonrho shares surged to 229p from 206p in the past few days on the London Stock Exchange on further rumours that the company would merge its mining interests with those of Gencor

Since its low point of 182p in October last year, the shares have appreciated by 26 percent, but both companies have not confirmed the persistent gossip in the market

The latest spate of buying was the result of talk that Lonrho's chief executive 'Tiny' Rowland was in South Africa, last week Last December Mr Rowland was quoted in the Independent newspaper that merger talks had taken place

"If it suits Gencor we will be merging," Mr Rowland was quoted in the newspaper as saying

"Gencor is not considering merging with Lonrho," said Derek Keys, Gencor's executive chairman at the time. He did state, however, that discussions from time to time aimed at possible synergies between businesses in the two groups.

Mr Keys, in fact, alluded to synergy between Impala Platinum mine, one of Gencor's holdings and Lonrho's South African platinum interests at a company presentation in London last December That remark precipitated the rumours

The most notable examples of potential co-operation are Impala Platinum mine, one of Gencor's holdings and Lonrho's South African platinum interests Lonrho also has oil and gas interests which could do business with Engen.

Lefko's white gold takes the sheen off Rand Mines

214

MATTHEW CURTIN BDay 27/2/91.

WHEN Rand Mines bought Loucas Pouroulis's platinum operation Lefkochrysos (Lefko) in September 1988, there was general agreement it was good news for the mining house and bad news for the Cypriot mining entrepreneur

The mine, once capitalised on the JSE at R1,45bn, was worth R330m when Rand Mines bought it

Within months of the purchase, Pouroulis and three other Lefko board members were under investigation by the police and charged with illegally siphoning off about R65m from the mining operation into Pouroulis's holding company Salene to prop up a cash-strapped Cons Modder gold mine

In November 1989, Barlow Rand chairman Mike Rosholt said Rand Mines' acquisition of Lefko, renamed Barplats Mines (Barmine), marked a turning point in the fortunes of both Barlows and the mining house.

"Platinum (will be) the 'catalyst' which will propel Rand Mines into the 21st century as SA's leading mining house," he said

How fortunes have changed

Pouroulis, whom many wrote off as an entrepreneurial has-been, opened his latest venture, Goudini Chrome, in July last year to the acclaim of Finance Minister Barend du Plessis who described him as a "rubber ball" for whom "no challenge is too big too tackle"

Days later, Rand Mines paid out a reported R12m owing to Pouroulis from the Lefko deal In November, he and his co-directors were acquitted in the Rand Supreme Court of all charges of theft and fraud

The average price of platinum in 1989 was $524/oz The metal today is hovering around the $380 mark, a development which has hit all SA's platinum producers

JCI's Rustenburg Platinum and Genmin's Impala Platinum have maintained solid performances helped by a soaring rhodium price

Barmine has floundered, dogged by problems with a recovery and refining system designed specifically to handle the metallurgical problems of processing the UG2 reef Barmine's state-of-the-art trackless mining system it inherited from Lefko has proved less than suitable for the faulted reef

Barmine's share price has tumbled 80% in a year as stockbrokers' mining analysts warned that the company faced a short-term financial crunch It is R260m in the red after working capital ran out in August last year, and analysts estimate the operation needs a cash injection of at least R400m, perhaps as much R750m, to set the mine on its feet.

Analysts say Barlows will not bale out Barmine. Rand Mines has already sunk about R430m and one rights issue into the operation

With the share price near all-time lows, another rights issue seems unlikely, but some analysts said last week it was Barmine's only hope, as government assistance ERPM-style — an option Rand Mines denies it is investigating — and foreign investment would not be forthcoming

Enter the conspiracy theorists who, recalling the extent of Lefko's acrimonious history, have suggested Barmine is the victim of a concerted attempt to drive its share price down to a make a rights issue unworkable

Pouroulis's acquisition of the mineral rights for Lefko was a rare coup by a budding mine magnate against a large mining house.

JCI had held the lease from 1984 and after it expired in April 1986, applied for its renewal, while Gencor and Pouroulis's Salene applied for prospecting rights Mineral and Energy Affairs Minister Danie Steyn turned down JCI on the grounds it had done little to develop the prospect and awarded the rights to Salene.

In an interview in February last year, Pouroulis accused Business Times of colluding with JCI, a Times Media Limited shareholder, in a campaign to undermine confidence in Lefko and woo investors elsewhere Last week, Pouroulis would not comment on developments at Barmine, saying he had taken no interest in the mine since Rand Mines' takeover

Rand Mines' counsel at the Melamet Commission — which recommended the restructuring of government financial support through guarantees for bank finance for the group's marginal ERPM gold mine — accused Pouroulis of working with corporate consultant Horace Sammel to blackmail Rand Mines on the grounds it was withholding Pouroulis's R12m payment.

Sammel, self-styled scourge of mismanaged companies, grilled Rand Mines director Dammy Watt at the group's 1990 AGM, and was expected to do the same this year, but he arrived at the meeting in January without having read Watt's annual report.

There is clearly ammunition for the conspiracy pundits but little else Barmine has room for manoeuvre without resorting to a rights issue.

Analysts said last week that Lefko's original corporate shareholders, Sanlam and Old Mutual, were confident of Barmine's future Barmine would be able to convert short-term bank loans to long-term liability They noted former Firstcorp vice-chairman Rod Zank was appointed to the Barmine board as audit chairman last year

And it is clear that while Barmine might operate better with smaller scale ore throughput of 90 000 tons a month rather than the targeted 250 000 tons, it has been operating well in 1991, up to production capacity of 160 000 tons Improvements to the metallurgical recovery processes and mounting rhodium production presage better cash flow

Developments at Barmine must be seen as part of the larger Rand Mines story, and a far unhappier one at that

One analyst said last week that since Barlows director John Hall took on responsibility for Rand Mines late last year, its operations have reeled under the effect of a ruthless corporate strategy

Rand Mines shut down its Vansa Vanadium operation in November, Barmine mothballed its Kennedy Vale mine in December while the group's Barbrook gold mine was consigned to care and maintenance status until September, when its position would be reviewed Harmony gold mine cut production by 30% and its workforce by 5 000 Even securing funding to prolong ERPM's future might have been a mistake

The only Rand Mines division to pull its weight was Witbank Colliery which posted record R1,1bn revenue in 1989/90 The coal division contributed 72% of the group's overall results, but Witbank has been weighed down by its acquisition of Middelburg coal, achieved in the face of stiff competition from Amcoal, and only with 40% JCI investment support

For some analysts the message of these developments is clear They believe Barlow Rand is less than enthusiastic about keeping its mining interests on board — a belief compounded by the drain of Middleburg Steel and Alloys (MS & A) on the group's 1990 results MS & A's earnings fell 46% in 1990, hit by production difficulties and poor steel industry conditions worldwide

If there is enthusiasm from the market, and mining houses may already be evaluating Rand Mines, Barlows might be tempted to sell the group lock, stock and barrel

Speaking from a Barlows conference at Pilgrim's Rest in the eastern Transvaal last week, Hall was emphatic that Barlows had no intention of selling off Rand Mines or Barmine.

Rand Mines is considering a range of options for the "white gold" operation it bought from Pouroulis nearly three years ago It would appear for the moment that selling it either alone or as part of a Rand Mines job lot is not among them

Inspiration shaken up by Minorco

214

THE shake-up of companies under the control of Minorco, Anglo American's foreign investment arm, continued yesterday as the group turned its attention to Inspiration Resources, its poorly performing, 56%-owned diversified North American arm

Inspiration will give up its coal business at a cost of $78m, implement $20m in cuts and suspend its quarterly 3c a share dividend from the fourth quarter of 1990

The company, set up in 1983, paid its first dividend in 1989

Inspiration has also revised its bank credit line from $75m to $40m

Inspiration will focus on its Terra International agricultural products and services business, and the Hudson Bay Mining and Smelting base metal operations

B/Day 27/2/91

Reported

It wrote off its gold operations, taking a charge of $16,5m in the third quarter last year

Inspiration yesterday reported a 1990 fourth-quarter net loss of $115,4m or $1,7 a share on revenues of $217m compared with a net loss of $2,4m or 4c on revenues of $218,5m in the corresponding period of 1989

The 1990 quarter included a $78m charge relating to the coal business and $12m relating to cost-cutting

For 1990 as a whole, Inspiration recorded a net loss of $108,5m on revenues of $1,4bn against a net profit of $25,2m on revenues of $1,4bn — Financial Times

State of gold mining hits Cullinan

214

MATTHEW CURTIN

DEPRESSED conditions in the gold mining industry and the property market rocked the performance of electrical engineering, property and ceramics group Cullinan Holdings in the six months to end-December

BDay 28/2/91

Earnings dropped 9% to 53,9c (59c) a share in the period as turnover fell 10% to R301m (R336m), and after-tax profit by 13% to R10,7m (R12,3)

A 24% rise in interest payments contributed to a 37% drop in pre-tax profits, though this was relieved by a R1m tax credit from Cullinan's capital investment programme of the last 18 months

The interim dividend was unchanged at 17c

Chairman Neil Cullinan said yesterday the group's listed subsidiary African Cables was badly affected by the poor state of the gold mining industry Its contribution in the group's half-year results was "substantially lower, accounting for a shortfall of just on R15m"

He said Cullinan's electrical companies also suffered from lower spending by Eskom, the municipalities and homelands

Borrowings had temporarily peaked in the interim — interest paid rose 24% to R10,2m (R8,3m) — but capex and borrowing would fall in the next six months

Cullinan said there were neither sales nor profit from the property division in the last six months However, Cullinan Refractories had boosted its contribution to earnings Although the group's new R30m fully automated brick plant had been completed, the group had "not yet felt the benefit of this investment"

Cullinan said earnings for the full year would fall short of last year's

BUSINESS DAY, Friday, March 1 1991

(214)

Anglo-NUM agreement 'close'

VERA VON LIERES

ANGLO American and the NUM are "very close" to an agreement on a code of conduct and an automatic arbitration procedure concerning worker dismissals, says Anglo American gold and uranium division chairman Clem Sunter.

In his annual review, Sunter says a significant development last year was the start of talks between employer and employee representatives in the wake of inter-racial violence in Welkom last year

He says issues which gave rise to the violence, including discrimination, were identified and are being eliminated.

Another significant development was a separate initiative between the Chamber of Mines and the NUM, aimed at identifying and removing all forms of racial discrimination on chamber member mines

Sunter says Vaal Reefs and Western Deep experienced a bad year as far as safety was concerned. At Vaal Reefs a significant increase in seismic events resulted in 22 deaths due to pressure bursts compared to one in 1989.

In September last year an underground explosion caused the loss of 21 lives at Vaal Reefs.

At Western Deep Levels, an increase in seismicity resulted in two major rock bursts in October and November with a loss of 21 lives.

Sunter says mine management is, among other things, urgently introducing backfill into operations to alleviate the problem. He says there has been a significant improvement in accident statistics at Elandsrand mine This could be partially attributed to a decrease in the number of seismic events, and partially to greater employee participation through the International Safety Rating Scheme

Sunter says it is pleasing that wage negotiations have been marked by an acceptance of difficult economic cicumstances prevailing in the gold mining industry — resulting in more modest wage settlements than in previous years. BDay 1/3/91

He hoped this attitude continued to prevail during this year's negotiations, "if thousands of jobs are not to be lost".

● See Page 8

Interest from rights offers boosts Anglovaal earnings

214

B/Day 11/3/91

MATTHEW CURTIN

INTEREST received from rights offers boosted the Anglovaal group's interim attributable earnings by 28% and doubled the earnings of its investment, finance and exploration company Middle Witswatersrand (MidWits).

The group's consolidated earnings jumped to R135,3m (R105,6m) but earnings a share fell 8% to 227c (247c) because of a 39% increase in Anglovaal's issued share capital The group's dividend was maintained at 30c a share

For MidWits, earnings a share rose 50% to 7,2c (4,8c) after a 33% increase in equity MidWits's attributable earnings rose to R23,2m (R11,5m), with the higher interest income being offset to some extent by lower dividends from the company's mining investments and reduced equity-accounted earnings

Directors said mining investment income would fall in the next six months, but higher interest received would more than cover the decline

Anglovaal Industries' (AVI) 5% increase in earnings reported yesterday provided a modest contribution to the group's performance

AVI's rubber, packaging, foods and beverage divisions improved the group's earnings despite poorer earnings in the construction, electronics and textiles sectors

Anglovaal's mining division had a less healthy six months, with profitability hit by lower base and precious metal prices which knocked dividend receipts and equity-accounted earnings

Directors said Associated Manganese Mines, 60% owned by Anglovaal, was worst affected Its solid performance was the main factor in fuelling a 30% increase in group earnings to R238m (R183m) in 1989/90

Anglovaal's gold mining division suffered from rising working costs, the weak gold price and strong rand/dollar exchange rate

The group's share of exploration costs, including mineral rights purchases, amounted to R36m (R41,5m) and was expected to rise to by another R43,7m (R55,5m) by year-end

The directors said the group's gold exploration — in the Sun and Oribi areas — was still focused in the southern Sun area, but results of the current drilling phase would not be completed as scheduled by the middle of this year

De Beers development of the Venetia diamond mine was proceeding as planned Anglovaal and MidWits have 21,9% and 65,6% interests respectively in the project

The group's turnover rose 21% to R3,8bn (R3,2bn) in the interim, while operating profit was 51% higher at R397m (R263,7m)

Rights offers boost Anglovaal

214

Finance Staff Star 1/3/91

Anglovaal has reported a 28 percent increase in profits in the six months ended December while its investment and exploration company, Mid-Wits, reports an increase of 101 percent

The main reason for the improvement in both cases was interest received from the funds raised through their respective rights offer

In spite of the 39 percent increase in Anglovaal's issued share capital, its earnings per share were only 8 percent lower, while the growth in MidWits' individual share earnings was 50 percent after its 33 percent increase in equity

Anglovaal's consolidated earnings rose to R135,3 million from R105,6 million in the year-ago period This follows a 30 percent gain for the 1989/90 financial year as a whole

Furthermore, the board anticipates that the current year's earnings will continue to grow but, again because of the increased number of shares in issue, earnings per share are expected to decline

In addition to the interest received factor, Anglovaal received a modest increase in contributions from **Anglovaal Industries (AVI)**, which has reported a 5 percent rise in earnings Most markets served by the AVI group reported reduced margins and restricted consumer spending

AVI is currently conducting negotiations which, if successful, will result in it increasing its 46,5 percent indirect interest in **Grinaker Holdings** to a direct ownership of 51 percent of equity Furthermore, the subsidiary, National Brands, will acquire the South African business of Yardley of London on April 2

Mining investment income in the current year is expected to decline, but this will be more than offset by the higher interest received

Lower base and precious metal prices led to a decrease in the profitability of the mining division and this, in turn, led to reduced dividend receipts and equity-accounted earnings — particularly in the case of **Associated Manganese Mines**

In line with the gold mining industry, Anglovaal mines continued to be adversely affected by lower real-terms rand gold prices

MidWits' earnings reflected a rise to R23,2 million (1989 R11,5 million), the higher interest income being offset to some extent by lower dividends from the company's mining investments and reduced equity-accounted earnings

The group's exploration programmes for gold in the Sun and Oribi areas is continuing with the emphasis remaining on the southern part of the Sun area where the current drilling phase is further delineating ore body boundaries, as well as both reef and grade continuity However, drilling delays have led to a further postponement of the current exploration phase

During the half-year, Anglovaal's share of exploration costs — including mineral rights purchases — amounted to R36 million (1989 R41,5 million), most of which was incurred on the Sun and Oribi areas

	Tons milled	Ave Yield g/ton	Costs R/Kg	Gold Rev R/Kg	After Tax Profit	Capex	EPS (c)	Total Dividend
	11 240	6 53	23 387	32 169	540,9	343 6	1 035	198 1
Vaal Reefs	10 920	6,91	20 144	32 171	603,5	321,6	1 600	305,5
	6 598	5,83	23 475	32 147	345,4	258,5	310	86 0
Western Deep Levels	6 584	6,16	20 257	32 187	421,3	295,4	480	131,6
	4 694	7,76	21 914	32 104	84 649	111 083	325	84 500
Southvaal	4 510	8,46	17 691	32 179	142 252	109 984	550	143 000
	2 208	6 41	21 854	32 004	139 987	117 305	30	29 138
Elandsrand	1 444	6,67	19 864	32 358	162 952	115 946	80	77 500

Rising costs hit Anglo mines

BDay 1/3/91 (214)

MATTHEW CURTIN

YEAR-END results of several Anglo American gold mines, released yesterday, reflect the extent to which the gold mining industry was caught last year in the tightening vice of steadily rising unit costs, lower yields, weak gold price, and an unfavourable rand-dollar exchange rate

Anglo's Vaal Reefs, Western Deep Levels and Elandsrand gold mining companies all reported lower year-on-year earnings and falling gold revenue Vaal Reefs and Western Deep Levels earnings a share both fell 46%, to 1 035c (1 600c) and 310c (480c) respectively.

Reduced capital expenditure and better rand/kilogram sales prices were offset by spiralling unit costs, fuelled by lower yields and reduced throughput

Chairman Clem Sunter said in his annual review it was "in the area of cost containment that we believe significant inroads can and must be made"

Vaal Reefs contained costs last year, but the other operations saw unit costs rise between 16% and 17% The average gold price for the year was $2 down at $383/oz

Sunter said unit costs could be reduced by raising the grade mined or cutting costs, or both, but many mines were in a mature phase with mining lay-out, lack of grade variability, and limited ore reserves which militated against selective mining Yields, in fact, had fallen across the board

He appealed to commerce and industry to help the mining sector in its cost-containment drive

Amgold's Sunter calls on suppliers to help mines contain costs

214

Star 1/3/91

Finance Staff

Clem Sunter, the chairman of Amgold, has urged commerce and industry to help the mining industry in its efforts to cut costs

In the annual reviews of Vaal Reefs, Western Deep Levels and Elandsrand, Mr Sunter says the days of accepting price increases equal to or in excess of inflation were over

"We are forging closer communication links with our suppliers in order to illustrate to them the gravity of the situation and to show clearly that we cannot survive if the magnitude of past increases continues," he says

"If all parties can work together towards the common goal of cost containment, the gold mining industry will remain a vital flywheel to South Africa's economy as well as a major source of foreign exchange"

Mr Sunter says mine managements are applying various measures to affect a reduction in costs

- Employees are being switched from support service functions to the direct production process
- Surplus jobs are being cut back, as far as possible through natural attrition, transfers and retirement in order to minimise retrenchments
- Commodities such as timber are being recycled
- Electricity demand is being more closely monitored
- Overheads are being reduced in areas where it is believed the cost of the activity exceeds the value it adds to the business

Describing 1990 as a disappointing year for the gold market, Mr Sunter says that until the international uncertainty arising from war in the Middle East had been removed, the market is likely to remain unsettled

For 1991 jewellery demand is likely to provide a floor to the gold price in the event of any major decline from its current levels, he says

"Moreover, it is possible that a higher rate of inflation in Western economies, together with financial shocks to the banking system, may boost investment demand for gold, particularly if real interest rates turn negative for any length of time"

Turning to taxation, Mr Sunter welcomes the partial removal of the capital expenditure ring fence but voices disappointment that it is encumbered by various restrictions

This, he says, could result in projects which might otherwise be viable not being undertaken for lack of a tax base

GOLD FM 1|3|91

DEMAND DENT

214

In recent years, exports to Italy have made a major contribution to SA's trade account In the first half of 1990, Italy bought $1,3bn worth of goods, making it the largest importer of SA goods in that period.

Much of this was gold for the manufacture of jewellery

So news that the approaching international recession could reduce demand for gold jewellery, which analysts estimate now accounts for about 60% of gold consumption, has serious implications for SA

Italian trade commissioner in SA, Aldo Castellari, argues that this will not necessarily depress his country's gold imports because there is not always a direct link between consumer demand and demand by jewellery producers The manufacturer may take advantage of lower prices to buy for future output.

However, the London *Financial Times* reports that, at the latest *Financial Times* gold conference, Vittorio Gori, MD of Gori & Zucchi, one of the largest gold jewellery manufacturing businesses in the world, estimated that the pipeline from the bullion market to the jewellery buyer contained about 2 500 tons of gold. (214)

Despite the current low price of gold, this destocking potential will buffer demand for future gold production. Moreover, demand for the metal is likely to get less price elastic as the recession continues Andy Smith, precious metals analyst at the Union Bank of Switzerland, points out: "Data for the Eighties suggest that low prices can sustain demand as income growth slows, but not for too long."

Smith adds that, throughout the Eighties, "jewellery demand was the sponge which soaked up the flood of gold from new mines " He estimates that, excluding gold scrap, jewellery producers boosted their offtake of the precious metal from 284 tons in 1980 to probably more than 1 500 tons last year

Recent signs are ominous Growth in gold jewellery fabrication stopped last year Exports from Italy, the world's biggest gold jewellery producer, may have fallen by 10% The US market, which accounts for about a third of Italian exports, is in bad shape and sales to the Gulf area, which takes about 20% of its exports, have no doubt suffered Japanese gold jewellery consumption last year was better than expected but down from 130 tons in 1989 to 118 tons ■

Births registered

96 Mr L F STOFBERG asked the Minister of Home Affairs †

How many births were registered in South Africa in respect of (a) Whites, (b) Coloureds, (c) Indians and (d) Blacks in 1985, 1986, 1987, 1988, 1989 and 1990, respectively?

Hansard 6/3/91 B264E

The MINISTER OF HOME AFFAIRS

	(a)	(b)	(c)*	(d)**
1985	79 863	83 705	20 396	257 945
1986	72 955	81 825	19 560	306 451
1987	70 431	83 356	20 286	304 464
1988	69 189	77 752	19 525	603 071
1989	70 964	82 484	20 644	411 485

1990 still being processed

* Information only available in respect of Asians, which include Indians

** Excluded births in National States

Gold production

99 Dr W J BOTHA asked the Minister of Mineral and Energy Affairs and Public Enterprises † 214

(1) (a) What percentage of the Republic's gold production for the current financial year has been produced at a loss, (b) what is the amount in rand of this loss and (c) in respect of what period is this information furnished, Hansard 6/3/91

(2) what amount have gold mines received in subsidies from the State in the current financial year to date,

(3) what amount have gold mines paid in tax in the current financial year to date,

(4) what were the corresponding figures in respect of paragraphs (1), (2) and (3) above for each of the preceding five financial years?

B275E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES

(1) (a) 13,79%

(b) R150,607 million

(c) January—December 1990

(2) From 1 April 1990 to 31 January 1991, the period for which information is available state assistance to gold mines amounted to R49 132 711 214

(3) From 1 April 1990 to 31 December 1990, the period for which information is available, a total amount of R437,726 million was paid by gold mines to the State in respect of taxation Hansard 6/3/91

(4) 4 1 1 (a) 6,52%
(b) R114,970 million
(c) January—December 1989

4 1 2 (a) 5,92%
(b) R77,665 million
(c) January—December 1988

4 1 3 (a) 5,19%
(b) R109,673 million
(c) January—December 1987

4 1 4 (a) 1,67%
(b) R26,010 million
(c) January—December 1986

4 1 5 (a) 1,68%
(b) R16,509 million
(c) January—December 1985

4 2 1	1989/90	R49 893 653
4 2 2	1988/89	R21 639 766
4 2 3	1987/88	R30 416 000
4 2 4	1986/87	R53 568 000
4 2 5	1985/86	R61 189 000
4 3 1	1989/90	R1 016,072 million
4 3 2	1988/89	R1 694,670 million
4 3 3	1987/88	R2 074,632 million
4 3 4	1986/87	R2 523,482 million
4 3 5	1985/86	R2 453,442 million

SADF units disbanded

103 Lt-Gen R H D ROGERS asked the Minister of Defence Hansard 6/3/91

(1) (a) Which units of the South African Defence Force have been disbanded since the rationalisation programme came into operation and (b) on what date did it come into operation,

(2) whether any other steps have been taken since then to decrease the Defence Force budget, if so, what steps?

B323E

The MINISTER OF DEFENCE

Hansard 6/3/91

(1) (a) Quartermaster General Headquarters Organisation
SA Defence Force Zevenfontein Horse Stud
State President's Unit
5 Military Works Unit
Air Force Base Port Elizabeth
12 Squadron Waterkloof
16 Squadron Port Elizabeth
25 Squadron Ysterplaat
27 Squadron Ysterplaat
88 Maritime Operational Training School Ysterplaat
114 Commando Squadron
Naval Command East Headquarters (Durban)
Naval Command West Headquarters (Simon's town)
Naval Base Durban
Naval Base Richards Bay
Naval Base Port Elizabeth
Naval Base Saldanha
Naval Base Cape Town
Naval Base Walvis Bay
SAS SONNEBLOM
Marine Corps
General Naval Workshop Wingfield
12 Medical Supply Depot
14 Medical Supply Depot
15 Medical Supply Depot

(b) The rationalisation programme came into operation on 12 January 1991

(2) Yes, steps are continually taken to reduce the SA Defence Force's budget Details will be finalised by the date of the budget vote

Sponsorships donations

110 Adv J J S PRINSLOO asked the Minister of Mineral and Energy Affairs and Public Enterprises † Hansard 6/3/91

(1) What total amount was donated during the period 1 April 1990 up to and including the latest specified date for which information is available by (a) Transnet, (b) Spoornet and (c) the South African Airways as sponsorships for the activities of other bodies,

(2) what amount was donated during the corresponding period in the previous year by the South African Transport Services as sponsorships for the activities of other bodies?

B300E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES Hansard 6/3/91

(1) (a), (b), (c) and (2) According to the Managing Director of Transnet Limited sponsorships for the activities of other bodies are only undertaken if there is reasonable certainty that the value obtained from advertising is well in excess of the costs involved in sponsorships

Sponsorships are therefore normal business decisions which are not administered centrally but are decentralised and are administered by the various business units and organisations and even at regional level

Owing to these factors and having regard to the wide spectrum of sponsorships undertaken, the information requested is unfortunately not readily available

Leeuwkop Maximum Prison punishment

111 Mr L FUCHS asked the Minister of Correctional Services

(1) (a) How many prisoners received (i) dietary and (ii) other forms of punishment at the Leeuwkop Maximum Prison in the 1990 calendar year and (b) what, in each case, are the details of this punishment,

(2) whether he will furnish the names of the prisoners who received such punishment, if not, why not, if so, what are their names in each case, Hansard 6/3/91.

(3) whether provision has been made at this prison for procedures for the filing of complaints by prisoners, if not, why not, if so, what are the relevant details?

B301E

The MINISTER OF CORRECTIONAL SERVICES

(1) During the period 1 January 1990 to 31 December 1990 the following sentences were imposed at the Leeuwkop Maximum Prison in terms of the stipulations of the Prisons Act, 1959 (Act 8 of 1959),

(a) and (b)(i) In seventy five (75) cases

Gold mining losses soar to R150,6m

LESLEY LAMBERT (214)

CAPE TOWN — Production losses in the gold mining industry rose to R150,6m last year as a record 13,8% of total production was mined at a loss, Mineral and Energy Affairs Minister Dawie de Villiers told Parliament yesterday

In a written reply to a question by CP MP Willem Botha, De Villiers provided statistics showing a steady rise in production losses over the past six years, accompanied by a decline in tax revenue from the industry and a general decline in government subsidies 6/Dem 14/3/91

The amount of gold produced at a loss increased from 1,7% of total production in 1985 to 6,5% in 1989 and 13,8% last year For these periods, the rand value of these losses rose from R16,5m to R115m and R150,6m respectively, De Villiers said.

Tax revenue from the industry declined from R2,5bn in the 1985/86 financial year to just over R1bn in the 1989/90 financial year Last year, the industry's contribution to the fiscus more than halved to R437,7m

The trend in government subsidies paid to gold mines was more erratic but indicated a general decline from R61,2m in the 1985/86 financial year to R21,6m in 1988/89. In the 1989/90 financial year, total subsidisation increased to R49,9m and was maintained at that level last year

Sapa reports that nearly half of SA's gold mines are operating at a loss based on the current gold price, putting about 122 000 jobs at risk

Chamber of Mines senior GM (external relations) Johann Liebenberg said "This is going to be a tough year We are talking about survival"

He was commenting on an SABC news report which said with each mineworker supporting an average of 11 dependants, nearly 1,5-million people could be affected

The present workforce of about 472 000 people is 40 400 fewer than last year Analysts predict job opportunities could decline to 350 000 in the next few years

Wit Nigel deal 'prejudicial'

BUSINESS DAY 7/3/91

ROBERT LAING

THE Registrar of Companies believes Wit Nigel's minority shareholders were prejudiced in the takeover of their company by Joe Berardo's Johannesburg Mining and Finance in August 1987

The finding contradicts that of an earlier investigation by the JSE

In addition, the report sharply criticised the JSE, saying it had not performed its duty as watchdog for the investing public and had not, in its investigation, been even-handed in its treatment of Wit Nigel's former chairman Peter George

The minorities, led by George, had claimed they were prejudiced because an offer by JMF to exchange one Consolidated Modderfontein S share for 3,177 Wit Nigel shares excluded them The offer was made by a group led by Wit Nigel director Michael Tatz, who then sold the Wit Nigel shares to Berardo

JMF's failure to make an offer of R4,50 per share, coupled to the JSE's failure to insist that JMF make such an offer in terms of its rules and procedures, severely prejudiced Wit Nigel minorities, the Registrar's report said (214)

Registrar investigator Deloitte Pim Goldby's Peter Wilmot, who was appointed by the Trade and Industry Department, said he found "difficulty in apportioning blame between the JSE and JMF" and recommended both be held equally responsible for the costs of the investigation

Yesterday, JSE president Tony Norton

☐ To Page 2

Wit Nigel

BD 7/3/91 (214)

☐ From Page 1

said he had great respect for Wilmot, but disagreed with his findings

"I am comfortable the JSE acted correctly After auditing twice, we found no cash element in the takeover It was done through a share swop"

Wilmot said although JMF had obtained Wit Nigel shares by exchanging Cons Modder shares, it should have extended the offer in cash to the remaining shareholders based on the highest price paid, namely R4,50 a share

The report also includes a reproduction of a stockbroker's receipt to show there was a cash element in the takeover

Copies of the report have been sent to the Attorney-General for possible prosecution of JMF for contraventions of the Companies Act and to the Register of Financial Institution with a view to contesting the actions of the JSE

The report was instigated by an application made two years ago by minorities representing 27,5% of Wit Nigel shareholders In 1987, JMF engaged in a secret takeover which culminated in Berardo unseating George at Wit Nigel's AGM Berardo subsequently lost Wit Nigel to Southgo

With regard to findings that actions by the JSE supported the view that it was not even-handed with regard to George, Norton said he was "fond" of George and it was not in his nature to be rude to anyone

Gold price poses R4-bn threat

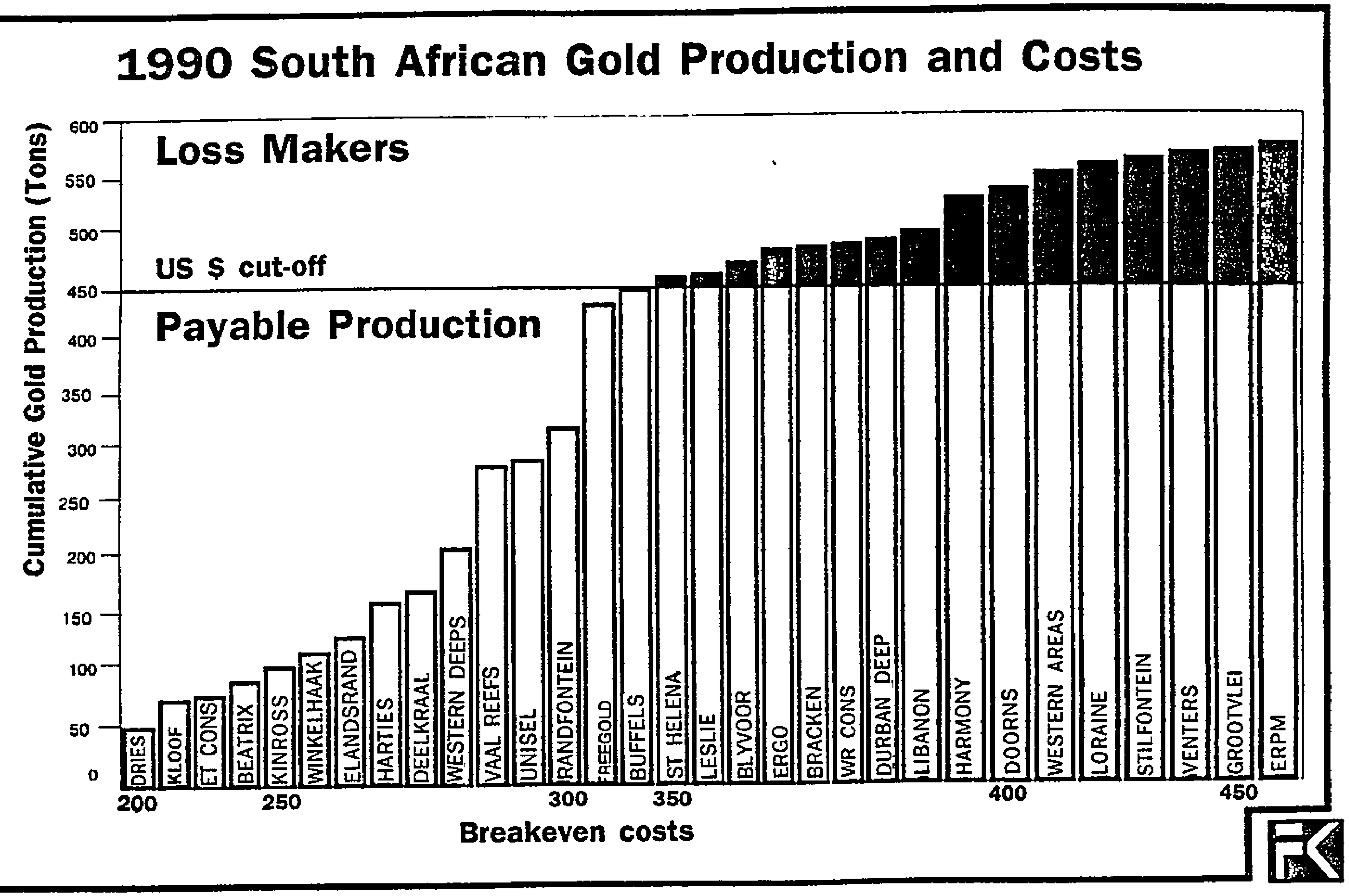
Star 8/3/91

By Sven Lunsche 214

South Africa could lose well over R4 billion in foreign exchange earnings a year over the next two years if the lower gold price forces the closure of marginal mining operations

In a paper presented at a gold conference in Sydney yesterday, Mike Brown, economist at Frankel Max Pollak Vinderine said that at a gold price of $350 per ounce 150 tons of SA gold production, or 25 percent of the industry, was vulnerable to closure (see graph)

If the mines, however, revert to survival tactics, as Mr Brown expects, this would suggest the closure of 12 to 15 mines, entailing a loss of around 30 tons, with a further 60 tons being lost as a result of partial curtailment of other mining operations



Based on these two scenarios — a worst case 150-ton loss and a mid-case 90-ton loss — Mr Brown has analysed the "knock-on" effect on the South African economy if gold averages $350 until the end of 1992

"The first implication is a drop in foreign exchange earnings, which in the case of the 150-ton loss, would reduce the South African annual current production by some R4,25 billion or by R2,55 billion in the 90-ton gold loss scenario," he says

Foreign debt

At a current account surplus of some R6 billion last year, such a drop would significantly reduce the current account cushion required to meet foreign debt commitments of between R3 billion to R4 billion per annum

"Losing a large chunk of gold revenue would, therefore, probably force the reimposition of restrictive demand management policies in order to protect the current account," Mr Brown says

Star 8/3/91

The envisaged contraction in gold production would also reduce growth in the Gross Domestic Product in South Africa by some 0,5 percent to 0,7 percent, while job losses could total 75 000 (90-ton loss) and 110 000 (150-ton loss)

Mr Brown adds that given the demands for employment creation and wealth distribution, such a loss can be ill afforded

But he does not advocate continued gold production at losses to the mining group, he argues rather that the loss of production could be partially offset should South Africa have access to foreign loans

"The continued imposition of sanctions on South Africa blocks any access to foreign loans, other than very short-term trade finance

"Capital inflows, preferably of a medium- to long-term nature, would be required to make up any shortfall in foreign currency earnings arising from gold mine shut-downs"

Mr Brown says that this raised the prospect of an international gold mining lobby emerging to call for an ending of sanctions

He explains "If the global gold mining industry believes it would be beneficial for the gold price to see a reduction in South African gold mining output, then it must be realised that a continued imposition of sanctions tends to be counter productive"

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Furthermore, ~~he adds~~, the International Monetary Fund could provide compensatory financing through the Contingency Financing Scheme, which is designed to cover part of the effect on a member's balance of payments as a result of commodity price variations

At present loans by the IMF are blocked by a US Congressional veto on any assistance

"To fully compensate for a 150-ton decline in output, the average gold price would need to rise from $350 to $465 per ounce, in the case of a 90-ton loss a rise to $410 would suffice, if the dollar rand exchange rate remains at present levels

"I leave it to the gold market experts to deliberate whether a 90 ton or 150-ton decline in South African production would be sufficient to push up the gold price by the required amount to compensate the hard-pressed economy," Mr Brown concludes

ANGLOVAAL (214)

VALUE-ADDED? FM 8/3/91

Anglovaal's interim results were in line with market expectations but the question uppermost in analysts' minds is just how much value, if any, the share shows at its current price of R46

Traditionally, shares in mining houses trade at discounts of up to 20% to their net asset value, providing broking firms with a perennial reason for convincing investors to buy in That's in spite of the fact that the discount is virtually never eliminated, no matter what the market conditions are

At R46, Anglovaal's share price is just above the 12-month low of R43 hit in October, but it equals the net asset value shown at December 31, prompting some analysts to argue the share price looks expensive in relation to other mining houses

The counter argument is that it's a question of how you measure the assets and the current balance sheet does not reflect the value to the house of two major projects in the pipeline — the Venetia diamond mine now under construction in the northern Transvaal and the huge gold exploration venture under way in the Sun and Oribi areas of the northern Free State

One analyst argues that Anglovaal stands at a discount of about 20% to net asset value if one attributes a value for the Venetia project. Anglovaal directly, and through associate Middle Witwatersrand Areas (Mid Wits), has an 87,5% interest in Saturn Mining, which holds the mineral rights to the mine

De Beers is paying for the development of the mine which will cost around R1,1bn Saturn will receive a minimum royalty of 12,5% of the mine's operating profits, to the point when the capex has been fully recovered, after which Saturn and De Beers will split the profits equally

Putting in a value for the Sun/Oribi prospects is virtually impossible given the paucity of real information, like drilling results, published by Anglovaal The date by which some

Continue ->

FOX Fm 8/3/91 (214)

EARNINGS DIP

Six months to	Dec '89	Jun '90	Dec 90
Turnover (Rm)	3 184	2 906	3 843
Pre-tax profit (Rm)	287,9	347,9	412,9
Attributable (Rm)	105,6	132,6	135,3
Earnings (c)	247	283	227
Dividends (c)	30	62	30

(214)

hard facts may be issued has just been pushed back by another nine months, from mid-1991 to the first quarter of next year, because of drilling delays.

Also, no go-ahead seems likely until there is a radical improvement in market sentiment towards deep-level gold projects — otherwise any rights issue to fund the mine, which will cost at least R2,5bn, could flop as badly as the Target Exploration offer held by Anglovaal's Loraine gold mine

Main reason for the 28% rise in attributable earnings to R135,3m was the interest earned on the proceeds of last year's R822m rights issue Income from investments was 34% down and equity-accounted earnings were 32% down because of lower dividend income from the house's gold mines and a sharp drop in profits at manganese company Assmang

Industrial arm Anglovaal Industries (AVI) increased its earnings by 5% and for the full year to end-June expects to at least match the previous year's earnings despite the recession in the SA economy

Within the diversified AVI group, increased profits from the rubber division of Consol, the dry food and beverage sector and the frozen food sector were offset by lower contributions from the construction and electronics and textiles sector. Irvin & Johnson maintained its contribution to group earnings

AVI is currently negotiating to increase its stake in construction company Grinaker Holdings to 51% from the present 46,5%

Anglovaal's 28% increase in attributable earnings for the six months should be maintained or even improved on for the full year, but EPS will be lower because of the increased issued capital following the rights issue The dividend should be maintained.

Brendan Ryan

Golds' long drop in value

214

ST Times 10/3/91

A YEAR ago, the JSE's all-gold index reached a high of 2 235 points It would have taken a brave or foolish fellow to say then that it would be half as high now Yet the current level is 1 087 points

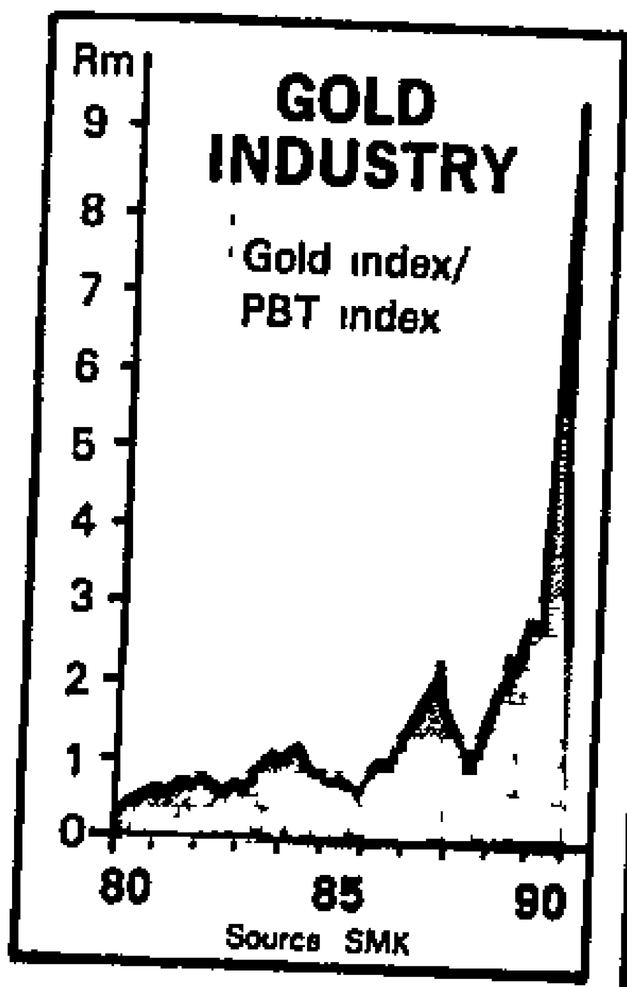
Hilton Ashton, a mining analyst at stockbroker Senekal, Mouton & Kitshoff, believes that the gold index will halve again in the coming 12 months to between 400 and 500 points His view should not be scorned

His calculations were made when the gold price was R925 an ounce In his projected gold index, he makes five tenets

- The dollar price of gold looks to be trapped below $370 an ounce,
- The exchange rate is not likely to deteriorate further;
- Gold output is unlikely to rise,
- Cost inflation remains greater than 10%,
- Companies will pay lower dividends to survive

He determines a value ratio of the gold industry by applying a formula value ratio equals the gold index divided by profit before tax after subtraction of capital expenditure The outcome is akin to a price earnings ratio

Historically, the gold industry value ratio has stuck to a close range of between 0,5 and 1 (see graph) When the gold index reached a peak a year ago, the value ratio



spurted to 9,5

Mr Ashton says that for the ratio to return close to unity, the level of the gold index will have to come down Only then will gold shares offer reasonable value Mr Ashton believes that investors should sell their gold holdings now into the mini rally, because their shares will be worth less in future

This is, of course, unless they are extremely optimistic about gold's fortunes Even then, the price would need to rise above $600 an ounce for the market to offer true value The current market is discounting a gold price of $475 an ounce

The gold sector conventionally offers value when the dividend yield averages between 6% and 8%

Based on Mr Ashton's forecasts of the dividends indexed companies will be able to pay at a gold price of R925 an ounce, the projected dividend yield is 3,0% Again, to reach an average of 6%, share prices will have to halve

Mr Ashton says that investors have not realised the gravity of the situation regarding gold shares

But South African investors know and love the metal and its derivatives If their reluctance to part with dearly held stocks prevails, it could cost them dear

ERPM's vital new shaft due to open

BDay 11|3|91

Business Day Reporter

ERPM's Far East Vertical Shaft, on which the mine's hopes are pinned, is due to be commissioned this month

But whether SA's "largest corporate welfare case" can get back on its feet remains in question, says freelance writer Michael Wang in an investigative article in the current issue of The Executive magazine

He says ERPM's survival depends largely on one thing management cannot control the gold price

ERPM's debts have passed R400m in five years To maintain the course back to prosperity, it would have to sell gold at an average of $409 an ounce in 1991 rising to $507 in 1992 and $573 in 1993, at an exchange rate of R2,60 to the dollar

"The key to achieving sales in that range is hedging The war in the Gulf brought, if temporarily, forward sales in the $410 range for this year's second quarter But prices have swung sharply south, making future $400-plus forward sales unlikely," writes Wang

He quotes ERPM MD Karl Eick as saying "We have projections of what we should get for our forward sales If we don't get it, then we won't sell forward We will depend on the spot market"

Eick, who is credited with dramatic recent savings in working costs at the mine, says he is prepared to face the consequences of the selling policy

"Obviously, if we go on showing no profit over the next two years, there would be no scope for renegotiating a financial package"

In late 1986, government agreed to back loans of up to R200m to help the commission the new shaft, and so far R300m in taxpayers' money has gone into the mine Debt servicing costs, all of which have been deferred until 1993, are accumulating at more than R1m a week

(214)

"Neither ERPM, the government nor the banks say they have a contingency plan as to how the company would be wound up," writes Wang

But based on assessments contained in the Melamet report on the mine's prospects, which led to the last rescue package, creditors (chiefly government, First National Bank and Rand Mines) can expect a return of no more than 25c in the rand

Wang says executives at Rand Mines and parent company Barlow Rand appear less concerned about writing off their ERPM investment than the effect a bankrupt ERPM would have on their credit ratings

NUM, Rand Mines talks lead to new Harmony

MATTHEW CURTIN

RAND Mines and the National Union of Mineworkers (NUM) reached agreement in principle yesterday on measures designed to revive the fortunes of the group's troubled Harmony gold mine, NUM press officer Jerry Majatladi said yesterday

This was "a major breakthrough" for the NUM and a turning point in union negotiations with a Barlow Rand company

B Day 12/3/91 (214)

Majatladi said Rand Mines had taken the first steps to afford mineworkers the same rights as they enjoyed on other Free State gold mines, Anglo American operations in particular Anglo and the NUM are close to signing a code of conduct agreement.

He said the two sides agreed to examine the establishment of a code of conduct for all workers and to set up a programme to abolish discriminatory practices. Management accepted recognition terms for full-time NUM shop stewards at Harmony.

A Harmony mine spokesman said last night individual working committees made up of representatives from management and all staff associations and unions had been formed They would examine ways to reduce costs, improve productivity and worker-management relations.

Harmony has been plagued by financial and industrial relations difficulties for the last year.

In the wake of an after-tax loss of R11,6m in the September quarter, Harmony retrenched about 6 300 workers from its 27 000-strong workforce and cut ore production by 30%. Harmony was in the red for the third quarter running when it posted its December quarter results

At least 10 mineworkers died and 40 were injured in clashes between Xhosa and Sotho mineworkers at Harmony

"The purpose is to show that we want a constitution accept-

assembly and an interim government was inadequate

it choose to adhere to the Nuclear Non-Proliferation Treaty

Cosatu wants interim govt

By Shareen Singh Star 12/3/91

Cosatu decided at the weekend to put its weight behind the campaign for a constituent assembly and interim government, closely linked to a campaign for workers' rights in a new constitution

About 300 delegates met to discuss the union federation's campaigns for this year

Two other campaigns were outlined — one for job security and creation and one for the extension of the Labour Relations Act to farm, domestic, public service and homelands workers

The conference decided that Cosatu would support the ANC's signature campaign for a constituent assembly and interim government Cosatu would also choose a day between June 10 and 16 to embark on worker-led marches

The conference decided that the new constitution should

- Ensure trade union independence, the right to strike and to organise
- Ensure there is accountable government Cosatu suggested provisions for a referendum on unpopular laws, free access of mass organisations to the media, the right to information, and protected clauses in the constitution
- Enable people to fight for a democratically planned economy and other social and economic rights, such as jobs for all
- Recognise equality between men and women in marriage, employment and society

On job security and job creation, Cosatu will demand the following from individual employers, employer bodies and the State

- Workers facing retrenchment must be retrained
- Employers and the State must establish a job creation fund
- A 40-hour week
- A "living" UIF and pension
- Industrial restructuring to expand the economy

Mines closure rumour denied

214

Star 12/3/91

A rumour that Rand Mines' Harmony and Anglo American's Saaiplaas gold mines were on the brink of closure and that management would ask workers to take wage cuts has been denied by the mining houses

An Anglo American spokesman said there was no intention of closing Saaiplaas Mine but, in the short term, the mine would rationalise operations

Regarding pay cuts and a wage freeze, no such official brief had been issued, the spokesman said

Rand Mines' Greg Kukard said Harmony had already retrenched most of the workers it had planned to retrench and was not planning a wage freeze and a cut in wages

The National Union of Mineworkers said Harmony management had assured the union yesterday that there was no intention of closing the mine or of instituting a wage freeze or cut — Staff Reporter

Ergo to make R5-m rights issue

(214)

Finance Staff

Anglo American subsidiary East Rand Gold and Uranium (Ergo) has announced plans for a R5 million rights issue to finance future acquisitions of slime dams and sand dumps.

The dams and sand dumps are used as a source feed for Ergo's plants STAR 14/3/91

Ergo will seek shareholders approval to issue 10 million new 'S' shares to increase the share capital from R25 million to R30 million and convert an additional 1,92 million unissued ordinary shares into 'S' shares

'S' shares were created after the US banned new investments in SA companies and helped US nationals avoid contravening sanctions legislation.

In a notice to shareholders, the directors say the increase is necessary as the unissued capital now under their control is insufficient to cover the cost of future acquisitions.

Local catalyst plant gets first EC order

BDay 15/3/91

MATTHEW CURTIN

JOHNSON Matthey's local autocatalyst manufacturer this week won its first order to supply Volkswagen SA with components

Johnson Matthey MD Peter Emmel said yesterday the company would supply Volkswagen with "substantial numbers of catalysts" from its R35m plant in Germiston. The components would be exported to Volkswagen's parent company in Germany

Johnson Matthey, the world's largest manufacturer of catalytic converters with 40% of the international market, had supplied the German car company with catalysts from its operations around the world since 1974

Emmel said the deal with Volkswagen, concluded after a year of negotiations, justified his company's decision in April last year to establish a plant in SA The plant, scheduled to come on stream in April, would have an initial capacity of up to 2-million units a year

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He would not comment on the size of the deal, but said the company, as Rustenburg Platinum's (Rusplats) sole marketing agent, had access to a ready supply of platinum A Rusplats official would not comment on the significance of the deal from the mining operation's perspective

Emmel said Volkswagen's exports were geared to the soaring demand for autocatalysts in Europe after exhaust emission legislation was passed requiring the use of catalysts on new motor vehicles in the EC.

Johnson Matthey was also benefiting from the government's Phase 6 programme affording local companies export credits.

Analysts say SA is ideally placed for making autocatalysts because it is by far the largest producer of platinum and rhodium, the two metals essential for the catalytic conversion of the harmful emissions from car exhausts — carbon monoxide, hydrocarbons and nitrogen oxide

FM 15/3/91

SIMMER & JACK FM 15/3/91

STATE OF FLUX

2.14

Simmer & Jack's profile is changing radically, with a planned expansion into eastern Transvaal gold mining — where several companies have recently floundered, including Cengold and Barbrook

Simmers has now bought the former Cengold mines, while chairman Chris Mumby and attorney Monty Koppel are negotiating with Anglo American Corp over the closure of the Simmergo operation, where treatment of the sand dumps has become uneconomic at current gold prices Among points to be resolved is the unravelling of a deal struck between Anglo, East Rand Gold and Uranium (Ergo) and Simmers' former chairman, wheeler-dealer Joe Berardo

The original agreement was that Ergo funded the Simmergo plant and would split profits 50 50 with Simmers, once it had recouped the capital cost To improve Simmers' income, Berardo borrowed R9m from Anglo and then used the money as Simmers' contribution to the capital cost to increase royalty payments This loan was secured against Simmers' royalties and should have been paid back in February last year It has not been repaid and Anglo has since held back all royalties payable to Simmers to cover interest due on the loan

Mumby says negotiations under way with Anglo concern the entire agreement between Ergo and Simmers about the Simmergo development and the dispute over the loan forms part of this He is hoping for a settlement within weeks

It appears the key requirement for Simmers is to get clear title to the mine's land, which it wants to develop for industrial use once the remaining sand and slimes dumps have been removed Anglo seems interested in the slimes deposits These could be piped to the Ergo plant at Springs, through modifications to a pipeline that already exists to take waste from Simmergo to Ergo's main tailings dam

However, the slimes are deposited under the remaining sand material, which has to be removed first but is no longer economical to treat It appears Anglo wants guarantees from Simmers that it will remove the sand material

Cengold's properties in the eastern Transvaal were bought by Bobsat Investments last year Bobsat controls a number of other small mines, of which two are in production, and Simmers is buying Bobsat in exchange for issue of 7,1m shares This compares with the original terms struck last December, of 14m shares

Present owner of Bobsat is Transatlantic Mining Investments, a company incorporated in the Turks and Caicos islands This is a wholly owned subsidiary of Durrant, an investment trust also incorporated in the Turks and Caicos islands Durrant has a 13,5% stake in Simmers, which rises to 36,1% after the deal

Mumby says Cengold made mistakes it did not raise enough funds when it had the chance and then did not have the capital needed to survive the gold industry's tough times Cengold management also tried to do too much simultaneously on a number of mines

He adds Simmers has more than R15m left from last year's rights issue proceeds and, with its two operating mines, has the financial resources to fund its forecast expansion According to the circular to shareholders, this calls for capex of R57m, with first positive cash flow forecast for the financial year to June 1994, when Bobsat's profits should be equivalent to 76,5c a Simmers share That's on a forecast gold price in October 1990 money values of R31 524/kg The current gold price is about R30 469/kg

Brendan Ryan

Gold production likely to dip below 600 tons

214

Star 15/3/91.

By Sven Lunsche

South Africa's gold production is likely to fall below 600 tons for the first time in decades as the declining profitability of mines forces further production cutbacks

Total Western mining production last year increased by five percent to 1 740 tons, but South African production volumes continued their recent declines, falling from 608,3 tons to 603 tons, according to figures released by the Chamber of Mines

In 1984 gold supply from SA peaked at 683,3 tons but has been falling ever since as other countries stepped up production and local mines reduced output

A further decline is likely this year, says the economist at the Chamber, Ivor Leibowitz, as the continued poor performance of the gold price and rising mining costs reduce the incentive to expand or even maintain production

Last year, he comments, the profitability of the gold mining industry deteriorated to its lowest level in real terms since the 1960s, as rising cost eroded the margin between working revenue and working costs

"The industry continues to increase the grade of ore milled and this has enabled the industry to maintain output at just over 600 tons last year, but such a policy may lead to the shortening of the working lives of some mines," Mr Leibowitz comments

"In 1991 it will be crucial for the industry to control working costs in order to maintain production at the 600-ton level," he adds

The South African gold mining industry is not the only one, though, which is showing slower growth rates

While total Western mining production increased by five percent last year, the rate of increase is starting to slow, with production expected to rise by only 2,5 percent in 1991 and an even lower rate in 1992

SA's nearest rival, the Australian and North American gold mining industry have cut back on exploration expenditure with the withdrawal of government incentives

"As other producers, including those from SA, engage in forward markets, volumes could well increase further in the short-term, but forward sales should level off in 1992," the Chamber comments

During 1990 sales from the centrally-planed economies, principally the Soviet Union, reached about 450 tons and large sales from the Soviet Union can be expected to continue

On the demand side the Chamber says physical demand for gold continued to be strong

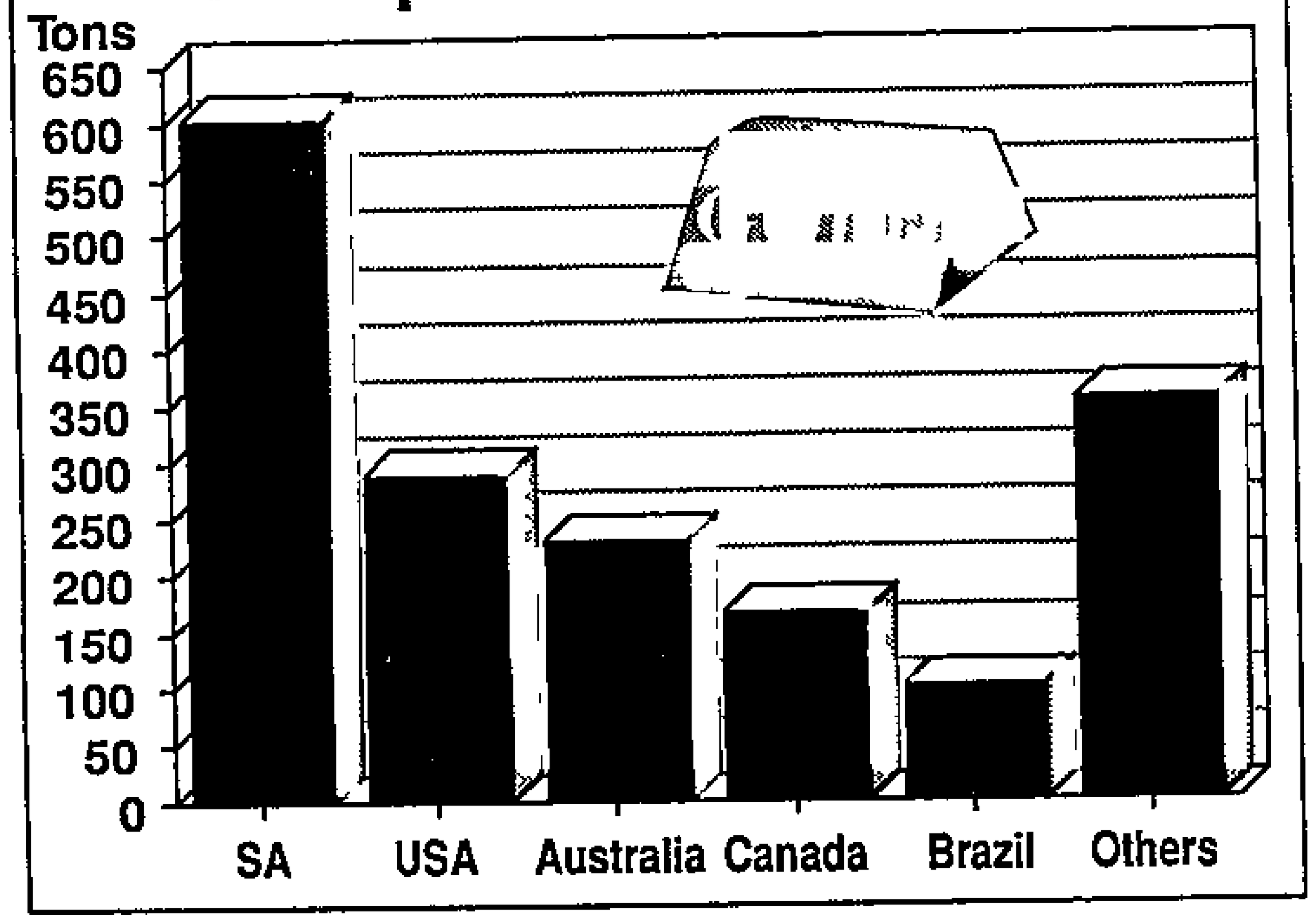
Provisional estimates suggest that worldwide gold sales to jewellery manufacturers last year were some three percent higher, rising from 1811 tons in 1989 to 1880 tons in 1990

"It is expected that strong growth in world jewellery fabrication will continue in the decade ahead, with jewellery set to take an increasingly large share of total supply"

Disruption to the Middle Eastern markets appear to have been limited, says the Chamber, with Turkey emerging as an important market

Offtake for gold coins is expected to be strong this year with the minting of a Japan commemoration issue requiring 60 tons alone Demand for gold coins last year was 200 tons, 60 percent up on 1989

Gold production in 1990



LYDEX FM 15/3/91 (214)

PASSING THE DUMP

Lydenburg Exploration (Lydex) is rethinking plans for the 44 Mt of gold-bearing sand and slimes acquired from ERPM and, instead of setting up its own plant, may try to negotiate a deal for this material to be treated by East Rand Gold and Uranium (Ergo)

Reason for the change in approach appears to be the depressed state of the gold market, with Lydex management wary of

continue

(214) FM 15/3/91 (214)

going it alone on this project Further, the market's mood on gold projects in general makes any attempt to raise capital through a rights issue a dicey proposition, no matter how good the proposal may look

Despite the recent 4% weakening of the rand against the dollar, which is now worth about R2,62 compared with R2,52 a fortnight ago, the gold price is still about only R31 000/kg That is below the average price of about R33 000/kg that has ruled for the past three years, creating the financial crunch on the mines as soaring costs have removed profit margins

Lydex director Stephen Finnemore says Lydex is not involved in negotiations with Ergo but has raised the possibility of a deal over the dumps in which Ergo has shown interest However, he adds there are other possible options being considered for development of the project and the position should be much clearer in a few months

It's possible Ergo may treat the material at its own facilities near Springs and so avoid the cost of building a gold plant on the ERPM site Lydex would be paid a royalty for the material treated

Finnemore says that, at the time the purchase from ERPM was negotiated in July, Ergo did not have spare treatment capacity It now might have, following the rationalisation announced in December to close the flotation and uranium plants and the larger of its two acid plants

He adds that the feasibility study carried out on the ERPM dumps was necessary to show what the project is worth to Lydex, so that other offers or joint venture proposals can be correctly evaluated

There appears to be something of a renewed scramble for sand and slimes dump reserves under way between the established dump retreatment operations Ergo is interested in slimes reserves at Simmer & Jack (see separate report) while Glenn Laing's Consolidated Mining/Southgo group has moved into central Johannesburg with the purchase of the 2,5 Mt Wolhuter 3L39 dump

A 17 km pipeline is being laid from the Knights operation in Germiston to the Wolhuter dump using Transnet's rail servitude for access over much of this distance Recovery operations should start next month and, while the dump reserves will last only two years, existence of the pipeline gives Southgo a strategic edge in the area

Laing indicates that he intends negotiating for other central Witwatersrand dumps, which are of higher grade than those on the East Rand, during the next two years

Brendan Ryan

W Mail 15/3-21/3/91

New accord for Harmony mine

(214)

By DREW FORREST

THE National Union of Mineworkers is poised to clinch its first full-time shaft-steward agreement in gold mining — at Rand Mines' beleaguered Harmony Mine in Virginia

The deal is set to go through this week, according to NUM legal officer Kenny Mosime, who described it as a breakthrough The NUM has full-time stewards only in the diamond and phosphate mining industries

Harmony, in severe financial straits, recently retrenched 5 000 workers With a 20 000-strong workforce, it remains a key producer

In a bid to secure industrial peace, mine management is seeking a more co-operative relationship with the union. Also under negotiation is a dispute procedure containing novel features, according to Mosime, a code of conduct and an agreement aimed at eradicating racial discrimination and providing for black advancement on the mine

The NUM was recognised at Harmony last year after union charges of delaying tactics by management.

Hansard 19/3/91

steps which have been taken with regard to the reports In appropriate instances a reportback is made to a judge concerned

[redacted]

After a visit a magistrate reports his findings to the Commissioner in terms of Prisons Regulation 104(2)(b) The findings are recorded in the official complaints and requests register together with an indication of the manner in which they were dealt with The head of the prison and the commanding officer control on a continuous basis that the findings have been dealt with appropriately Due to the quantity of visits in question as well as the fact that the reports/findings deal with a wide variety of subjects, the information requested cannot be supplied within the scope of this reply However, should the Honourable Member require the particulars with regard to a specific report/finding, I will consider providing the information to him on a personal basis

Land/housing: amount

142 Mr J J WALSH asked the Minister of Planning, Provincial Affairs and National Housing [redacted] Hansard 19/3/91

(1) (a) What total amount was budgeted for the 1989-90 and 1990-91 financial years, respectively, in respect of (i) land acquisition and (ii) the erection of housing for the Republic, excluding the self-governing territories, and (b) how much was made available for this purpose under each specified vote,

(2) whether he will furnish corresponding information for the (a) self-governing territories and (b) independent Black states, if not, why not, if so, what are the relevant particulars?

B404E

The MINISTER OF PLANNING, PROVINCIAL AFFAIRS AND NATIONAL HOUSING

(1) (a) (i) 1989/90 R 69 000 000
1990/91 R202 090 000

(ii) 1989/90 and 1990/91 None — It is Government policy to provide serviced sites in order to enable Black people to erect their own houses either with own capital

Hansard 19/3/91

or with loans which are made available for the purchase of building material

(b) (i) 1989/90 R 69 000 000
1990/91 R202 090 000

[redacted] (ii) 1989/90 and 1990/91 — Fall away

(2) (a) and (b) No — the areas mentioned do not fall under the jurisdiction of the Ministry of Planning, Provincial Affairs and National Housing

Mines. financial assistance

184 Mr R R HULLEY asked the Minister of Mineral and Energy Affairs and Public Enterprises

(a) How many mines received financial assistance in terms of the Gold Mines Assistance Act, No 82 of 1968, (b) how many persons were employed by each of these mines, and (c) what was the amount of the assistance in respect of each such mine, in the 1989-90 financial year?

Hansard 19/3/91 (214)

B501E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES

(a) None (The Gold Mines Assistance Act No 82 of 1968 was repealed as from 1 January 1988)

(b) Falls away

(c) Falls away

Own Affairs

School buildings: disposal of [redacted]

23 Mr R M BURROWS asked the Minister of Welfare, Housing and Works Hansard 19/3/91

Whether, since the reply by the Minister of Education and Culture to Question No 72 on 23 May 1990, (a) he or (b) his Department has been approached to sell or otherwise dispose of any school buildings under his control, if so, (i) (aa) by which person or group of persons, (bb) when and (cc) in respect of which schools were these approaches made and (ii) what was the outcome of each such approach?

B234E

The MINISTER OF WELFARE, HOUSING AND WORKS

(a) Yes

(b) Yes

In terms of State policy a school building which becomes redundant for White educational purposes, is in the first instance offered to other departments within the Administration House of Assembly

If the building is not required and the possibility exist that it can be used by other education departments, the building is offered to these departments

If the school building cannot be utilized by these departments, the school building should then, as prescribed, be offered to other State departments, the local authority concerned and private schools at market value

After the needs of the aforementioned instances have been addressed, the school building can be sold out-of-hand to a welfare organization, a recognized church body or a private school at a reasonable value

Should none of the aforementioned instances be interested, the property is sold by public auction or tender

Depending on the location of a school building it appears that a large number of persons and institutions approach the department of Local Government, Housing and Works on a regular basis As some of these persons or institutions do not qualify for the out-of-hand acquisition of school buildings, these applications cannot be considered

Persons and institutions who do qualify for the acquisition of school buildings as set out above and who have approached the Department, are the following

Cape			
(i) (aa)	(bb)	(cc)	(ii)
Department of Education and Training	90-11-12	Swartkops Primary School, Port Elizabeth	Alienated
House of Representatives	90-10-30	Albatros Primary School, Port Elizabeth	Alienated
House of Representatives	90-10-12	Coega Primary School, Port Elizabeth	Alienated
Department of Education and Training	90-02-08	Frans Jooste Primary School Norvalspont	Alienated
City Council, Durbanville	91-02-15	Institute for Girls, Durbanville	Alienation being considered
Orange Free State			
(i) (aa)	(bb)	(cc)	(ii)
Department of Education and Training	90-08-28	Kafferrivier Primary School, district Bloemfontein	Alienated
NG Congregation, Soutpan	90-11-27	Soutpan Primary School, Soutpan	Alienation being considered
Agricultural College Glen	90-11-15	Glen Primary School, district Brandfort	Alienation being considered
Transvaal			
(i) (aa)	(bb)	(cc)	(ii)
St Endas (private school) City Council of Johannesburg	91-02-14 91-01-13	Joubert Park Primary School, Johannesburg	Alienation being considered
St Charles Lwanga School	91-01-28	Malvern West Primary School Johannesburg	Alienation being considered
Torah Academy	91-01-04		

80 000 gold mining jobs on the line

CT 26/3/91

Own Correspondent

JOHANNESBURG. — A further 80 000 jobs could be lost in the gold mining industry this year if gold prices did not recover, Gengold MD Gary Maude said yesterday.

Maude's prediction came after Chamber of Mines president Clive Knobbs said on Sunday there had already been a reduction of more than 80 000 in the number of gold mining employees.

Maude said the Vaal Reef was almost exhausted and its mines would soon have to close down regardless of the gold price.

He added the extent of job losses would depend on the gold price and on wage demands, but a prediction of another 80 000 losses was "reasonable" at present.

Gengold would probably lose 10 000 workers through retrenching and not replacing retirees this year, to 48 000, almost half the number employed in July 1988.

A Rand Mines spokesman said the company had retrenched 37 000

To page 15

From page 13

gold mine employees in the last two years and future retrenchments were "inevitable" if the gold price did not recover.

Other mining companies said large scale retrenchments were possible but by no means certain.

Neither JCI nor Anglo American would say whether retrenchments were planned, but emphasised the importance of prices and wage demands in decision-making.

A Goldfields spokesman said cutbacks at certain mines were being discussed.

Industry observers said yesterday Knobbs' speech had not taken the market by surprise.

Edey Rogers analyst Gordon Gray said it marked the first coherent description of the problems facing the gold mines from the official industry perspective.

The chamber traditionally took a stance on conditions in the industry before annual wage negotiations, and the threat of 190 000 possible retrenchments at marginal mines was a "worst case scenario".

Gray said the unions still faced a difficult equation, of weighing up large pay demands against job security.

VERA VON LIERES reports the NUM said yesterday it was sceptical of Knobbs' calls for greater co-operation between management and employees as union attempts to address questions of retrenchments and restructuring in the past had been "rebuffed".

NUM assistant general secreatry Marcel Golding said the chamber was making a public plea for co-operation, while the union had been sensitive to the issue two years ago.

Cautious welcome for lower gold mine rate

B/Day 21/3/91 ROBERT LAING (214)

THE immediate implementation of the lower tax formula for gold mines was announced yesterday by Finance Minister Barend Du Plessis who said the third step in phasing out the surcharge on non-gold mines would also go ahead

The formula was proposed by the Marais Committee on Mining Taxation

The mining industry expressed cautious optimism about its reduced tax burden but its response was mixed with some disappointment that the Budget made no mention of relaxing ring-fencing

Chamber of Mines president Clive Knobbs last night welcomed the decision to implement fully the lower tax formula for gold mines immediately instead of reducing it gradually as visualised by the Marais Committee

The lower tax formula was proposed by the technical committee on mining taxation last year The new formula is estimated to reduce the industry's tax burden by about 20% Gold mines were being taxed at rates as high as 70% under the old formula, but this drops to about 50% under the new formula

The Budget proposed the surcharge on non-gold mines be reduced to 6% from 9% In addition, the mines could benefit from the reduction in company tax (excluding gold mines) to 48% from 50% This means their total tax has been reduced to 50,88% from 54,5%

These proposals mean an estimated tax forfeiture of R49m for the 1991/92 tax year, Du Plessis said He expected these reductions to result in a 20% drop in income collection from gold mines and 22% from non-gold mines

Knobbs said the mining industry welcomed the reduction of import surcharges on capital goods to 5% from 10% and on intermediate goods to 5% from 7,5%

PETROL .. down 5c a litre. Picture ROBERT BOTHA

Prepare the balance sheet of Dr Albert Hyde at 1 July 19X5 and show successive balance sheets after each transaction.

NOTE·

The purpose of this exercise is to show how a balance sheet is altered each time a transaction takes place so DO NOT RECORD THE TRANSACTIONS IN LEDGER ACCOUNTS.

COMPANIES

214

Gold profits fall further behind the rest

B Day 21/3/91

MATTHEW CURTIN

The profitability of SA's non-gold mines has bettered that of gold mines for the second consecutive year, and the gap continues to widen figures just published by the Central Statistical Service (CSS) show

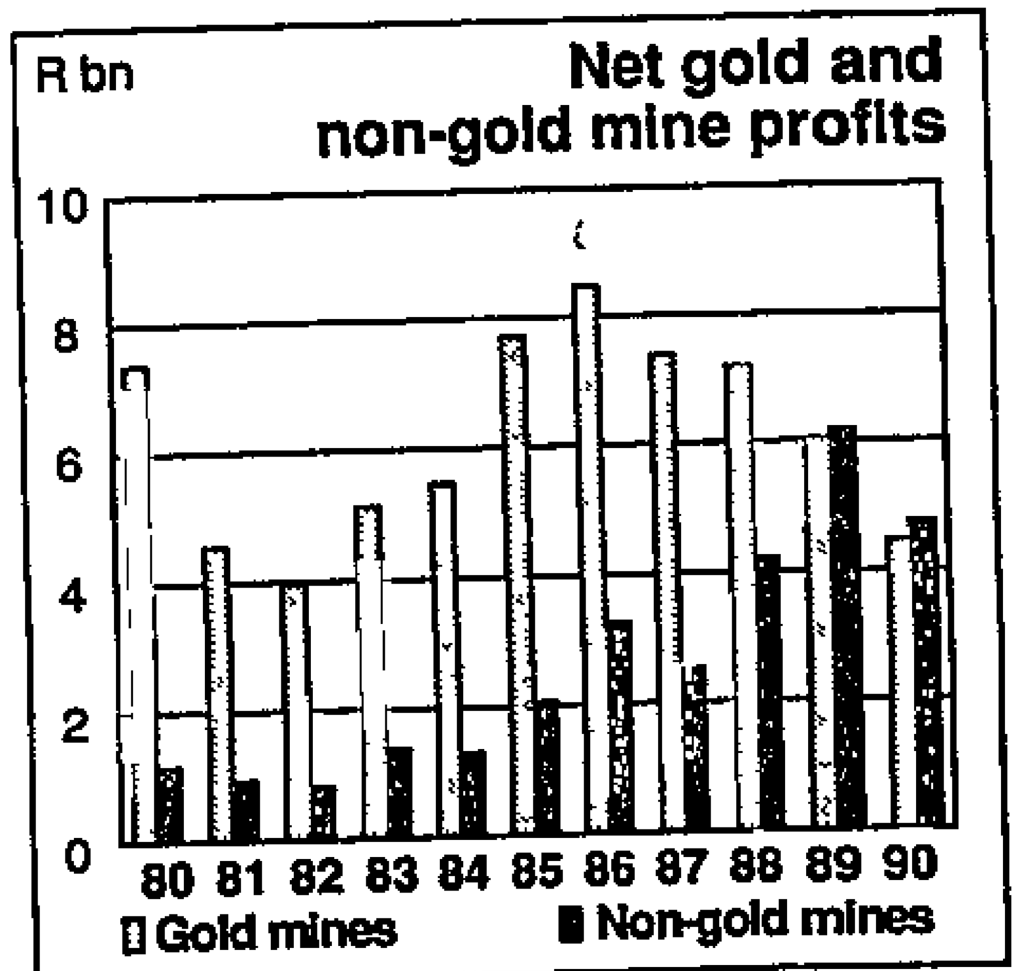
CSS statistics released this week showed total net profits for non-gold mines were 3,4% better than those of gold mines in 1990, compared with 1,8% better in 1989 That was the first time non-gold profits had exceeded gold's In 1988, gold mining profits were about 27% better than those of non-gold mines

The CSS said the net profits of gold mines in 1990 were at their lowest level for eight years, a 14,4% drop since 1983

Profits from all SA's mining operations were at their lowest level since 1985

Chamber of Mines economist Ivor Leibowitz said yesterday the figures were no surprise Gross profits from the chamber's gold mines had fallen 22% to R5,5bn, from R6,9bn in 1989 and by 32% to R3,7bn last year

He said if gold mines had not controlled costs so successfully recently, the relative performance of the sector would have been much worse



Graphic: FIONA KRISCH Source CSS

The industry could not survive in its present state While the profitable end of the industry was still highly lucrative, 20% of gold mines would face forced closure by the mid-90s before the industry faced a general recovery

Coal producers enjoyed increasing export sales revenue, and he estimated platinum profits were holding their own, with greater volumes offsetting a low but stable price

Gengold CE Gary Maude said yesterday figures showing gold mining's relative decline in profitability were not unexpected

He said they "highlighted the fact the gold mining industry is in the most difficult cost squeeze since the 1930s" but the mines' performance in 1990 did not necessarily mark a permanent shift away from gold

There was no doubt SA's mining industry had become "more balanced and sophisticated" in the last 15 years

The industry was selling a better range of products, and SA was no longer "a gold-first society"

Traditionally, industrial boom conditions in the West stimulated demand for industrial metals, while recession favoured demand for gold

However, Maude expected gold's "contra-cyclical" character would re-establish itself in the 1990s

In real terms today's gold price was below the low price range of the late 1960s, and because high grade ore had been mined consistently since then, the industry was caught between the poor price, falling yields and rising costs

Anglo American gold and uranium division chairman Clem Sunter said yesterday Anglo believed "tough times are leading to changes in work practices and relationships between management, unions and employees (on the gold mines) which will ensure that gold continues to be a flywheel of the SA economy"

Davis Borkum Hare analyst David Geise said yesterday the better profitability of SA's base metal and other mineral operations in comparison with gold mining "had been coming for some time, a shift encouraged by government, keen on diversification in the mining sector"

He said the gold market was not critically affected by supply and demand in the same way industrial minerals were

Coal producers, for example, had been able to assist the coal price by marketing a range of products and guaranteeing a stable supply

The price of gold was unlikely to break out of its current range because of the sophisticated array of forward-selling financial instruments (futures and options) in play which capped the metal's price

Gold might nevertheless come into its own by 1992 as costs levelled out in SA while local, American and Australian gold production slowed down

The CSS said gold mining profits dropped 26,2% in 1990, other mines' (including strategic minerals like platinum) profits fell 14,9%, while the net profits of coal mines rose 17,4%. Mining profits fell 25,1% between 1989 and 1990, to R8,97bn from R11,0bn

Minorco in $108-m German aggregate venture

Star 21/3/91 (214)

By Derek Tommey

Anglo American's offshore arm, Minorco, has scored a coup

Foiled in its bid two years ago for Consgold and its highly lucrative British subsidiary ARC sand and gravel business, it is buying the German equivalent — and for far less than it was prepared to pay for Consgold.

To rub in the triumph, it has recruited Geoff Mortimer, managing director of ARC, to run its German operations

Minorco reports that it has reached agreement in principle with the Treuhandanstalt — the German government body responsible for the privatisation of East German businesses — to acquire Elbekies GmbH Muhlberg-Prettin, together with mineral working rights to 230 million tons of sand and gravel

It is paying Dm 178 million (about $108 million) in cash The transaction is subject to the necessary regulatory approvals

Minorco has established a new wholly-owned subsidiary in German to hold Elbekies and any other acquisitions it may make in the building materials industry

Roger Phillimore, joint managing director of Minorco, says the acquisition represents a first and a major step for Minorco in the aggregate industry in continental Europe

Minorco will invest new capital in Elbekies to improve efficiency and increase production in line with the expected growth in demand

He says Minorco is also conscious of its social responsibilities In view of the growing unemployment in the area it will aim to avoid redundancies through expansion of the business into a range of related downstream activities and greater use of road transport

The operations are located on the River Elbenear and the towns of Muhlberg and Prettin, about 120km south of Berlin They are linked to rail and barge networks which provide inexpensive and efficient access to the major regional markets.

They comprise three large wet workings from which sand and gravel are mined by clam-shell dredges, some of which have on-board screening plants while others supply shore-based processing installations

Elbekies produced 4,6 million tons of sand and gravel and for many years has been the principal supplier to the major cities in the region, including Berlin

The operations are well placed to benefit from the high rates of construction activity expected in Berlin in the 1990s arising from that city's new capital status, as well as from major construction work to modernise the former East Germany

Lower rate of tax on gold mines welcomed

Finance Staff Star 21/3/91

President of the Chamber of Mines Clive Knobbs has welcomed the decision announced in the Budget to fully implement the lower rate of formula tax for gold mines

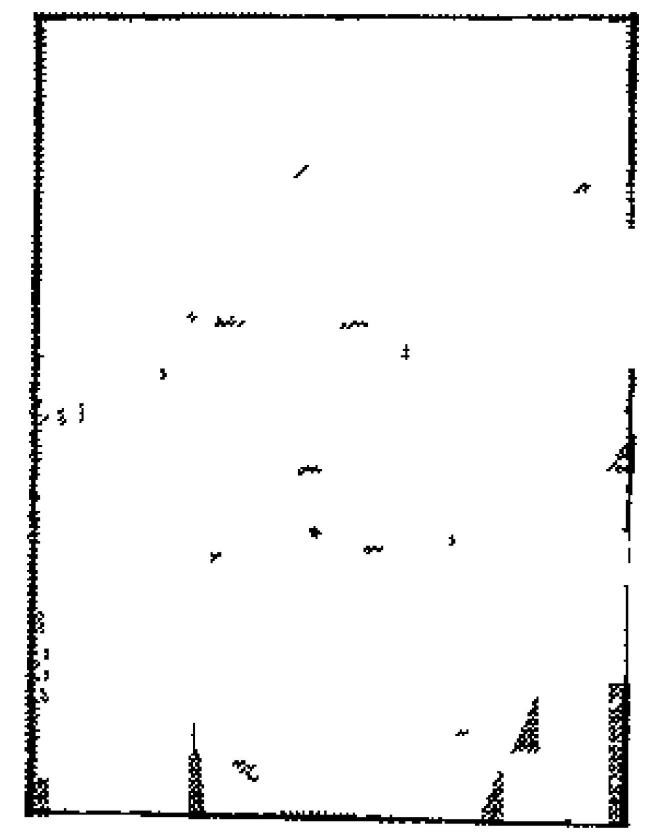
He said the industry was pleased by this move because it provided, immediately rather than gradually, for the introduction of the lower formula tax as visualised by the Marais Committee on Mining Taxation

He also welcomed the continuing commitment to reducing the surcharge payable by non-gold mines

Mr Knobbs said the mining industry was encouraged by the reduction of the import surcharge on capital goods from 10 to five percent and on intermediate goods from 7,5 percent to five percent (214)

However, the industry looked forward to its total abolition in due course

Referring to VAT, Mr Knobbs said the industry was pleased to note the decision that full input credit for capital goods would be given from day one of the implementation of the new tax



Clive Knobbs

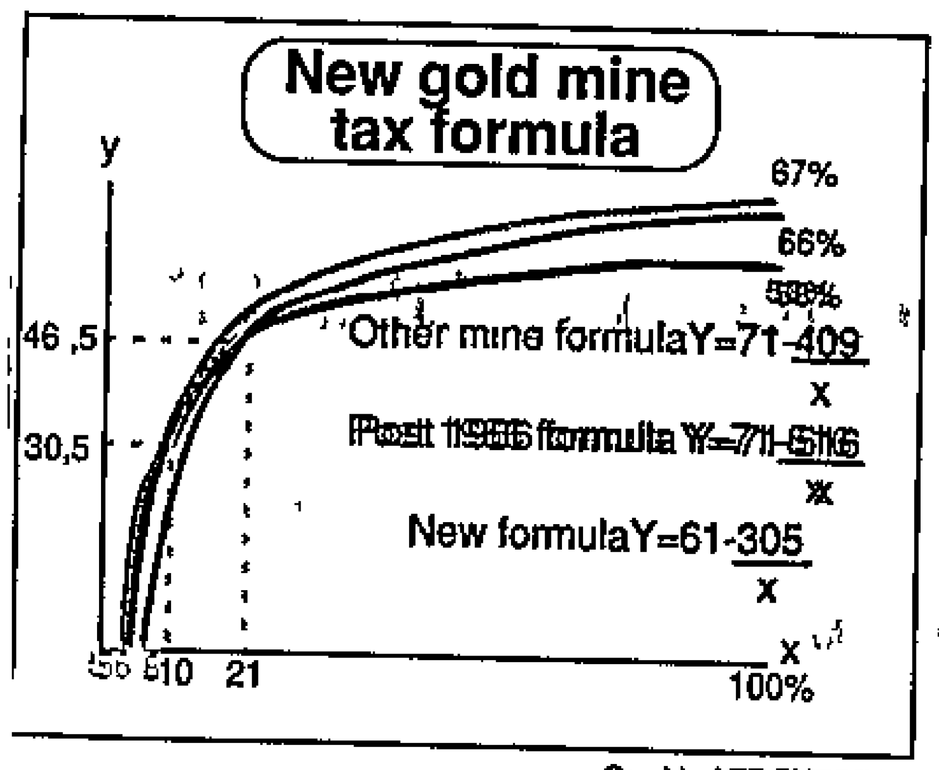
Some mines' tax will go up

B Day 22/3/91

ROBERT LAING

INSTEAD of paying less tax in terms of the new tax formula announced in the Budget, the average gold mine will pay slightly more, closer examination of the new formula shows And fewer marginal mines can escape in the "tax tunnel"

Gold mines are taxed according to a government formula which varies according to a mine's profitability



Graphic LEE EMERTON

All gold mines will have one formula from now on (214)

While the upper tax limit of very profitable mines has been reduced by about 8%, post-1966 mines which have a profitability factor of less than 21% will pay more.

Since average profitability of Chamber of Mines gold mines is 18%, most mines' tax burdens will increase

Under the old system, post-1966 mines did not have to pay tax if their profitability was under 7% and other mines if it was under 6% The new formula reduces the "tax tunnel" to 5% for all gold mines, forcing more marginal mines to pay tax

The average 18%-rated mine will have a 44% tax rate, up from 42%

Anglo American group tax consultant Marius van Blerck said previously untaxed marginal mines would now be taxed. However, low profit mines were still better off than if a flat tax rate were applied

Anglo man for top Chamber of Mines job

B/Day 22/3/91

MATTHEW CURTIN and VERA VON LIERES (214)

FORMER Anglo American gold and uranium division public affairs manager Adrian du Plessis had taken charge of industrial relations at the Chamber of Mines, a chamber spokesman said yesterday

He said Du Plessis had been appointed industrial relations GM, a post most recently filled by Johan Liebenberg, currently the chamber's external affairs senior GM

Du Plessis spent two and a half years working on labour affairs on diamond mines in Namibia and Botswana, and seven years in Anglo's industrial relations department, before moving to the gold division's public affairs department in 1989

Du Plessis said yesterday mining was facing "the toughest of times", but he was confident the chamber and unions could "find common cause on fundamental issues".

LABOUR

W Mail 22/3-27/3/91.

Gold mines warn of low pay rises

214

Tough times in the gold mining industry mean this year's pay increases will probably be small. But employers may head off labour conflict with other concessions to the unions, reports **DREW FORREST**

THE Chamber of Mines fears 40 000 more jobs could be shed this year on the stricken goldmines and has warned of "very low" increases in upcoming annual wage talks

But in a significant gesture, the chamber's senior general manager of external relations, Johann Liebenberg, also emphasised employers were seeking co-operation with unions "to help the industry through difficult times"

The chamber has asked the National Union of Mineworkers to a briefing on the state of the industry today Its likely aim will be to urge pay restraint and head off the labour conflict low increases could spark.

Unionists are picking up hints that because there is little scope for wage bargaining this year, employers may offer to broaden the industry forum to cover non-wage issues such as union organising rights and the hostel regime

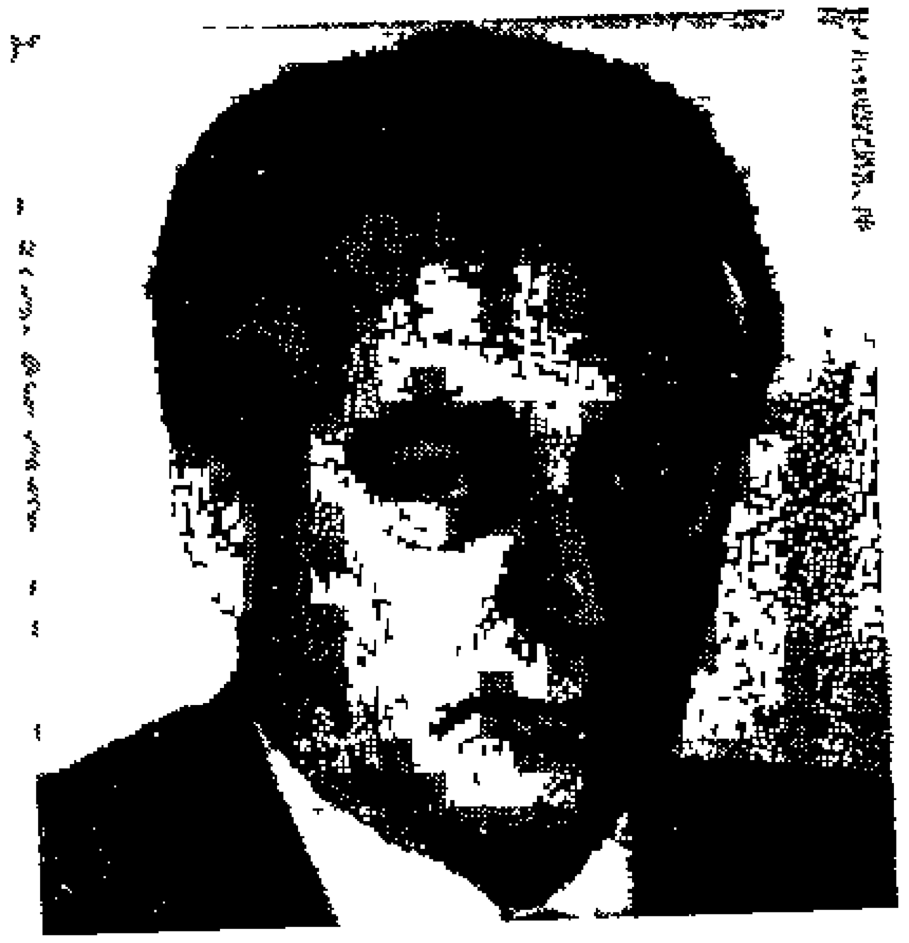
A more participative approach to the crisis is clearly emerging on individual mines — novel retrenchment deals have been struck and the Harmony mine recently offered ground-breaking union rights in a quest for labour peace

But the NUM insists an industry-level approach is needed, proposing among other things a central retraining fund and a union role in any industrial restructuring

Liebenberg suggested the chamber might be open to such talks "Very little has been articulated to us at mine, company or industry level, but let's hear the NUM's proposals and consider them "

The NUM remains sceptical Pointing to the chamber's rejection of a proposed mining-wide retrenchment regime (see accompanying story), the union's Marcel Golding said "On many issues, there is clash between what industry spokesmen say and industry practice "

Quoting a letter by chamber president Clive Knobbs to mining unions in January, which warned that anything but very low pay rises would put mines in jeopardy, Liebenberg said a further 40 000 jobs could be lost on the gold mines this year.



Chamber official Johann Liebenberg -- seeking the co-operation of unions

Employment had fallen from 525 000 in 1987 to 440 000 at the end of 1990 and "downscaling" was accelerating. With high cost inflation and a stagnant gold price, 18 of the chamber's 33 gold mines were operating at a loss and the first mine closures were anticipated.

A pointer to employer intentions has been given by Gengold's Gary Maude, who recently told the press his company was planning for a six to eight percent wage rise. Describing industrial action over pay as "a possibility, even a probability", Liebenberg warned that it would further damage the mines and threaten jobs.

On standing NUM demands for a uniform pay scale — rates currently vary across the mining houses, reflecting uneven unionisation — Liebenberg said the chamber accepted the principle but that low increases this year would leave little room for progress. "It also requires something special from the NUM," he added. "They ask for a uniform offer, but any catch-up will mean higher increases on some mines."

Caution was also needed on the demand for wage parity between gold and coal mine workers. Although less hard-pressed, coal exporters faced stiff competition from other producing countries, where working costs were rising less sharply.

Joel's riding it out on rubber tyres

216

S Times 24/3/91.

PROPER investment perspective should avoid premature rubbishing of new mines

Five years ago the Johnnies-managed HJ Joel gold mine was floated on the JSE amid a wave of euphoria

There were sniggers that Gencor's neighbouring Beatrix was a dead loss and that Joel had got the best of the reefs etc, etc

That was in the pre-Derek Keys days when Gencor could not do a thing to satisfy investors Johnnies was in the capable hands of Gordon Waddell and could do no wrong

But now Beatrix has proved itself to be a super mine, whereas Joel's investors have had a rough ride

The drilling to prove Joel's ore reserves gave little indication of extensive faulting in the area

The shafts were sited at a place where the reef had thinned to a few centimetres instead of the few metres on which Joel's trackless mining plans had been built.

It was harsh punishment for pioneering non-conventional mining methods

The first grades were well below expectations These bad vibes were reflected nowhere more than in the share price, which dived from the peak of R26 in mid-1987 to the present 320c

There was talk that the Johnnies men who compiled the initial ore reserves estimates had been fired

Then came the closure at Johnnies' West Rand mine Randfontein Estates of the Doornkop section after only a few years' operation

Consulting engineer Con Fauconnier and general manager Bill Conn spoke to me this week about Joel both in retrospect and about prospects

Dr Fauconnier says trackless mining has proved to be the right choice It offers flexibility when faulting is encountered

The gradient limitations applying to rail track do not apply to rubber-tyred vehicles The reef can be picked up again more easily

Three years ago mine management decided to strike out both to the west towards Beatrix, and to the east and the major De Bron fault The idea was to open up the orebody as much as possible

The past three quarters have yielded rewards — development results over 2,5km are higher than the average of the whole orebody Even in the central section the results are looking better and the average reef width is nearly a metre

Tonnage has been built up to 80 000 a month, the plant's designated capacity Management is confident that the throughput can be raised to 90 000 tons without costing much

Unit costs are on the downtrend With fixed overheads accounting for a high proportion, a 12% rise in tonnage should lead to greater cost efficiency

"There are two important points with trackless mining — experience and tonnage," says Dr Fauconnier

Johnnies has extensive experience in trackless coal mining, Joel needs to build up tons produced

Consideration is being given to expansion at the mine, but the funding has not been decided on The company's debt is R10-million off balance sheet and R150-million in prefs to JCI

A rights issue at such a low share price could be an expensive way to bring in capital

Mr Conn believes Joel has been through the worst, but warns that much depends on the gold price More than R600-million has been invested, but the mine is capitalised on the JSE at half that

The mine should reach breakeven at the operating level by mid-year, and after capex by the fourth quarter Bridging finance will be needed until then

Dr Fauconnier says Joel is a professional operation, but its future hinges on the gold price

Low gold brakes Amic

S/Times 24/3/91

By JULIE WALKER

THE GOLD price affects the whole economy — witness Amic's annual report.

Chairman Graham Boustred says in his statement that at the current gold price of R30 400 a kilogram several mines are incurring losses and face shaft closures

"Many of Amic's subsidiaries and associates are important suppliers to the gold-mining industry and any significant closures and consequent reductions in tonnages mined and milled would have an immediate impact on those operations"

(214)

Biggest

Mr Boustred says Amic will do well to maintain earnings at the 1990 level Earnings a share peaked in 1989 at 1 180c after uninterrupted increases since 1984 The dividend was maintained at 350c

AECI was the biggest contributor to Amic, followed by Scaw and Highveld Steel & Vanadium, Boart, Mondi and Tongaat-Hulett Highveld was by far the biggest last year

More than 25 000 jobs were lost in iron, steel and engineering and Amic expects more this year unless wage restraint is exercised

WRAP-UP

All smiles as struggling gold mines get tax relief

S/Times 24/3/91 (214)

KEN WALTON Hardly surprising that they're so happy

IF ANYONE is smiling after the mixed Budget, it should the battered mining industry.

For the first time in years it will be a major beneficiary of Mr Du Plessis' package to encourage industry and boost job creation.

The relief comes at the right time for the gold-mining industry in particular It has been squeezed by sharply rising production costs and a depressed gold price

Four small mines have closed or been put into mothballs Only two of the world's lowest-cost gold producers are South African and the Chamber of Mines has warned that up to 40 000 jobs could be lost in the industry this year. Thousands have already been laid off.

At least 17 big producers are not breaking even at the current gold price and three others are vulnerable at between $340 an ounce and $350 At least another 12 small mines are just in the balance

One of the biggest gains for the industry will come from the change in mining income tax

Mr Du Plessis surprised the industry when he announced that the Marais committee's proposals on mining taxation, which had been due to be phased in over several years,

Business Times Reporter

would be put into full force this year.

The Government expects to collect in aggregate 20% less tax from gold mines, although this is largely because of lower profits, says Ernst & Young tax partner Ken Walton

The reduction of the maximum theoritcal marginal rate to 57,95% will cost the Government about R15-million.

Sums

The loss of revenue from other mines will be about R34-million because of the reduction in the basic rate and the surcharge The maximum marginal rate for these mines in now 50,88%, says Mr Walton.

Gengold's Gary Maude says the tax changes will not have a big impact on mines in the group.

"Basically, the more profitable mines will pay a little less tax, while the more marginal ones will pay a little more

"We have done our sums and our less-profitable producers will pay between R100 000 and R200 000 more a year."

Mr Maude says the biggest disappointment is that Mr Du Plessis did not touch on ring-fencing

"Basically, the industry needs to be encouraged to develop mines, and if we had reverted to the old tax structures covering new mines development would have got moving again."

Chamber of Mines president Clive Knobbs welcomes the decision to fully implement the lower rate of formula tax for gold mines and the continuing commitment to reducing the surcharge payable by non-gold mines

This has been cut to 6% on the lowered rate of company tax.

"We also welcome the fact that the Government remains committed to reducing the rate of inflation which has had a particularly adverse effect on mine working costs over the years," says Mr Knobbs.

Mines will also benefit from the cut in import surcharges from 10% to 5% Many mines which decided to switch the emphasis to mechanical mining in an effort to control cost increases were seriously hit when the import surcharge was introduced because much of the sophisticated equipment is imported.

"Mines can also look forward to the total removal of the surcharge before too long," says Mr Walton.

"Paradoxically, the yield from the import surcharge is excepected to rise by nearly 4% to R2,16-billion in the current year in spite of the reduction of the rate on capital and intermediate goods."

He says the most welcome news for the mines is that they will be able to claim a full credit for the input tax paid on capital purchases.

"It was expected that the credit would be phased in over four years, which would have complicated accounting for VAT."

Mr Walton says VAT has another big advantage over GST for the mining industry

Safety

Exemptions from GST are essentially limited to purchases of safety equipment, explosives and certain repair and maintenance services

"It has been estimated that these exemptions represent less than 20% of working costs. When VAT comes into effect a full credit will become available for all mining stores.

"The result is that gold and exporting mines will receive a significant VAT refund each month from the Receiver It's hardly surprising the mining industry is happy," says Mr Walton.

Gold mining profits down 23 pc — Knobbs

Star 25/3/91

(214)

The gold mining industry was in the grip of probably the most critical financial situation since gold was discovered on the Witwatersrand more than 100 years ago, Chamber of Mines president Clive Knobbs said at the weekend

He told the annual meeting of the Association of Mine Managers total gold mining profits in 1990 were down by about 23 percent from 1989 and the state's share of profits through taxation had dropped by more than 40 percent

This situation posed a threat to the survival of many gold mines, due largely to the mining industry having little control over the price of its gold

"Unlike a service, retail or manufacturing operation we cannot offset the effects of ascending costs by simply increasing the price of the product we provide to the consumer

"This has been the principal cause of the unhealthy predicament the gold mining industry now finds itself in "

While working costs had escalated, the gold price had fallen in real terms by 40 percent in the past three years

The attempt to keep pay increases within affordable limits, bearing in mind that they made up more than half of working costs, would demand relentless pursuit in the 1991 wage negotiations — Sapa

Gold's plunge brings gloom

80 000 more mining jobs under threat

B|Day 26|3|91. (214)

DARIUS SANAI and MATTHEW CURTIN

A FURTHER 80 000 jobs could be lost in the gold mining industry this year if gold prices do not recover, Gengold MD Gary Maude said yesterday.

Maude's prediction came after Chamber of Mines president Clive Knobbs said on Sunday there had already been a reduction of more than 80 000 in the number of gold mining employees. Current employment in the industry is 453 000

Knobbs said more than 190 000 miners — or 45% of the workforce — were employed on mines which were unprofitable at current gold prices.

He said limits on wage increases would have to be "pursued relentlessly"

Maude said the Vaal reef was almost exhausted and its mines would soon have to close down regardless of the gold price.

Gold closed in London last night at $359,50, down from Friday's $362,80. The weak bullion price pulled the JSE's all gold index down 39 points to breach a new low of 1 003. The overall index fell 19 points to 2 910, just off its previous 2 909 low.

He added the extent of job losses would depend on the gold price and on wage demands, but a prediction of another 80 000 losses was "reasonable", at present.

Gengold would probably lose 10 000 workers through retrenching and not replacing retirees this year, to reduce the workforce to 48 000, almost half the number employed in July 1988.

A Rand Mines spokesman said the company had retrenched 37 000 gold mine employees in the last two years and future retrenchments were "inevitable" if the gold price did not recover.

Other mining companies said large scale retrenchments were possible but by no means certain.

Neither JCI nor Anglo American would say whether retrenchments were planned, but emphasised the importance of prices and wage demands in decision-making.

A Goldfields spokesman said cutbacks at certain mines were being discussed.

Industry observers said yesterday Knobbs's speech had not taken the market by surprise.

Edey Rogers analyst Gordon Gray said it marked the first coherent description of the problems facing the gold mines from the official industry perspective.

The chamber traditionally took a stance on conditions in the industry before annual wage negotiations, and the threat of 190 000 possible retrenehments at marginal mines was a "worst case scenario"

Gray said the unions still faced a difficult equation, of weighing up large pay demands against job security.

Simpson and McKie analyst Rodney Yaldwyn said Knobbs's speech carried a message for government, that unless action was taken in the industry's favour — by readjusting the exchange rate and weakening the rand — there would be significant job losses in SA's main industry.

David Borkum Hare analyst David Geise said the timing of the speech was part of the industrial relations calender, but its main message was for government

☐ To Page 2

Gold mines

B|Day 26|3|91. (214)

☐ From Page 1

VERA VON LIERES reports the that NUM said yesterday it was sceptical of Knobbs's calls for greater co-operation between management and employees as union attempts to address questions of retrenchments and restructuring in the past had been "rebuffed"

NUM assistant general secreatry Marcel Golding said the chamber was making a public plea for co-operation while the union had been sensitive to the issue two years ago

NUM official Jerry Majatladi said yesterday Knobbs's comments formed part of the chamber's regular pre-negotiations propaganda campaign

He said the union had an important responsibility to ensure members were not paid starvation wages

It's make or break for ERPM

BDay 27/3/91.

MATTHEW CURTIN

RAND MINES' debt-ridden East Rand Proprietary Mines (ERPM) gold operation is fast approaching the final make or break point with the imminent commissioning of the mine's Far East Vertical Shaft, on which its hopes are pinned

ERPM's debts have passed R400m in five years, and interest payments are running at more than R10m a quarter.

Government assistance to ERPM has been granted on the basis of the development of the shaft, which will greatly facilitate exploitation of high grade ore, detected by assays in the early '80s, around an existing sub-vertical shaft which has been a minor producer in the past

ERPM was granted a R200m loan to develop the shaft by a consortium of banks after government guaranteed the loan in October 1986 Government extended its guarantee to R220m in January 1989, and accepted the recommendations of the Melamet commission last year to make available up to R33m to ERPM after January 1993 to meet deferred interest payments on loans

The mine has cut working costs radically, reducing its workforce by 75% in four years, and in the December quarter was able to post a R1m working loss against a R5m loss the previous quarter

214

Expectations

The improved performance, depite a drop in the average gold yield, was also the result of successful gold hedging

The Melamet commission based its rescue plan on a gold price of R30 500/kg for 1990, R34 200 for 1991, and R42 000 for 1992, then increasing in line with SA inflation In the December quarter, ERPM was able to match these expectations by hedging

Yesterday, the price of gold stood at around the R31 1000/kg mark and analysts said that should the gold price not recover substantially in line with the commission's assumptions, development of the Far East Vertical Shaft would not save the mine

Fergusson Brothers analyst Mark Madeyski said yesterday the commissioning of the shaft was only the beginning of the development of the area before production

"It's not like opening a tap," he said

ERPM MD Karl Eick, credited with managing the dramatic recent savings at the mine, has said "If we go on showing no profit over the next two years, there would be no scope for renegotiating a financial package"

Gold mine charged with bias

214

Sowetan 27/3/91.

THE Fumani gold mine in Gazankulu has been rocked by allegations of racial bias.

Black workers have accused the mine management of discrimination, citing differing treatment afforded a white and black worker accused of theft.

At the weekend, black miner Philemon Sithole was arrested by mine security for allegedly stealing a bar of gold.

Mine management immediately referred the case to the Malamulele magistrates court, where a case of theft is pending against Sithole.

Soon after, a white supervisor was arrested by security guards who found him in possession of various mine property.

But management did not prosecute, saying the man was checking out the vigilance of security guards.

Last week, suspicion about the man again surfaced when he allegedly slapped a labourer.

Management later appealed to workers to forget the incident.

Racial

Allegations of racial discrimination have also been levelled at management at the headquarters of the Giyani-based Gazankulu Development Corporation, which owns the mine

The alleged theft incidents have aggravated other grievances among black workers.

They allege, for example, that blacks with B Comms are regarded as assistant accountants while whites with no degrees are above them.

GDC managing director Mr Don le Roux denied allegations of racial discrimination

He said that management conducted independent hearings in the cases involving the white worker and Mr Sithole and that each case was treated according to its merits.

"The hearings were conducted in terms of strict procedures and the issues were resolved to the best satisfaction of everyone concerned," said Le Roux.

He also strongly denied allegations that whites without the necessary qualifications were placed above black staff with degrees. - *Sapa*

MINING NEWS 28/3/91

ERPM, Durban Deep on road to recovery

214

From DEREK TOMMEY

JOHANNESBURG — Rand Mines' two problem gold mines, ERPM and Durban Deep, are on the road to recovery, in spite the current low gold price

Chairman Clive Knobbs reports considerable improvements in ERPM's operations in his annual statement to shareholders, though the mine is yet to show a profit But he says a further improvement in results can be expected from the third quarter

As a result of a far-reaching rationalisation programme and tight management, Durban Deep was one of the success stories of South Africa's beleaguered gold mining industry in 1990, says Mr Knobbs.

Its earnings swung around almost R30 million from a loss of R18,3million to a profit of R11,2million In addition, it earned R18,7million from the sale of land

But Mr Knobbs says the continuing weak gold price is of major concern However, he expects the jewellery industry, which performed well in the 1980s to provide strong support for gold at the lower price levels

He expects that world gold supply will start to level off as many newly developed mines elsewhere in the world reach full production and South African output continues to decline

The rationalisation of operations at ERPM reduced working costs last year by 30 percent from R47123 a kilogram in the first quarter to R32934 in the fourth quarter. Working expenditure dropped by 25 percent but working revenue fell 27 percent after the closure of certain sections

In the light of this, the stagnant gold price and the high cost of the rationalisation plan, the company was able to reduce its working loss by only 10 percent to R33,5million This loss was partially financed by the sale of sands and slimes dams for R27,6million

Mr Knobbs says the completion of the Far East Vertical Shaft should produce benefits from the third quarter of the year

Gold production, which was sharply reduced last year, is expected to recover this year to 6000kg An amount of 1565kg has been sold forward at a price of R33400 a kg.

However, Mr Knobbs warns that at the present gold price of about R31000 a kg it will again be a difficult year for ERPM Costs will have to be cut and better efficiency achieved if it is to make a working profit

ERPM's borrowings rose R96million to R402million This, and higher interest rates, resulted in net interest paid or deferred rising from R17,1million to R37,8million

The mine's survival has not been without human cost Mr Knobbs says the rationalisation plan led to a reduction in the mine's labour complement from 10283 to 5541.

Highlights of Durban Deep's operations were repayment of its medium-term bank loan and the 17 percent decrease in working costs a kilogram from both surface and underground operations

Brighter outlook for ERPM, Durban Deep

Star 28/3/91

(214)

By Derek Tommey

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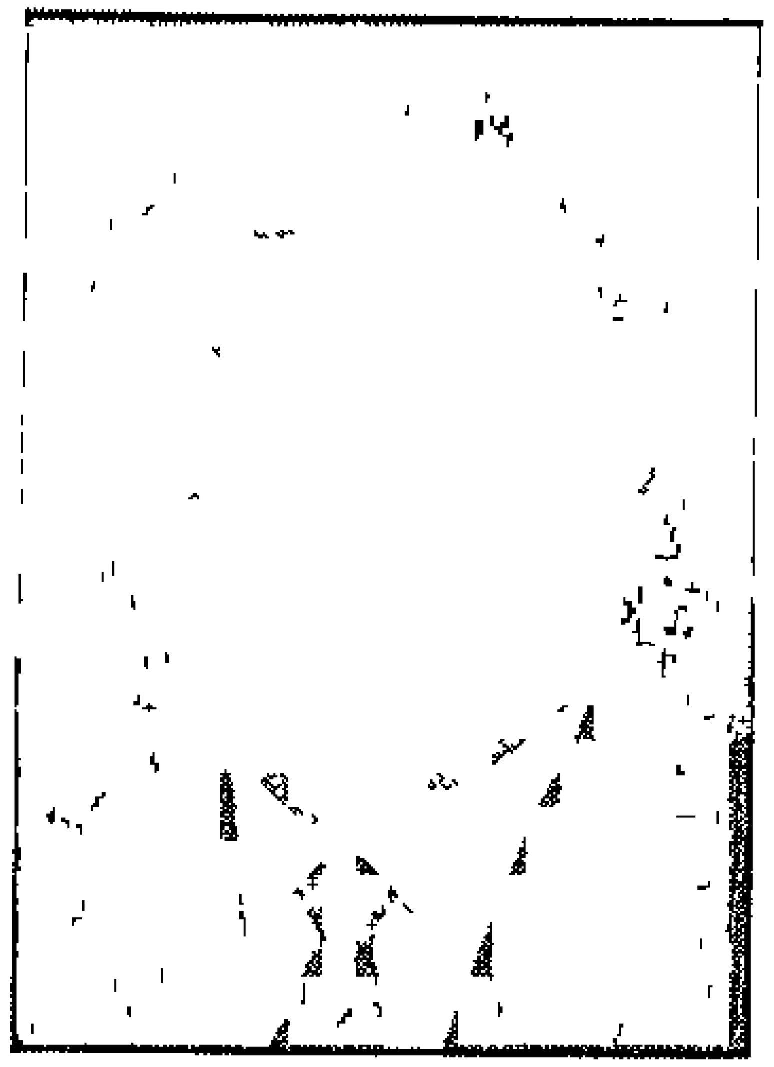

Clive Knobbs slashing working costs

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Although Mr Knobbs does not say it, the mine will need more than a small working profit if it is to survive

It will also have to earn enough to cover its interest payments and start reducing borrowings

Mr Knobbs says ERPM's borrowings rose R96 million to R402 million This, and higher interest rates, resulted in net interest paid or deferred rising from R17,1 million to R37,8 million

ERPM's survival has not been without human cost

Mr Knobbs says the rationalisation plan led to a reduction in the mine's labour complement from 10 283 to 5 541

Retrenchments were kept to a minimum and some of the employees re-deployed to other Rand Mines operations or elsewhere in the industry

Capital expenditure at ERPM will amount to R10,2 million this year

Highlights of Durban Deep's operations were repayment of its medium-term bank loan and the 17 percent decrease in working costs a kilogram from both surface and underground operations

Mr Knobbs says that while Durban Deep is in a stronger position that a year ago, it remains vulnerable to any adverse changes in production and gold price

It has sold forward 1 152 kilograms of gold at an average price of R35 949

Capital expenditure for 1991 is estimated at R8,0 million

GOLD MINING

CHAMBER of Mines president Clive Knobbs said this week that South Africa's gold mining industry was in the grip of the worst financial crisis since its inception over 100 years ago. U|May 28|3 - 4|4|91

Knobbs told an Association of Mine Managers annual meeting that total profits in Chamber gold mines were down by about 23 percent in 1990, compared with 1989's figure (214)

"The gold price has actually declined, in real terms, by at least 40 percent during the past three years," he said He added that cost profiles for the mines showed only about 60 percent of gold production came from mines making a profit at the present price of R30 000/kg and 45 percent of the existing labour force (190 000 people) were employed on unprofitable mines.

... FOCUS ON GOLD MINING

- flesh and blood behind the statistics

w/m a/ 28/3 -4/4/91 214

who feels "very bad" about depending on his wife, a worker in "the kitchens" in Johannesburg's northern suburbs He also worries about how he will pay the fees of his brother, a trainee actor, and his large family in Taung, Bophuthatswana — "they always phone about problems with money"

Apart from the loss of members, retrenchments can have a severely debilitating effect on unions At Rand Leases, where key leaders came under the axe, NUM is now weak and inactive, according to Sotshantsha

But there is one bright spot in this sombre tableau the crisis in gold is driving mine employers, historically among South Africa's toughest, towards a more co-operative relationship with NUM

At Harmony, the scene of fierce conflict last year, management has offered NUM an enticing package — including the first full-time shaft-stewards on the gold mines and a programme of black advancement — in a bid to foster the labour stability needed for survival

And late last year, the union struck a trailblazing retrenchment deal with Anglo American's Freegold South embracing extended leave to save jobs and a R1-million job creation fund The agreement is seen as a model, and work creation funds have been agreed in other negotiations

But these are company breakthroughs — at industry level, where the union is convinced the crisis must be tackled, employers are more equivocal.

Last year NUM tabled an industry retrenchment agreement, a mix of short-term palliatives and long-term restructuring proposals, including a union role in rebuilding the industry and devising cost-cutting measures It has also argued for a jointly managed central retraining fund for the unskilled and a "war chest", a strategic reserve to cushion workers against price wobbles.

The chamber has set its face against a mining-wide retrenchment regime, reasoning that the issue is highly specific to individual mines But there are signs of a newfound readiness to talk turkey

In an interview, senior chamber executive Johann Liebenberg said nothing detailed had been put to employers at any level "And some of NUM's ideas, for example the 'war chest', do not seem to have been thought through By investing in expansion and improving equipment, mines are already using the fat years to stock up for the lean "

But in a significant gesture, he added "With the industry in its current position, let's hear what NUM has to say and consider it "

For Sotshaptsha, as no doubt many other "retrenchees", it is the government which must staunch the haemorrhage of mining employment "Management must ask the government for help to keep the mines going," he says

Their jobs are in jeopardy, their future uncertain as the gold price falls and gold mining becomes more expensive

Photographs: JUSTIN SHOLK

Gold has its back

A declining SA industry faces biggesi

Star 30/3/91

Star 30/3/91

MARK SUZMAN 2/4

MORE than 60 years ago Jan Smuts described gold as the lifeblood of South Africa — and so it has been

Since the formation of the country in 1910, and even before, the gold industry has traditionally been South Africa's biggest employer, biggest foreign exchange earner and biggest taxpayer

But no longer Exactly a year ago today, Kennedy Maxwell, then President of the Chamber of Mines, sounded the first public warning that all was not well in the gold industry

Speaking at the Association of Mine Managers, he stated simply, "The 1980s were something of a disaster for gold mining"

Detailing a variety of pressures on the industry, he observed that during that decade South Africa's gold mines moved from being the lowest-cost gold producers in the world to the highest.

"The message is clear," he declared "We are simply going to have to find ways of further improving our productivity and efficiency"

Today the situation is even worse Last weekend, Mr Kennedy's successor at the Chamber, Clive Knobbs, warned that the gold industry is now in the grip of the most critical financial crisis in its history

And, while the mines' predictions of doom have long been ignored, there is no denying the gravity of the current situation

South African gold production has shrunk to less than 40 percent of total world production compared to nearly 80 percent in the early 1970s

Net investment in capital stock in the industry has been reduced from around 14 percent of GDP through much of the 1970s to less than 4 percent.

The gold mines' share of government revenue has dropped from a consistent 15 percent (over 25 percent in 1980) to around 0,8 percent in the latest Budget And this grim litany of woe seems set to continue unless there is an upturn in the gold price

Industry analysts say the current low price (about $357 an ounce) has been the cumulative result of a number of factors Most conspicuous among these is the massive increase in world-wide gold production outside of South Africa, with the overall gold market rising from around 1 300 tons in 1980 to 2 000 tons in 1989

At the same time gold's traditional role as a hedge against inflation has diminished as most Western countries successfully followed strict anti-inflationary policies in the 1980s

The combination of these two events has meant that gold can no longer be relied on to respond to international crises with huge price gains — a fact all too evident in the static (and even declining) gold price during the Gulf War

According to Gary Maude, managing director at Gengold, this signifies a move away from gold as an investment, leaving gold as a commodity far more vulnerable to the law of supply and demand

"I don't see any reason for the gold price to improve until the world believes the supply of new gold is actually falling," he warns

But, while the low price of gold is the most important factor in the industry's decline, there are also several underlying domestic pressures which have contributed to the present situation According to Mike Brown, an economist at Frankel Max Pollak Vinderine, there have been four separate factors which combined to create an adverse climate for gold mining over the past decade

First, South Africa's high inflation rate which, at 14,5 percent, is far above that of other major gold producing countries, has consistently raised operating costs This is particularly evident in the case of wages, with labour accounting for more than 50 percent of total operating costs for mines

Second, a declining level of net capital formation and progressive foreign disinvestment have left the gold industry with insufficient capital for development and expansion For example, while South Africa accounted for 36 percent of total global expenditure on gold mining last year, it was responsible for only 14 percent of spending on new projects.

Third, while declines in the dollar gold price in early 1980s were made up for by massive declines in the rand/dollar exchange rate over the same period, in recent years the Government has followed a deliberate, anti-inflationary policy of exchange rate stability This has meant that the industry has been unable to rely on a lower rand to compensate for losses accrued through South Africa's high inflation rate

And fourth, the government has taxed gold mines at a higher rate than other companies, further exacerbating the industry's problems.

The combination of these factors now means that many of South Africa's gold mines face the risk of closure. The Chamber of Mines estimates that during 1990, nine mines employing 78 000 people and producing 77 tons of gold valued at R2,5 billion, recorded operating losses in 1990 This year the figure is likely to increase substantially and, at present gold prices, up to 16 gold mines are operating at a loss and are at risk of closure

According to calculations made by Mr Brown, at a gold price of $350, South Africa stands to lose between 90 and 150 tons of annual gold output if unprofitable mines are forced to shut down Such a reduction would lead to a drop in foreign exchange of between R2,5 billion and R4,25 billion, causing a corresponding drop in the country's foreign exchange surplus

This in turn would give South Africa difficulty in meeting scheduled debt repayments while potentially reducing real economic growth by between 0,5 and 0,7 percent.

But, while this threat to growth is clearly serious, the human costs, especially in the present context of political change, could be even more debilitating for the country

Star 30/3/91

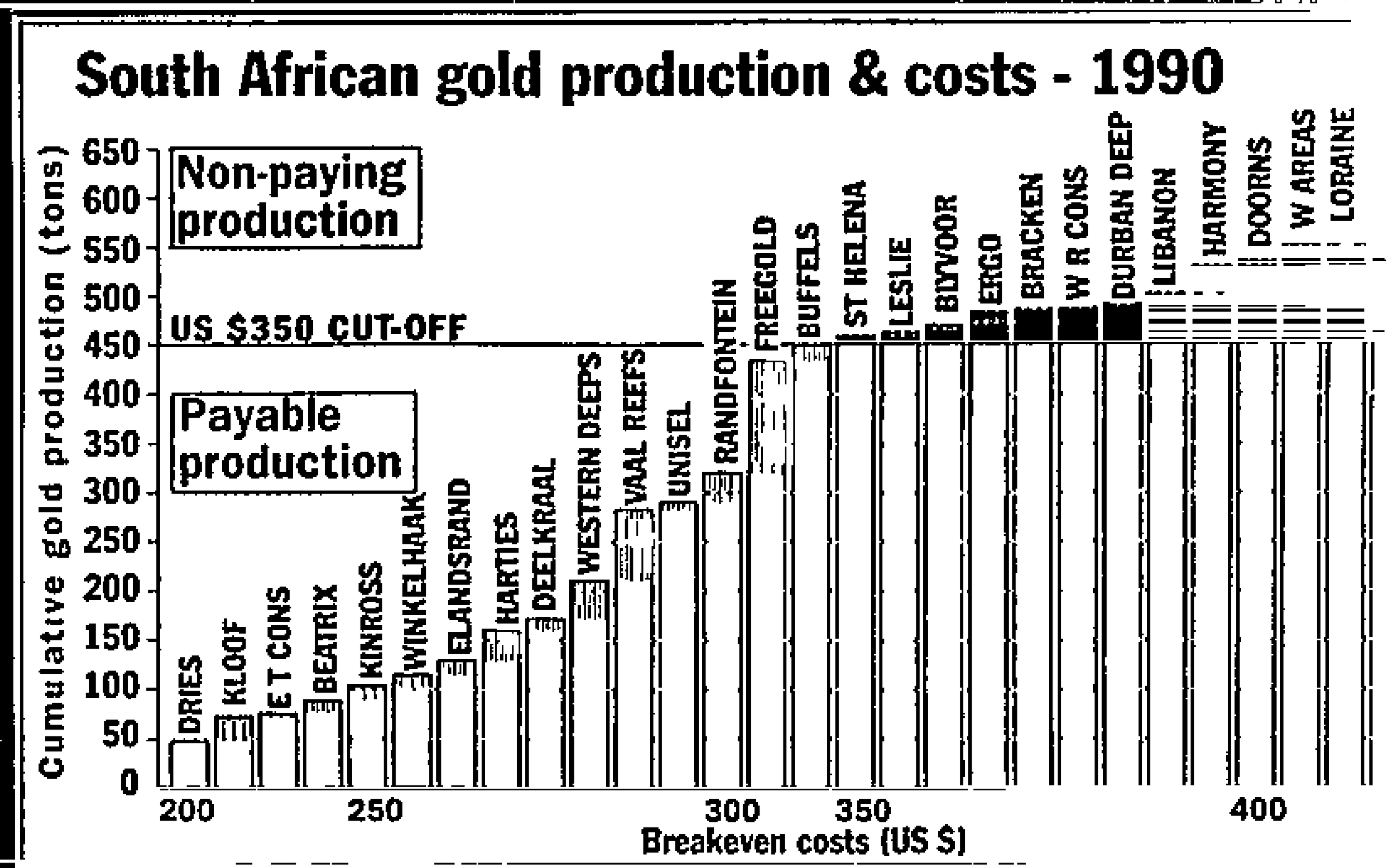
The mining industry has traditionally supported a work force of approximately 500 000 which, according to Clem Sunter, director of Anglo-American's Gold and Uranium division, in turn support some 2,5 million dependents.

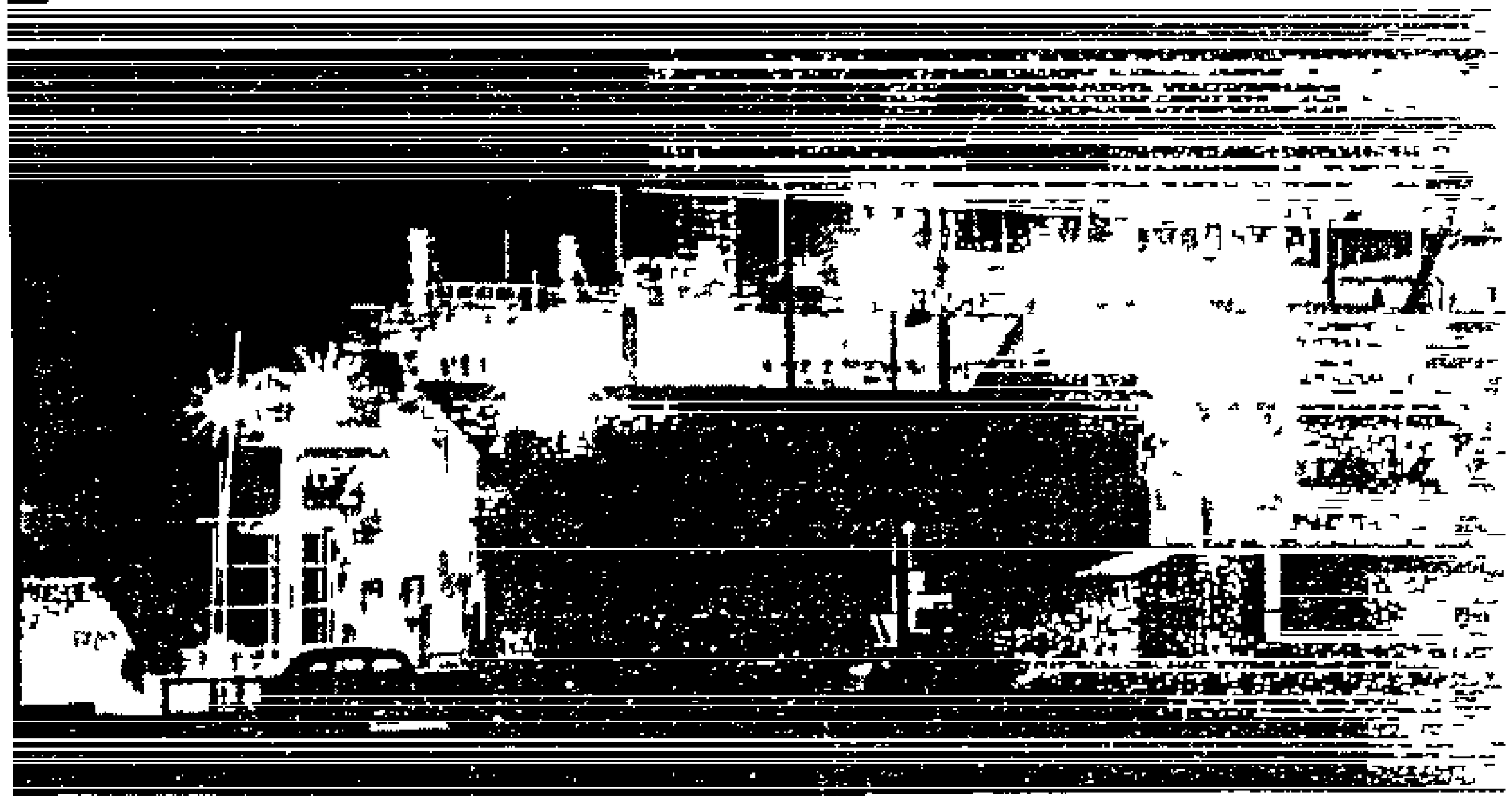
However, according to calculations made by the Chamber of Mines, the number of employees on gold mines dropped by 40 000 last year to a level of 453 000 and at least another 40 000 jobs are at risk this year And even if retrenchments are lower than feared, Mr Sunter warns that wage increases this year will almost certainly have to be below the rate of inflation

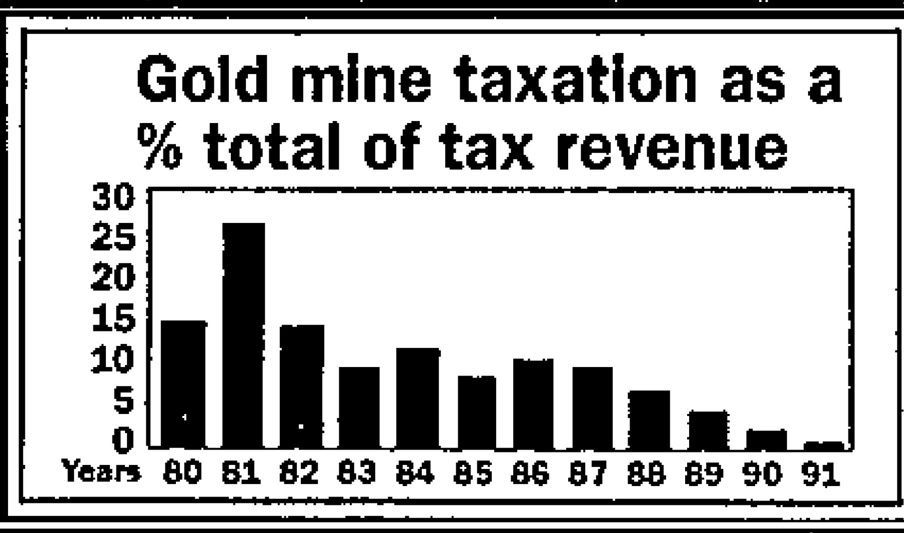
"There's a direct trade-off between jobs and wages that has to be recognised," he observes. "High wage increases lead to higher unemployment."

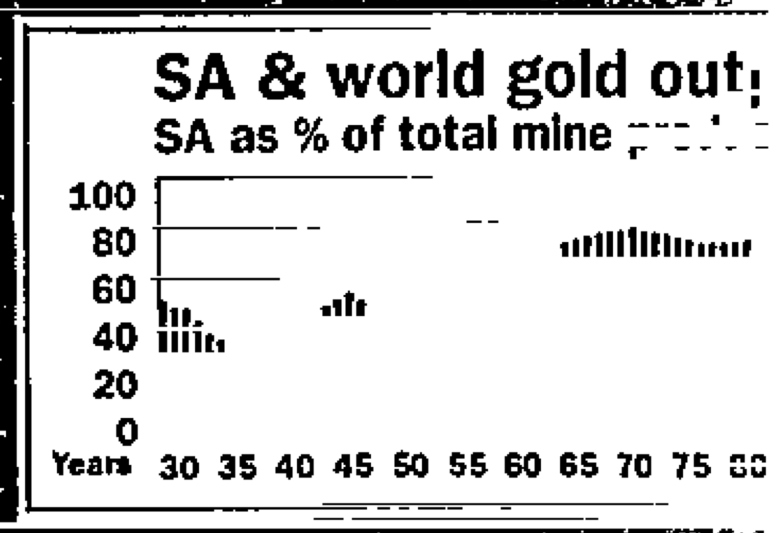
The National Union of [illegible] worker (NUM), however, is happy with these ar[illegible] dismissing them as [illegible] management attempts to [illegible] tain profits at the expense of [illegible] bour According to Jerry M[illegible] ladi, press officer for the N[illegible] the present crisis is the result the mining houses "failing their responsibility to man[illegible] the industry"

He charges that be[illegible] South African mines have [illegible] based on cheap, unskilled [illegible] bour, management has gr[illegible] used to cutting labour as a [illegible] resort when coping with a [illegible] while neglecting to prepare [illegible] tingency plans that might [illegible] serve jobs





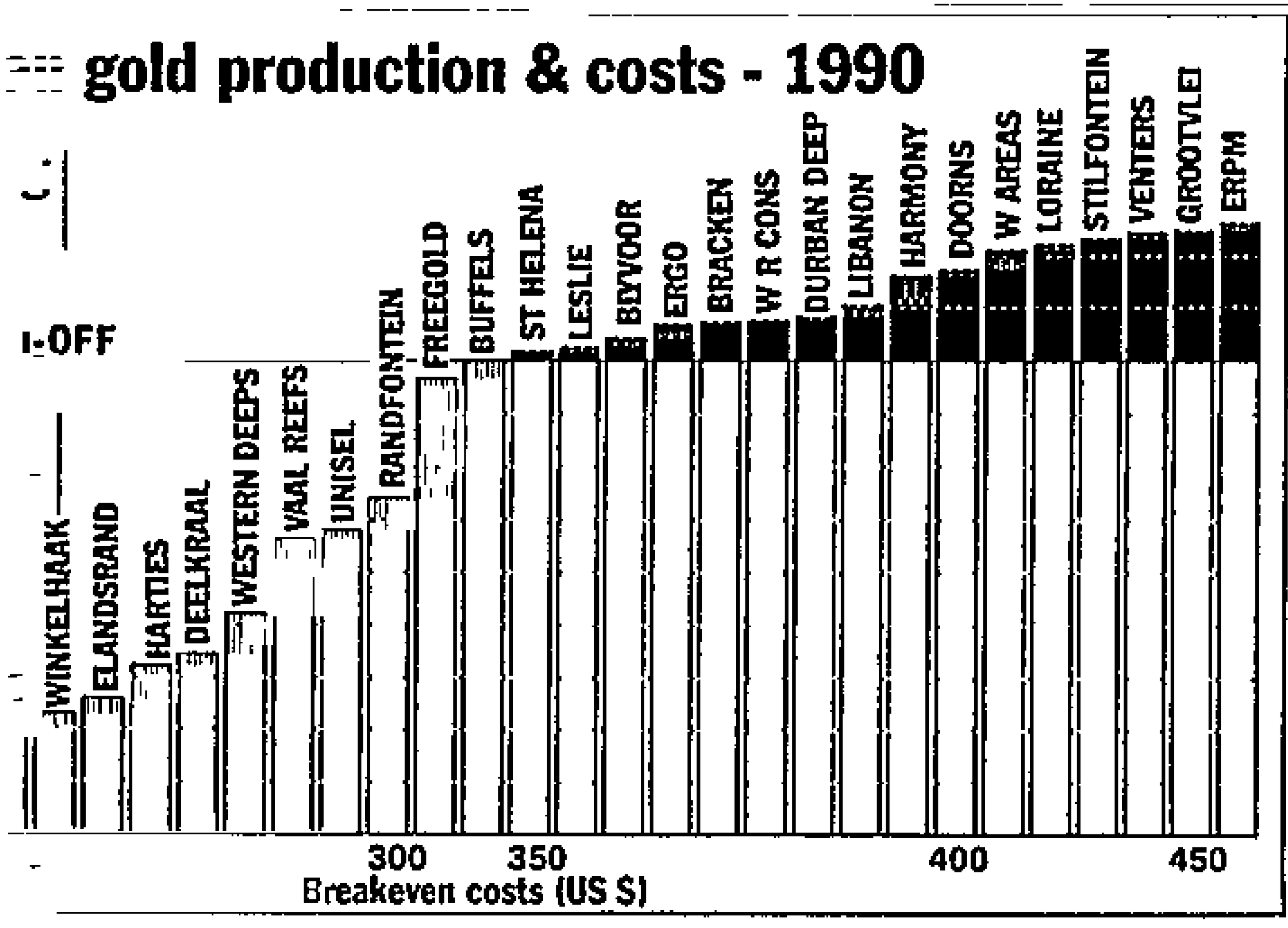


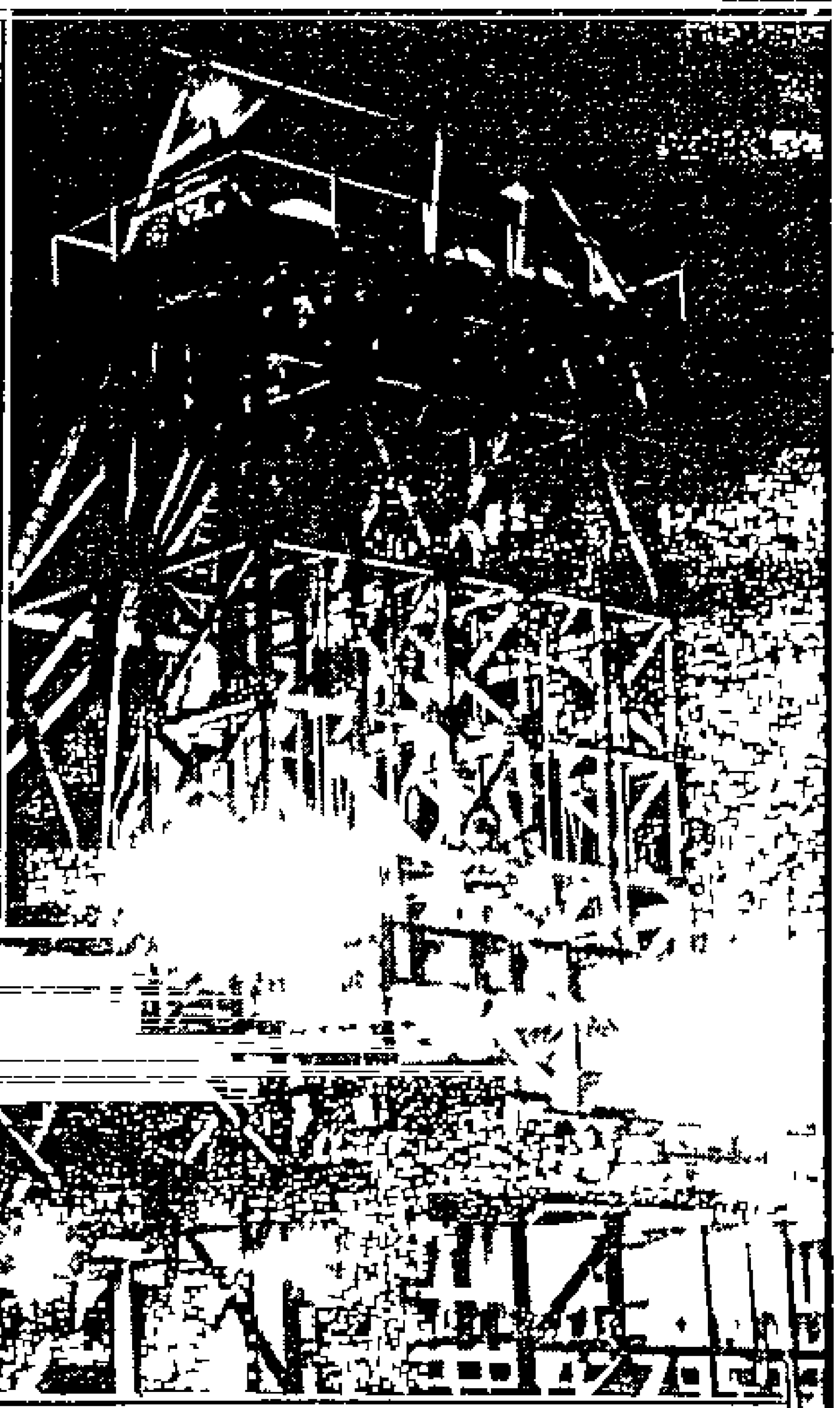


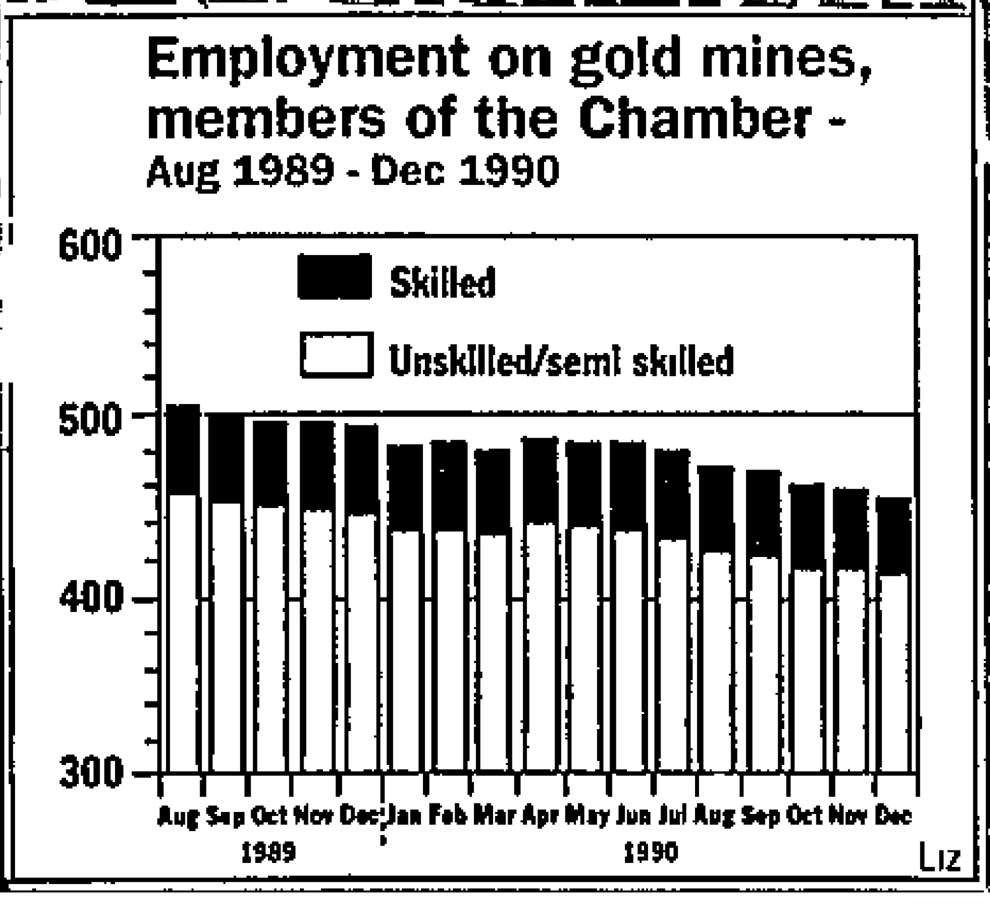
ts back to the wall

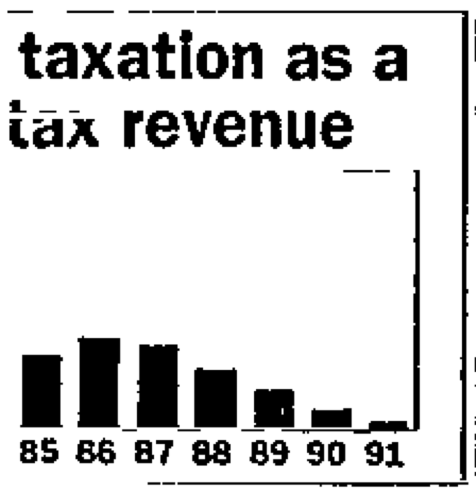
ıdustry faces biggest crisis in its history

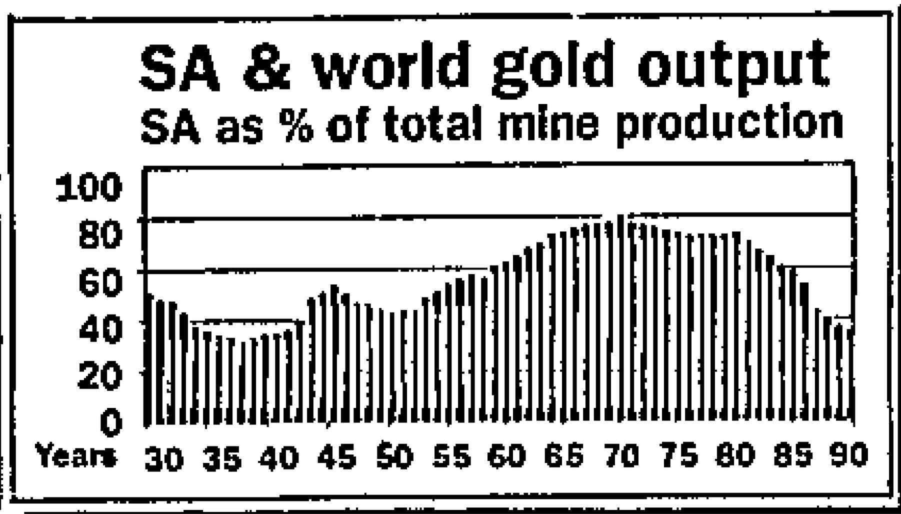
Star 30/3/91 (214)











War waged against mine corruption

Star 30/3/91 (210)

SUE OLSWANG

LEADING mining houses admitted this week they are fighting an ongoing war against corruption

Bribery was exposed last year when a number of mining supply companies approached Saturday Star with allegations about certain mining personnel accepting and sometimes even demanding 'kickbacks' for business 30/3/91

The newspaper reported allegations about "kickbacks" being paid to certain mining personnel — both at mine level and head office buying departments — in the form of cash, weekends away and "gifts" Some suppliers alleged it was virtually impossible to stay in business without paying bribes

Rand Mines commercial director Derek Bostock was reported as saying this week that industry cutbacks in the face of the recession and the fall in foreign metal prices had forced suppliers to compete even more vigorously in order to meet diminishing mine requirements

He said the climate was perfect for an increase in "graft (corrupt practices) among "the few bad apples who blemish an otherwise ethical relationship between the mining industry and its suppliers'

Mr Bostock said his group was, however achieving good results in dealing with the problem through its telephone hot line" systems and a complete "open door" policy

An Anglo American spokesman was quoted as saying that the graft problem was not a new one, "but it appears to have been exacerbated by the current recession'

Star 30/3/91 (214)

ditionally supported a work force of approximately 500 000 which, according to Clem Sunter, director of Anglo-American's Gold and Uranium division, in turn support some 2,5 million dependents

However, according to calculations made by the Chamber of Mines, the number of employees on gold mines dropped by 40 000 last year to a level of 453 000 and at least another 40 000 jobs are at risk this year And even if retrenchments are lower than feared, Mr Sunter warns that wage increases this year will almost certainly have to be below the rate of inflation.

"There's a direct trade-off between jobs and wages that has to be recognised," he observes "High wage increases lead to higher unemployment."

The National Union of Mineworker (NUM), however, is not happy with these arguments, dismissing them as traditional management attempts to maintain profits at the expense of labour According to Jerry Majatladi, press officer for the NUM, the present crisis is the result of the mining houses "failing in their responsibility to manage the industry"

He charges that because South African mines have been based on cheap, unskilled labour, management has grown used to cutting labour as a first resort when coping with a crisis, while neglecting to prepare contingency plans that might preserve jobs

"In the long-term," he asserts, "some kind of restructuring of the entire industry that will allow for full training of workers in a multiplicity of skills making them less expendable to industry in general is needed Black mine-workers' needs must be a priority "

Given all these problems, what is the likelihood for a turnaround? In the short term there has been some relief the rand has again slipped against a strong dollar, and the latest budget provided some concessions for mines which should ease pressures on the industry

Most analysts, however, feel that full recovery will take much longer

According to Mr Maude, the industry should be able to weather the present problems through mine closures and retrenchments and the gold price will pick up again over the next decade

"I m very positive about gold mining from the mid-90s onwards," he said, " but before that it's difficult to say "

Mr Sunter echoes this prediction, noting that recent large scale increases in gold sales for jewellery should combine with a reduced world-wide supply to provide for an upturn by the middle of the next decade

"It will be a much sounder market based on underlying industrial demand," he predicts

However he also warns that for the economic interests of South Africa as a whole, it would be a "sound strategy" to diversify out of a dependence on gold exports for foreign exchange

"Tourism and light manufacturing probably have the best chance if there is a stable political climate, he suggests, although he emphasises that this does not not exclude continued expansion of the gold industry

Nevertheless, whatever the future of the gold price, the primary lesson of the current crisis is that South Africa needs to continue to move away from its reliance on the gold industry if it is to secure a stable, long term economic future

While General Smuts's observation may once have been accurate, today it is clear, at least for the moment, that the country must start to look elsewhere for economic succour

S/Times 31/3/91. 214

Six big mines in peril as gold loses its glister

DAVID CARTE looks at the crisis affecting South Africa's bedrock industry ...

AS gold mining faces its gravest crisis, six mines employing 19 000 people and producing 20 tons of gold — worth R600-million a year — are threatened with closure

In the next fortnight Genmin, South Africa's second biggest mining group, will decide the fate of Stilfontein, Bracken, Grootvlei, Leslie and West Rand Consolidated, employing a total of 12 000

Also under review is the future of Anglovaal's Loraine gold mine, which employs 7 000

Most threatened is Stilfontein, which in 1980 produced 17 tons of gold and employed 17 000 Last year employment fell to 3 500 and gold production was down to 4,5 tons

Costs

Grootvlei, now down from 10 tons to two a year, was once one of the biggest mines on the Witwatersrand

Although not facing closure, other mines have been cutting their workforces and thousands more jobs are at risk at the ERPM, Durban Deep, Harmony, Doornfontein and Venterspost mines

The working costs of all these mines are either higher or just below this week's rand gold price of R978

The plight of the industry was highlighted this week when Chamber of Mines chairman Clive Knobbs told mine managers that 80 000 gold mining jobs had been lost and another 105 000 were in danger

On average, every person laid off has 11 dependents Retrenchment on the mines has thus devastated the livelihoods of nearly a million people all over southern Africa.

The squeeze has even affected the world's biggest gold mine, Anglo's Freegold complex near Welkom, producer of 100 tons a year — 16 percent of SA's total It was marginal when the gold price fell to a three-year low of R907 two weeks ago, but has now crawled back into profitability

It was the sudden fall in the rand from R2,55 to R2,70 to the dollar in recent days that raised the rand gold price to R978 — and brought nine mines narrowly back into the black

Genmin chief executive Gary Maude said his group had made nearly all the staff cuts that it could and closure was the next option The five mines under threat in his stable were either losing money or narrowly breaking even

"Before the quarterly reports are published in the third week of April, the boards must decide whether to go on with the loss makers, running down their cash balances as they do so, or whether to call it a day

Values

"A hardline capitalist would probably close, but this is the new SA The other consideration is that the market valuations of all the mines exceed their break-up value That could be a message from shareholders that we should carry on in the hope that the gold price will rise"

In further attempts to economise, the gold mines have cut back on development and engineering work and on supply purchases, adding to the travails of the shaft sinking, electrical and engineering sectors

These industries are already suffering from spending cuts by Eskom, Mossgas and the government The steel and engineering industries are shedding 2 000 jobs a month Their numbers are down from 450 000 to 385 000

The 100-year-old South African mining industry is in crisis because, while costs have risen at nearly 20 percent a year, the rand gold price has been more or less stagnant for three years.

To meet the squeeze, the mines are closing lower grade working areas and laying off tens of thousands

One reason the industry got into such trouble was that it permitted mines and head offices to become over-manned

With all its mines losing or just breaking even, Rand Mines has pruned people ruthlessly, cutting back by 37 000 to 52 000 One result was that a R20-million loss at Durban Deep became an R11-million profit Another ailing mine, ERPM, is also recovering from the brink of bankruptcy Since 1987, Genmin has cut numbers by 32 000 to 58 000 in February

Anglo, says gold division chairman Clem Sunter, has shed only 3 000 jobs in a workforce of 185 000

"We are fortunate that most of our mines are not marginal As far as possible, we have reduced numbers through attrition We have also told our suppliers they can forget about big price increases"

Although it accounts for only nine percent of SA's economic activity, gold mining is still the heart of the economy It is the biggest buyer of steel, electricity and engineering services

Last year it accounted for R19-billion of total exports of R57-billion — about a third of the total In a good year, its share of exports could move back to half of exports

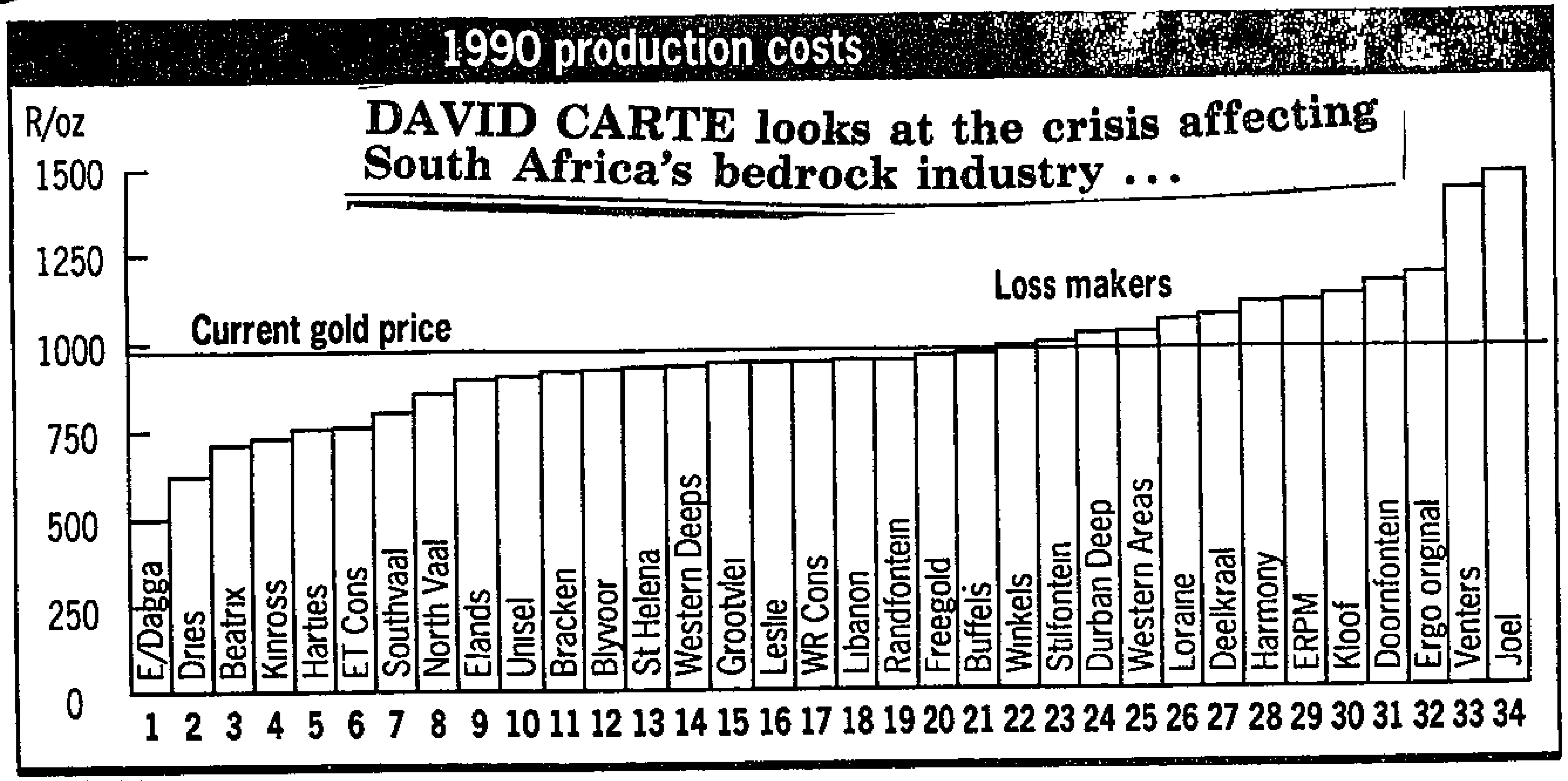
Belief that there is still a bright future for gold is one reason that Anglo has not cut back as severely as other mining houses

Demand

Mr Sunter points out that the World Gold Council aims to increase demand for gold incrementally by 300 tons a year With the current cut-backs in production, he estimates that by the mid-90s demand will outstrip supply, pushing up the price

Lloyd Pengilly of stock broker Martin & Co also believes SA gold mining has a long-term future He observes "We have the best ore bodies in the world Our reserves of 40 000 tons are six times bigger than Russia's and 10 times greater than each of those of the US, Canada and Australia

"We'll be mining long after they close operations."



Graphic: FIONA KRISCH Source MARTIN & CO

Taxed profit of R1,4m for Simmers

214

B/Day 2/4/91.

ROBERT LAING

GOLD mining company Simmers & Jack (Simmers) reported earnings a share of 5,58c for the six months to end-December from taxed profit of R1,4m.

A change of year-end and in the number of issued shares means no comparative figures are given for the previous interim It passed its interim dividend.

Simmers increased its shares in issue to 27-million from 6,75-million in a R30m rights issue in April The company acquired the entire issued share capital of Bobsat Investments together with all its subsidiaries and mining rights in the Eastern Transvaal with effect from December 1.

The Eastern Transvaal mine should increase Simmers' gold production to 1 600kg by mid-1994, chairman Chris Mumby said.

He said discussions between Simmers and Anglo American's East Rand Gold and Uranium (Ergo) on the closure of the joint venture Simmergo had reached an advanced phase. Current gold prices had made the Simmergo recovery plant uneconomic

Simmers is also involved in a legal wrangle with Anglo over R9m it borrowed to buy its 50% stake in Simmergo while headed by its former chairman Joe Berardo. Anglo has not been paid and has held back royalties from Simmergo to cover the interest due.

The company had changed its financial year-end to June and its next financial statement would cover an 18-month period, the report said.

Anglo scraps Potch exploration project

Star 2/4/91.

214

Finance Staff

The current weakness in the gold price, coupled with disappointing results, has forced Anglo American to discontinue a major gold exploration programme being carried out in the Potchefstroom district

Anglo has been engaged in a major exploration programme in a joint venture with New Central Witwatersrand Areas (NCW) on the farm, Gerhardminneborn, in the Potchefstroom district

The decision, says the board of NCW in its interim report for the six months to March 1991, has been taken in the light of the prevailing gold price and results obtained in Phase I and, to date, in Phase II

Of the nine Phase II boreholes that were in progress at the end of the financial year, drilling will continue in four until September when current drilling is expected to be completed

Operations have been suspended or terminated at five boreholes

On Phase I of the exploration programme, the board says that after earlier encouraging results, subsequent drilling had revealed the structure of the area was far more complicated, with lower gold values than originally expected

Drilling has established that the gold mineralisation of the Carbon Leader and North leader Reefs in the shallow, upfaulted western block is extremely erratic and does not constitute a viable orebody at current gold prices

In the eastern part of the property, the gold values in the Carbon Leader Reef are also low, but slightly higher than in the North Leader Reef

A detailed investigation has shown that the Cobble Reef could be divided into four reefs, but the gold mineralisation is not always confined to the same stratigraphic level in these reefs This has significantly downgraded the potential of the Cobble Reefs

The board says that in view of the decision to suspend Phase II, a satisfactory modification to the joint venture agreement has been negotiated

In terms of this, Anglo and its associates will continue to bear 100 percent of the costs of the curtailed Phase II until its suspension, with NCW being allowed to defer its decision on whether or not to participate in Phase II until such time as Anglo and its associates decide to re-start exploration activities

The alternatives available to NCW, should Phase II resume, remain the same

Therefore, if NCW wishes to maintain its 50 percent stake, it will, at that time, be required to fund further exploration costs or reimburse Anglo and its associates until it has matched, in real terms, the amounts outlayed by the other participants in Phase II

If it decides not to participate, Anglo and its associates will buy its 50 percent stake at the market value, leaving NCW with the right to subscribe for 25 percent of the initial equity applicable to any commercial exploitation of the joint venture or reserves

NCW has declared a dividend of 39c per share for the six months to March, which is 17 percent lower than the 47c per share for the same period last year

Investments

Income from investment was R1,058 million (R1,465 million), but earnings rose to R2,309 million (R1,392 million) because these include a profit on the sale of shares

However, this profit of R1,371 million is not taken into account in the dividend declaration, which was consequently based on earnings of 53,1c per share Proceeds from the shares sold were used to subscribe for the company's entitlement in the Amgold rights issue

The market value of the company's listed investments is R66,025 million (R87,396 million) and the net asset value (after providing for the dividend, and based on listed investments at market value and mineral interests at nominal value) is 3,761c per share (4,987c a year ago and 4,124c at September 1990

NCW has become a subsidiary of Anglo American and consequently its financial year has been changed from September 30 to March 31 to coincide with that of the parent company The current financial year, which began on October 1 1990, covers a period of 18 months to March 31 1992

During this period a second interim report covering the 12 months to September 30 1991 will be issued

Amgold, in which NCW has a substantial investment, has become a subsidiary of Anglo American and has also changed its year end to March 31

Its dividend dates have thus changed from March to April and from September to October

As a result, no Amgold dividend was accrued in NCW's six months to March 31 1991, and only two Amgold dividends will be received in the 18-month period to March 31 1992

Euphoria curbed by later results

Gold price fall halts drilling in Potch Gap

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B/Day 2/4/91

MATTHEW CURTIN

GOLD exploration in SA has taken a bad knock with the Anglo American group's announcement today that it is to stop drilling in the Potchefstroom Gap in September.

The Potch Gap, a vast area lying between the Klerksdorp and West Wits Line gold fields, is believed to contain about 12% of the world's remaining unmined gold reserves.

It was at one stage thought to be capable of supporting as many as eight new gold mines

The weak gold price and disappointing drilling results have scuppered Anglo's exploration programme in the northern part of the Potch Gap.

New Central Witwatersrand Areas (NCW) chairman Michael King said in a statement that Anglo and its associates had advised NCW (Anglo's mining exploration investment arm) that they intended "to curtail drilling activities and suspend the phase 2 programme once the current drilling is completed in September 1991"

The move comes after a year of poor drilling results from the Potch Gap.

The news follows statements last week from the Chamber of Mines and mining houses that the low gold price had put a fifth of SA's gold mines and tens of thousands of jobs at risk.

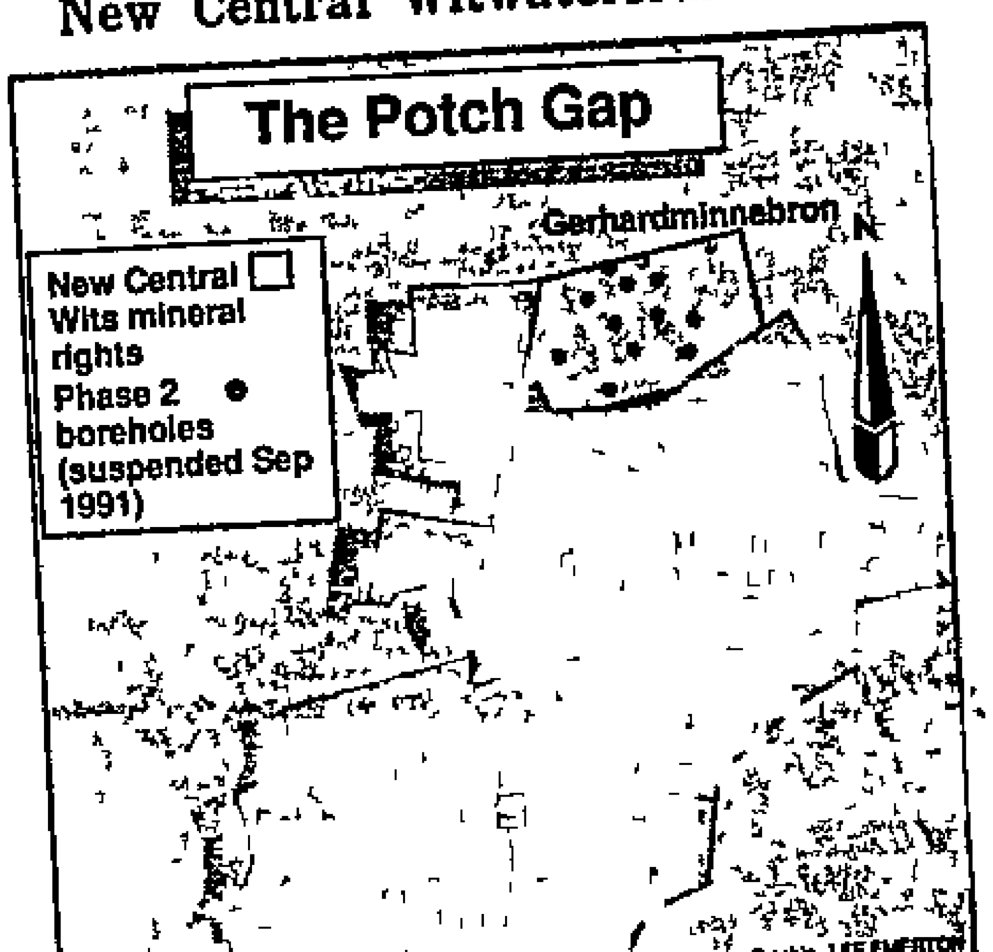
King said the phase 1 report, presented on February 6, found that after earlier encouraging results, "the structure of the area is far more complicated, with lower gold values than originally anticipated."

Gold mineralisation in the western block of the Carbon Leader and North Leader reefs was "extremely erratic", and did not constitute a viable ore body at current gold prices. The results of the exploration of the Cobble Reefs had "significantly downgraded" their potential.

The NCW share price was R31 on Thursday. At the height of Potch Gap euphoria in 1986, it stood at R155.

Chris von Christierson, a director of Potchefstroom Gold Areas (PGA) which participates in other joint ventures with the Anglo group in the area, said yesterday the

□ To Page 2



Potch Gap

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news was disappointing but not unexpected given the exploration results from Gerhardminnebron, the northern-most farm in the Potch Gap

Von Christierson said the Potch Gap was one of the few areas of the Witwatersrand basin which could support major new gold operations, but mining houses were reducing exploration in order to cut costs in the depressed climate

The Potch Gap was a long-term resource, to be developed over decades rather than years He expected exploration to be scaled down, not terminated, as exploration was the "lifeblood of the industry"

Anglo spokesman James Duncan said yesterday that while the results of the exploration programme had been disappointing, the Potch Gap was a large area and exploration was still at a relatively early stage

NCW's interim earnings a share rose 66% to 130,7c (78,8c), but the company declared a 17% drop in the interim dividend of 39c (47c)

Profits from the sale of shares worth R1,4m boosted pre-tax income which rose to R2,3m (R1,4m) in the interim, but these proceeds were not into account in the dividend declaration, and were used to subscribe for the company's entitlement in the Amgold rights issue The dividend was based on earnings a share of 53,1c

At year-end 1990, King said NCW's investment income from gold interests had fallen 10% to 30,8% of the total

See Page 4

Banks get go-ahead to hedge on gold

(214)

B/Day 2/4/91

ROBERT GENTLE

THE Reserve Bank has confirmed that it has given banks authorised to deal in foreign exchange the green light to transact gold-hedging operations on behalf of SA mines

To date, mines have dealt directly with the Reserve Bank, which in turn allowed them to effect their hedging transactions through foreign bullion banks like Deutschebank or Morgan Guarantee.

The effect of this move, the result of requests by SA banks, will be to widen the scope for SA gold mines to hedge their output, while allowing the banks to offer them locally developed instruments priced in rands.

The banks understood to be in the forefront of the new development are Rand Merchant Bank, Standard Merchant Bank, Finansbank and Investec.

However, the Reserve Bank authorisation comes with three key constraints. These operations may not be speculative, they may not be done for the banks' own account and they must be subject to Reserve Bank approval

Rand Merchant Bank (RMB) consultant Sean Llewelyn said that RMB had been devoting considerable resources to this end for almost a year, and had started to develop the necessary systems as far back as 1987

He said that RMB had already made contact with potential client mines to which it hoped to offer expertise in option-type strategies priced in both dollars and rands

"Foreign banks at present offer only products denominated in dollars. We aim to provide significant improvements and more flexibility."

Llewelyn estimated the potential hedging market at about 250 to 300 tons of gold annually — about half SA's total output — although he said this ultimately depended on how much gold the Reserve Bank allowed SA mines to hedge.

Each mine is examined on its merits,

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Hedging

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but an accepted rule of thumb is that profitable mines may hedge up to 25% of their input, while marginal mines may hedge up to 100%.

A commonly held view in the market is that mines, irrespective of their profitability, should be free to determine their hedging needs.

A spokesman from the Reserve Bank's gold and foreign exchange division said "Whenever a mine has a commitment offshore, we will examine the case on its merits"

Ian Benfield, divisional manager at Anglovaal — the SA mining house in the forefront of hedging techniques — said "We could use local banks

"It all depends," he said, "on whether they can offer us something we cannot already obtain through our international contacts"

Fears of more mine closures

2 500 miners to be laid off

Star 3/4/91.

(214)

By Sven Lünsche

In what could be the first in a number of mine closures, Gencor announced yesterday that its Stilfontein gold mine would cease operation by year-end

About 2 500 workers will lose their jobs as a result of the closure, leaving a staff of 500 for the milling of the surface rock dump for another three years

The current 2 950 employees were informed of this decision yesterday afternoon, as were the unions and affected community organisations in the western Transvaal town

The closure of Stilfontein is a major blow to the town as the majority of the miners' wages are spent there

Announcing the closure, Stilfontein chairman Gary Maude said the mine's wage and salary bill came to R71 million last year and much of this would not be available to the Stilfontein community

He said management was trying to assist employees to find alternative employment but added that this would be extremely difficult given the depressed economic conditions in the mining industry

Recovery

Over the last three years Stilfontein has reduced its staff complement from around 9 500 to just under 3 000 but, Mr Maude said, given the low gold price there was no viable option to closure

Mr Maude said Gencor was monitoring the situation at its other gold mines, which were currently operating at a loss as a result of the lower gold price

"Stilfontein is typical of what is happening in the gold industry in general and it is quite possible that other mines could close if there is no major recovery in the gold price"

Echoing recent sentiments by other mining analysts, Mr Maude said up to 40 percent of South Africa's gold was currently mined at a loss

Gold mines have been struggling to contain costs as employment levels have been reduced virtually to the minimum possible

According to the Chamber of Mines, 40 000 jobs were cut last year, bringing the number of miners employed at its member-mines to just more than 450 000

Nine mines employing 78 000 people operated at a loss last year

A further 40 000 jobs are estimated to be at risk in the current environment, according to an analysis by Chamber of Mines economist Ivor Leibowitz in the chamber's latest newsletter

● Market signal — Page 18

Stilfontein gold mine to close

CT 2/4/91 2/4

From MATTHEW CURTIN and ROBERT LAING

JOHANNESBURG — Stilfontein, Genmin's 39-year-old gold mine, has become a casualty of the gold mining industry's battle against the weak gold price, falling grades and soaring costs.

Gengold MD Gary Maude said yesterday Stilfontein would cease underground mining operations by the end of the year, a move which will cut SA gold production by about three tons, 0,5% of total 1990 production of 601 tons

About 2 430 mineworkers will lose their jobs The mine's 1990 wage and salary bill came to R71m

Maude said the retrenchments would have a serious effect on the community in the towns of Klerksdorp and Stilfontein, but "there was no other viable option" to closure

Further closures

He said the mine's fate was typical of what was happening in the industry where the low gold price was jeopardising mining operations which would still be profitable if the gold price was at 1986 levels

"It is quite possible other mines will follow suit," he said, noting that although Gengold had no immediate plans to shut down its other marginal operations — Grootvlei, Bracken, and West Rand Consolidated — between 20% and 40% of SA gold production was being produced at a loss

Stilfontein's demise centred on the exhaustion of ore reserves on the Vaal reef horizon and the mine's growing dependence on the unprofitable Ventersdorp Contact Reef

Maude said the Ventersdorp reef was relatively unexplored and in June the board had agreed to spend R5m to develop promising areas Good ore patches were found but they could not be mined profitably unless the gold price climbed to R50 000/kg

If the gold price did improve to that extent, Stilfontein would again be viable It would be relatively cheap and easy to restart production, Maude said, because the Ventersdrop reef was undeveloped and the mine's main arteries would be maintained

Stilfontein was also hit by the collapse the uranium market which undermined its Chemwes uranium processing operation which closed last year Whereas West Rand Cons had returned to being primarily a gold operation, after flirting with primary uranium production, Stilfontein lacked the profitable gold reserves to achieve the same turnaround

Maude said Stilfontein's Scott and Margaret shafts would be maintained in operation so that underground water, which threatened the neighbouring Vaal Reefs and Hartebeestfontein mines, could be pumped out, "if assistance is forthcoming from the mining companies and the government"

Anglovaal's Hartebeestfontein will be directly affected if pumping stops at Stilfontein Analysts say the mine will have to install between R30m and R40m worth of pumping equipment and that pumping costs will rise significantly

Anglovaal spokesman Ray Moore said yesterday talks between the government mining engineer and Hartebeestfontein and Stilfontein managements had started It was in Hartebeestfontein's interests to keep the shafts open to allow pumping to continue and the company would offer financial assistance

First losses

Maude said the mine would keep on a workforce of 520 for the pumping operations, and would continue dump mining where working costs of R24 000/kg were well below the current gold price of about R31 000/kg Stilfontein would be listed on the JSE as long as it was able to show a profit

Gengold senior consulting engineer Kobus Olivier said the mine's closure would have come two years earlier, when it first showed an operating loss, if it had not been for the group's recent policy of driving costs down by cutting jobs and the amount of underground tonnage milled The size of the workforce and underground production had fallen 70% at Stilfontein since November 1989

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Stilfontein closure to cost 2 400 jobs

Gengold mine loses the fight for survival

214

BDay 3/4/91.

MATTHEW CURTIN and ROBERT LAING

STILFONTEIN, Genmin's 39-year-old gold mine, has become a casualty of the gold mining industry's present battle against the weak gold price, falling grades and soaring costs

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About 2 430 mineworkers will lose their jobs The mine's 1990 wage and salary bill came to R71m

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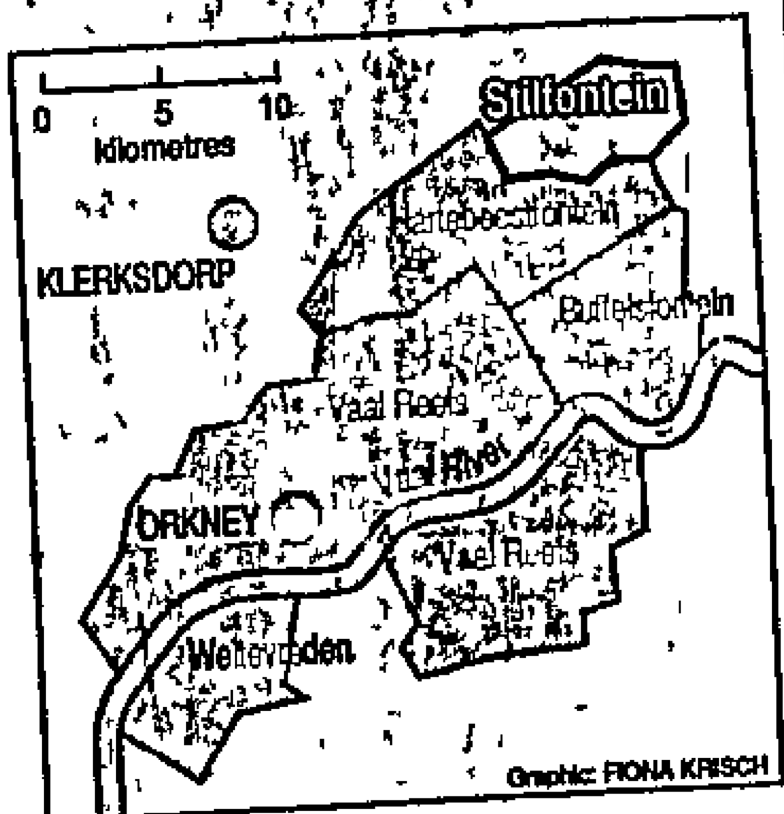

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Gary Maude announces the closure of Stilfontein gold mine at a Press ... in Johannesburg yesterday The shutdown of the 39-year-old mine means that 2 500 people will lose their jobs Picture CATHERINE ROSS

Gengold

Bday 3/4/91 214

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VERA VON LIERES reports that NUM assistant general secretary Marcel Golding said yesterday the closure of Stilfontein gold mine confirmed the NUM s view that Genmin was not concerned with the welfare of its workers

Golding said the closure made a farce of Genmin's mission statement which said the company s goals included achieving the esteem of the community in which it operated as well as ' identity with employees "

Genmin's retrenchment package — consisting of one week s pay for every year of service — lagged way behind those of other mining companies and raised the question whether Genmin had the concern of employees at heart

The union had recently negotiated a reasonable retrenchement package with Anglo American which provided two weeks' pay for each year of service

Golding said the closure would have a ripple effect on rural unemployment Genmin had already indicated it was not committed to re-training of workers, he said

Comment: Page 6

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Stilfontein mine to fold, putting 3 000 out of work

By TOM HOOD, Business Editor

NEARLY 3 000 workers will be forced to look for jobs at the end of the year when Stilfontein gold mine in the western Transvaal stops underground operations — a victim of depressed gold prices and rising costs.

Several other mines employing about 78 000 people are in danger of closure.

Stilfontein, which produced only 4,4 tons of gold last year, has been losing money since November 1989.

Mr Gary Maude, chairman of the mine and managing director of General Mining Corporation's gold division, said "We realise this will have a serious effect on the community, but there was no other viable option."

The National Union of Mineworkers said it objected to the company's unilateral closure without consulting the union and vowed to fight for a higher retrenchment package

The management hopes to maintain two shafts

Rock dumps on the surface would be milled as long as it was profitable and this, with pumping and other operations, would provide work for about 500 people.

Other areas would be profitable only if the gold price increased to R50 000 a kilogram from the current R32 700

Stilfontein's fate may be symbolic of the industry as a whole About a third of South Africa's gold is mined at a loss

The Chamber of Mines blames much of the industry's problems on falling gold prices, coupled with soaring production costs and a huge world over-supply.

Mine dividends expected to dip

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B/Day 4/4/91

LIZ ROUSE

THE March dividend payments from Gencor and Anglo American gold producers are expected to be much lower than previously.

Gold mining analysts say a much lower average gold price for the six-month period applying to the Gencor mines' interim dividends and the Anglo mines' final dividends, will mean a further scaling down of distributions

Those mines which have sold a portion of their production forward will benefit, while retained earnings could be used to supplement current operations, says an analyst

In the Gencor stable, opinion is widely divided as to the amount of Winkelhaak's interim dividend and, in the Anglo stable, as to the amount of Freegold's final dividend, which flows through to final distributions by Ofsil and Welkom

Projections for other gold producers' payments are much in line, according to four analysts canvassed

Projections for Kinross's interim dividend range from 120c to 140c, compared with the previous year's interim of 160c and the previous final dividend of 165c

Estimates of Winkelhaak's interim range widely from a low of 70c (because the mine ran into losses in the last quarter) to a high of 150c, with two analysts estimating a payment of 110c Winkelhaak paid a 165c interim dividend in the previous year and its final dividend was scaled down to 150c

Estimates for Bracken's interim dividend range from 12c to 15c The previous interim was 30c and the final 25c

Kinross could pay beteween 120c and 140c, with no two analysts agreeing on the amount The previous interim payment amounted to 160c, and a 165c final was paid

Leslie could pay between 5c and 10c, down sharply from the previous interim of 40c and the final of 20c All analysts agree that Unisel's payment will be about 20c, down from the previous interim of 50c and the final of 26c

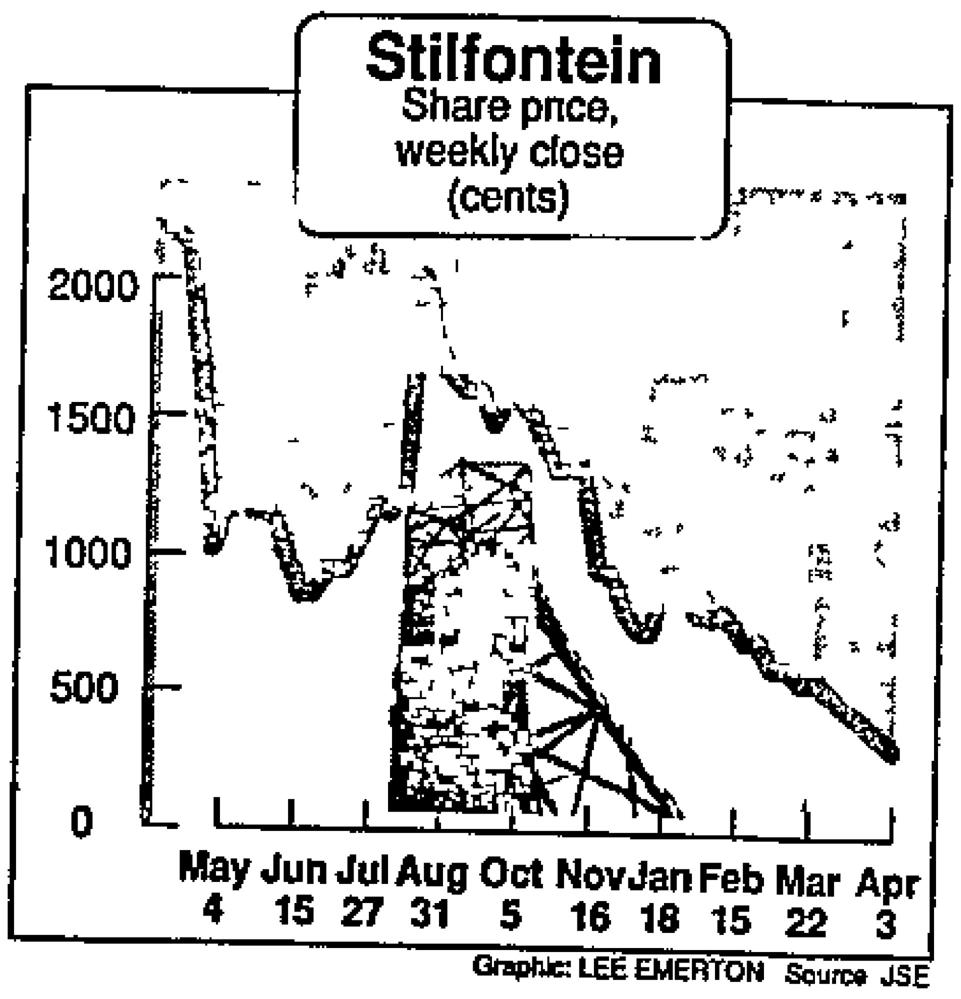
Projections for Freegold's final dividend range from 40c to 65c, which means Ofsil could pay beteween 104c and 170c, while Welkom could pay between 27c and 44c Previous finals for the three companies were 145c, 402c and 105c respectively

Estimates for Ergo's final dividend are 35c to 45c, compared with the previous final of 55c

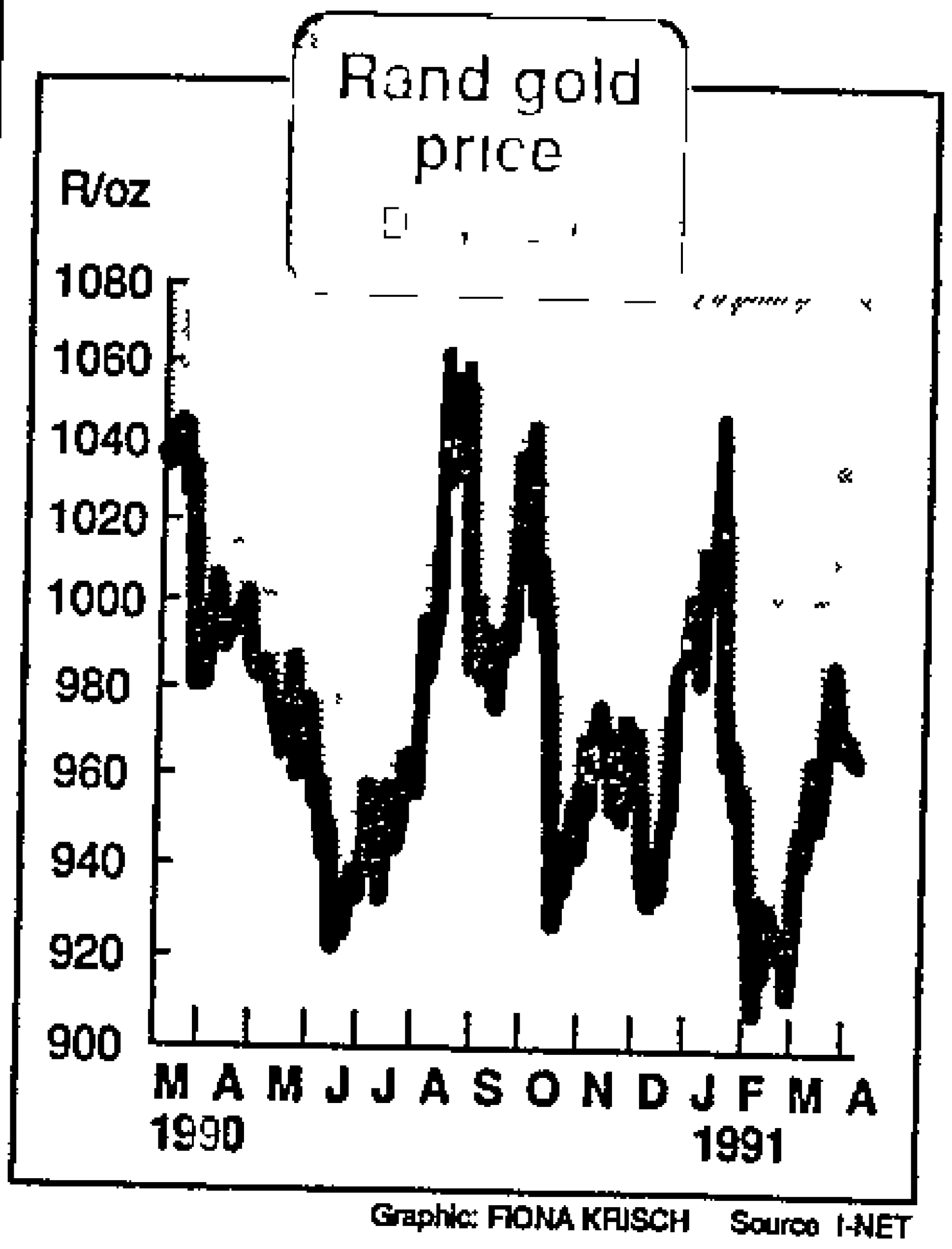
Independent mine East Daggafontein could pay a final of between 45c and 55c, compared with the previous final of 58c

Dramatic drop in Stilfontein shares

BDay 4/4/91. (214)



Graphic: LEE EMERTON Source JSE



Graphic: FIONA KRISCH Source I-NET

MATTHEW CURTIN and MERVYN HARRIS

STILFONTEIN Gold Mine shares plunged 35% or 175c from Tuesday's 500c to a low of 325c on the JSE gold board yesterday amid tumbling mining exploration stock. Market and industry sources said the gold mining industry had no new strategies to deal with its current cost crisis

Gengold announced on Tuesday it would cease underground operations at Stilfontein by the end of the year By the close of trading, with 18 200 shares worth R59 550 changing hands in eight deals, the shares recovered to close 100c down on the day at 400c with a foreign sale at that price

This is a far cry from the high of R22,50 which the shares touched at the end of March last year The fall of the shares came on a day when a firmer gold price and weaker financial rand boosted quality gold shares

Only Lydenburg Exploration and South Wits Exploration shares dropped faster than Stilfontein's — by 27% and 25% on the day — while half of the dozen largest price falls on the JSE were in gold mining or gold exploration stock.

Stilfontein's closure followed Anglo American's announcement on Monday that it would stop exploration in the northern area of the Potch Gap, both signs of the deepening problems facing the gold mining industry

Gengold MD Gary Maude said yesterday the group was "very close" to being unable to reduce costs any further at its marginal operations However, Gengold had no plans to change its cost-cutting strategy Adopted two years ago, the strategy had reaped dividends, prolonging Stilfontein's life and returning two marginal mines, Grootvlei and West Rand Consolidated, to profitability at the end of last year

All three mines faced a steady decline in ore reserves, and escalating costs Whereas Stilfontein ran out of profitable ore reserves, Grootvlei and West Rand Cons moved back into the black by concentrating on higher grade ore, cutting workforces and reducing underground tonnage

Maude said no other mines were in such "dire straits" as Stilfontein, but the risk of more closures was real if the gold price did not improve

"When the cost of closing the mine matches the amount of money left in the bank, it's time to shut the mine down," he said Stilfontein's closure would cost R20m in rehabilitating the mine area, and R13m to R15m in severance pay, against retained income of R35m

Anglo American gold and uranium divi-

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Stilfontein

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sion chairman Clem Sunter said yesterday Anglo's strategy was "to keep every option open for as long as possible" As gold mines matured their flexibility decreased, but there was still room for manoeuvre on the group's operations

Anglo has announced that several thousand workers will be retrenched at its Freegold North operation — about 3 000 workers left Freegold South in December Sunter said each Anglo gold mining region was negotiating its own retrenchment packages in which similar principles, like extended unpaid leave, would be adopted

He said Anglo would continue to pursue "more selective mining techniques" underground, and press suppliers to help fight cost increases Anglo was taking the "maximum opportunities" to enhance gold revenue through gold hedging

Frankel Max Pollak Vinderine analyst Rob Gillan said yesterday the gold industry had reached the stage where it could no longer cut costs significantly without contemplating closing mines

The industry's profit to revenue ratio was the lowest for 50 years Stilfontein's demise would not change mining companies' cost-cutting strategies, but it was a signal that marginal operations were likely to face closure or a curtailment of operations if the gold price did not improve

These included Gengold's Bracken, Grootvlei and West Rand Cons, Golden Dumps' South Roodepoort and Cons Modderfontein, Rand Mines' Harmony, and Gold Fields' Doornfontein and Venterspost operations

Senekal Mouton Kitshoff analyst Hilton Ashton said all mining houses had indulged in the same strategy as Gengold, if not so openly, and they could no longer "live in such an inflationary environment"

Operations would shrink in the coming months rather than close, as mining companies shut down uneconomic shafts Ashton saw the Free State gold mines, Harmony and Freegold, as prime targets for such action

Davis Borkum Hare analyst David Giese said the gold mines would find no respite from a weaker rand or stronger gold price in the near future, but many operations had been reduced to a bare minimum, presaging shaft closures and a slowdown in production

Gold towns face uncertain future

Star 4/4/91 (214)

By Therese Anders and Shareen Singh

Struggling towns dependent on the teetering gold mining industry are bracing themselves for further retrenchments and possible mine closures

Genmin's Bracken mine, in the eastern Transvaal, is probably the next in line to be shut following yesterday's disclosure that the Stilfontein mine is to be closed at the end of this year

When Bracken, in Evander, closes at the end of next year about 2 000 people will be out of work

Towns such as Stilfontein, Welkom, Virginia, Theunissen and Orkney owe their existence largely to the gold mining industry and are in the forefront of the battle to stay alive

Of these, the Free State town of Virginia — only a few years ago a boom area — has taken the worst battering since the crisis in the South African gold industry began as a result of a low gold price and falling demand for the metal

Over the past two years, Rand Mines' Harmony mine, near Virginia, has retrenched 10 000 workers, with 700 skilled workers losing their jobs in the past six months alone

This has had a devastating effect on the town

Virginia town secretary Marius Davis said there were now up to 400 empty houses in the town and the council was feeling the pinch from the loss of income on service accounts.

However, Mr Davis said the initial gloom had lifted and Virginia residents were not as anxious about their future as they were six months ago

Migrants

Once the Group Areas Act went, he said, it was hoped that the mines would move senior black staff into the empty houses

National Union of Mineworkers spokesman Jerry Majatladi said Transkei and Lesotho, the biggest suppliers of migrant labour, were being severely affected by mine retrenchments

Both were highly dependent on income from South Africa

According to the Chamber of Mines' 1990 figures, 100 376 miners were Transkeian migrants, 99 791 were from Lesotho and 48 875 from Mozambique

The number of migrant workers employed on South African mines had dropped by more than 81 000 over a three-year period, chamber spokesman Peter Bunkell said yesterday

At the end of 1987 there were 476 000 migrant mineworkers This number had dropped to about 395 000 by the end of last year

Welkom town clerk Chris Rademan said the mining retrenchments had had a detrimental effect on the town and there had been a general feeling of despondency.

"But that has changed. We've realised that, for too long, we've been too reliant on gold, so we've developed a programme to diversify into industry," Mr Rademan said.

Orkney so far seems to have escaped major mining cutbacks, but these could be on the way soon

Evander has already been hit by the scaling down of the gold mining industry Genmin's Leslie mine has reduced its labour force there from 4 800 to 1 800 over the past two years

Shadow falls over Stilfontein

Star 4/4/91 (214)

By Helen Grange

In the western Transvaal town of Stilfontein, everybody knows the latest gold price — because this has determined their fortune and, now, their pending misfortune

The town faces economic disaster following yesterday's announcement of the closure of Gencor's Stilfontein gold mine by the end of the year.

About 2 500 of the current 2 950 mineworkers will lose their jobs — the biggest blow yet to the region's increasingly troubled gold mining industry

For Stilfontein traders, who have become inured to occasional reports of gold mine closures, this news has come as a hard blow

"This is going to have a very bad effect on us Our business comes solely from the miners," said Rashid Dangor, owner of three shops in the CBD.

"I feel the mine unions should have stopped demanding high wages and the Government should stop the huge taxation on mines ~~I also~~ feel the council should have prepared for this eventuality 10 years ago

"There is no way we are ready to start other industries on the scale we need," he said

Two miners in Mr Dangor's shop, Judas Mjuza and Isaac Dom, said listlessly they would go back to their homelands of Ciskei and Transkei and perhaps try farming if they were laid off

"There are no jobs in the Transkei, and I have three children," said Mr Dom

Worked

The two men have worked on a gold mining shaft near Stilfontein for 13 years

Jakes Moosa said he had ordered no stock for his general store in the wake of decreasing sales because of a recent consumer boycott and retrenchments

"I will definitely be closing up if things get worse," he said

White traders and residents were more optimistic.

"I have been here for 32 years and there have been many threats of mine closures I don't believe it will happen It will cost the mine a fortune to close The gold price will come right," said butcher "Lappies" Labuschagne

Marike Pretorius, who opened a toys and gift shop only two weeks ago, said "I've lived here 19 years Stilfontein will carry on"

One of Stilfontein's oldest traders, barber J J Meintjes, remembered the "good old days" during the town's boom in the late 1930s

"I once had eight gents' assistants Now I only have five. The mine situation is getting serious now," he said.

"I have seen Stilfontein grow It will be a very sad thing to see the mines close"

A number of other mining towns face a similar fate should the gold price continue to drop, including Welkom, Virginia, Carletonville and Klerksdorp

NUM wage position stands despite closure

B1Day 4/4/91. (214/1404)

VERA VON LIERES

THE closure of Genmin's Stilfontein gold mine would not affect the National Union of Mineworkers' (NUM's) position in the coming annual wage negotiations, union general secretary Marcel Golding said yesterday

Golding said the NUM would continue to demand a national wage rate for each job category during negotiations with the Chamber of Mines The first round of negotiations is scheduled for early May

He said particular companies' capacities to meet the NUM demands had in the past been taken into account However, the NUM's overall commitment to a national wage rates through centralised negotiations stood firm.

Genmin announced this week that it would close Stilfontein with the loss of 2 500 jobs

Golding said the union's policy on a national rate for each job category could only be reviewed by its national congress which was due to meet at the end of the month.

NUM spokesman Jerry Majatladi said although the chamber last year agreed in principle that wage differentials should be phased out, little progress has been made on the issue

The extent of the wage gap can be gauged from the 27% difference in minimum wage rates for bottom-grade underground workers on Anglo American and Gold Fields gold mines

Majatladi said the NUM had a responsibility to ensure that members were paid "a decent wage," taking into account the difficulties and very real dangers of working conditions The 1989 NUM congress put forward minimum wages for underground and surface workers of R600 and R547 respectively — wages that had yet to be realised, he said

In the long-term the entire industry had to be restructured if black mineworkers were to get more favourable conditions, he said

However, the priority remained the upliftment of standards of living of black mineworkers

Majatladi said the NUM was responding to practical situations and the reality of miners earning monthly minimum wages as little as R305 and R321 — paid at Lonrho and Goldfields mines respectively

The declining gold price and the growing unprofitability of many mines is expected to help make the 1991 wage negotiations one of the most difficult yet.

Chamber president Clive Knobbs said wage demands received so far were well in excess of what the industry could pay He said the time had come for officials' associations and trade unions to accept that job creation, and particularly the maintenance of existing complements, could not be reconciled with excessive wage demands

Rejection

Two weeks ago Knobbs said the industry was in the grip of its worst financial crisis in 100 years

Speaking at the Frankel Max Pollak Vinderine conference recently on future labour relations in the mining industry, NUM general secretary Cyril Ramaphosa said the crisis in the industry was not only economic — but also profoundly social

The social crisis extended to all branches of the industry and encompassed workers' rejection of their poor wages and working conditions, their compound housing and "dead-end training"

If the mining industry was to have any future at all, the labour relations system on the mines would have to change fundamentally, Ramaphosa said.

The industry would only be able to stake a claim to being part of a new SA when it paid fair wages, provided decent housing and adequate training for its workers, improved health and safety standards, rooted out racial discrimination and allowed workers into decision-making processes

Bleak future for miners

Sowetan 4/4/91. (214)

By JOSHUA RABOROKO

MORE than 22 500 people throughout Southern Africa would lose their income following the imminent retrenchment of about 2 500 black miners at Genmin's Stilfontein gold mine

The assistant general secretary of the National Union of Mineworkers, Mr Marcel Golding, said yesterday an average black miner had nine dependants in a typical extended family

The gold mine, situated in the western Transvaal, is to cease underground mining operations by the end of the year.

Its closure will affect 2 950 workers, the majority of whom are blacks

What should be done to help workers who face unemployment because of circumstances out of their control? Telephone popular Radio Metro DJ Tim Modise and air your opinion to the nation. Phone today between 4.30 and 5pm. The hotline number is 714-8063. Listen to the new *Sowetan* talkback programme on Radio Metro on medium wave 576 KhZ.

Tens of thousands of jobs were at risk in the mining industry following announcements by mining magnates that some mines might be closed as a result of the battle against the weak gold price, falling grades and escalating costs

"The outlook for the gold mine in South Africa is disappointing because of certain pressures," a spokesman for the Chamber of Mines said yesterday

Already gold exploration has taken a bad knock with the Anglo American Group announcing this week that it would stop drilling at the Potchefstroom Gap in Sep-

To Page 2

2 500 miners face losing their jobs

Sowetan 4/3/91. (214)

From Page 1

tember.

An average unskilled black mine worker earns R490 a month

The chairman of Stilfontein and managing director of Gengold (Genmin's gold division), Mr Gary Maude, said management had consulted employee organisations before taking the decision

He added that management was still trying to assist employees to find alternative employment.

Golding, however, expressed disappointment at the manner in which Genmin decided to retrench the workers, saying "not all avenues were explored during discussions with the union when the decision was taken"

The mine's wage and salary bill came to R71 million in 1990.

Fighting

NUM, which represents 80 percent of the 2 950 miners to be dismissed when Stilfontein gold mine shuts down, is to continue fighting for the workers' rights.

"This is obviously a sad and disappointing state of affairs," Golding said

He said the union would fight to ensure dismissed workers received satisfactory severance pay

Management must also make an undertaking that reasonable procedures would be followed should the workers be recalled at any stage when the mine performed well.

Maude said the mine had been under severe pressure since November 1990 when it first showed a working loss.

Increased

Strict measures were then implemented to try to contain costs and to increase productivity

As a result of these measures, the mine had remained in production despite a falling gold price and the effects of a high inflation rate, he said

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Iscor's main subsidiaries.

SA WOULD have to bolster ...

GFSA determined 'sick trio' will live

BDay 5/4/91

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MATTHEW CURTIN
and ROBERT LAING

TWO of three Gold Fields of SA (GFSA) marginal gold mines could soon follow Gengold's Stilfontein to an early grave

GFSA executive director Alan Munro said yesterday on the release of the group's quarterly results that it was "touch and go" whether Doornfontein and Venterspost would survive.

The group's third marginal mine, Libanon, fell back into the red in the quarter after six months of profitability

But Munro said GFSA would fight to keep the mines operational to take advantage of a revival in the gold price, though it was impossible to predict when that would be. The average price received by GFSA gold mines dropped to just below R31 000 in the quarter from R31 500 in the fourth quarter of 1990

Chamber of Mines acting CE Horst Wagner said in a statement yesterday more than one-third of SA gold production — about 250 tons out of an annual total of 570 tons — would come from loss-making gold mines in the quarter to end-March

He said these operations, unprofitable at a gold price of R30 000/kg, employed 190 000 mineworkers.

GFSA's capital expenditure plummeted by almost a third to R141m in the quarter, a further reflection of how cash-strapped the gold mining industry is becoming However, despite its difficulties the group turned in an overall profit for the quarter, thanks to the performance of its blue-chip operations, Driefontein and Kloof.

Driefontein was the only company to pay tax in the quarter and both mines were able to cut working costs despite the inflationary environment.

Munro said the absence of new wage costs contributed to the group's battle against inflation in the last quarter He cited the group's steep-curved wage policy as a factor keeping GFSA operations above water

Inflation was one of the three major factors which Wagner cited as affecting the continued viability of various gold mines The other two were the stagnating

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GFSA

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☐ From Page 1

gold price and low grades. For the past three years the gold price in rand terms had been virtually static, with a depreciation in real terms of about 40%.

Working costs in rands a ton milled had more than trebled during the period 1980 to 1990.

Combined with deteriorating grades, which dropped from 8g/t in 1980 to below 5g/t in 1990, inflation had forced many mines into their existing marginal positions, and decisions were now having to be made on whether or not to continue operations.

"Stilfontein is just one example of such a mine, and if there is no rapid improvement in the conditions eroding the profitability of gold mines, I have no doubt that there will be further closures," Wagner said.

"Current conditions make it imperative that employee organisations adopt a reasonable approach to forthcoming negotiations on wages and other conditions of employment. Labour costs already make up more than 50% of the mining industry's overall working costs and excessive demands will do nothing to restore the wellbeing of what has become an ailing industry."

● See Page 5

Gold mines warned of more closures

Finance Staff St 5/4/91

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Annual gold production will slump from its current level of 600 tons to around 430 tons over the next few years, says the acting chief executive of the Chamber of Mines, Dr Horst Wagner.

Dr Wagner said yesterday that the announced closure of Stilfontein was indicative of the gravity of the problem facing the gold mining industry.

"Stilfontein is just one example of such a mine, and if there is no rapid improvement in the conditions eroding the profitability of gold mines, I have no doubt that there will be further closures," Dr Wagner said.

Current conditions made it imperative that employee organisations adopt a reasonable approach to forthcoming negotiations.

"Labour costs already make up more than 50 percent of the mining industry's overall working costs, and excessive demands will do nothing to restore the well-being of what has become an ailing industry," he said.

Dr Wagner said the industry's current volatility was caused by three factors — the stagnating gold price, low grades and SA's high inflation.

The gold price in rand terms has been virtually static over the past three years, which means that in real terms there has been a depreciation of about 40 percent.

At this level, Dr Wagner said, only 60 percent of gold production — about 320 tons, if the last quarter's annualised total of 570 tons is used as a base figure — would come from profit-making gold mines.

These mines employed 55 percent of the existing labour force, with the other 45 percent, or about 190 000 people, employed on mines that were unprofitable at a gold price of R30 000 per kilogram.

Dr Wagner said that the high average inflation rate since the late 1970s had caused working costs in rand per tons milled to treble from 1980 to 1990.

"Combined with deteriorating grades, which dropped from eight grams per ton in 1980 to below five grams per ton in 1990, inflation has forced many mines into their existing marginal positions, and decisions are now having to be made on whether or not to continue operations," Dr Wagner said.

Gengold three survive only by tough formula

MATTHEW CURTIN (214)

GENGOLD'S faltering Grootvlei, St Helena and West Rand Consolidated gold mines pulled through 1990 thanks to the formula of retrenching hundreds of mineworkers, slashing the amount of underground tonnage milled and mining richer ore BDay 5/4/91

The workforce at the three mines fell by 2 800 to 5 300 last year Tons milled fell 36%, 18% and 15% respectively Recovery grades improved at all three mines to 4,3g/t, 6,2g/t, and 2,6g/t respectively.

Despite this cost-cutting package, 1991 would be a difficult year for all three mines, with Grootvlei and West Rand Cons joining Bracken and Stilfontein, already on its deathbed, as the group's operations most at risk

MD Gary Maude said in West Rand Consolidated's annual report that "continued inflation, coupled with a weak rand gold price, remains the biggest threat to the continued viability of the mine"

West Rand Cons' net distributable income rose sharply to R6m (R1,9m) and it produced working income of R300 000 against a R1,5m loss in 1989 The ordinary share dividend rose 30c to 70c

Maude said the immediate prospects for a significant improvement in the gold price were poor and 1990 would "be crucial to the mine's survival"

Grootvlei moved into the black in the December quarter and Maude complimented management Costs were cut by 13,4%, despite R2,4m retrenchment payments and the mine turned in a R2,4m after-tax profit

The company's net distributable income slumped to R2,5m (R6,1m) in 1990 and it ran up a working loss of R6,4m (R4,1m) The dividend was cut 5c to 30c

Last year was difficult for St Helena, Gengold's Free State gold operation The mine cut 1 129 jobs as it curtailed mining operations

There was no change in net distributable income at R27,3m, but working income slipped 37,8% to R32,5m The annual dividend payout dropped to 280c (305c)

Three GFSA mines 'are hanging on for grim life'

(214)

BDay 5/4/91

By ROBERT LAING and MATTHEW CURTIN

THREE of Gold Fields of SA's eight gold mines are "hanging on for grim life", executive director Alan Munro said yesterday in announcing the March quarter results of the group's mines

"The patients are still alive because of skilful surgery," he said about Venterspost, Doornfontein and Libanon "The mines will survive this quarter, but I cannot predict further than that"

Only Driefontein Consolidated paid mining tax during the quarter — the others either generated losses or reduced taxable profits by capital spending

Doornfontein was perhaps the most unfortunate as two fires which started in December halted production for a month and set back the mine's programme to develop the important southern part of its property An insurance payment of R12,6m helped put Doornfontein back in the black, but Munro said another fire could kill the mine

Venterspost was forced by rising losses and the need to conserve cash to stall part of the development programme for its new mining area The new development is being financed from equity capital, but a year of operating losses squeezed cash reserves The new section is scheduled to begin production within a year, Munro said

He added it was "touch and go" whether the existing mine could survive that long at present gold prices

Libanon fell into a loss after recovering last year, but the mine was still healthier than the other two marginal mines in the group, Munro said

Kloof, like Doornfontein, turned to surface material to maintain mill tonnage during the quarter after a runaway skip in No 1 sub-vertical shaft-K knocked out shaft steel work and cut ore hoisting from Kloof itself and the mine's new Leeudoorn section

Leeudoorn delivered its first ore to the mill in the March quarter, though the milling rate was affected by the shaft damage

Munro said Leeudoorn was aiming to increase its monthly milling rate to 60 000t on schedule

He said it still targeted June 1993 as the date for reaching a sustainable milling rate of 100 000t

Driefontein Consolidated's East Driefontein section battled against normal variations in grade and Munro said no improvement was expected in the short term

The West Drie section's Carbon Leader continued to yield high grades

Deelkraal suffered a profit drop despite maintaining its gold recovery grade and increasing its mill throughput

GOLD FIELDS OF SA March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
	720	7,9	5 696,8	150,09	18 503	30 789	—	—	—
East Drie	**720**	**8,2**	**5 923,6**	**152,23**	**18 969**	**31 034**	—	—	—
	705	11,4	8 026,9	170,37	14 964	30 940	123 812*	88 749*	43,5*
West Drie	**705**	**11,3**	**7 947,4**	**172,98**	**15 345**	**31 305**	**130 899***	**86 613***	**42,5***
	540	12,8	6 937,1	220,14	17 137	31 031	—	—	—
Kloof	**540**	**12,5**	**6 776,2**	**223,28**	**17 794**	**31 161**	—	—	—
	95	4,2	401,0	234,59	55 576	30 158	81 946*	9 243*	7,6*
Leeudoorn	—	—	—	—	—	—	**91 318***	**(32 248)***	**(26,6)***
	330	3,6	1 199,2	132,77	36 536	31 375	(2 708)	(18 233)	(90,3)
Venterspost	**390**	**3,6**	**1 395,1**	**128,23**	**35 848**	**30 938**	**(1 243)**	**(14 867)**	**(73,6)**
	435	4,7	2 030,5	147,35	31 567	30 958	(667)	(2 827)	(7,1)
Libanon	**435**	**4,7**	**2 062,5**	**139,15**	**29 348**	**31 272**	**4 696**	**2 409**	**6,0**
	327	5,1	1 667,3	179,74	35 259	30 630	5 248	4 736	11,8
Doornfontein	**344**	**5,2**	**1 792,8**	**191,18**	**36 676**	**31 449**	**(3 236)**	**(4 090)**	**(10,2)**
	405	5,7	2 308,5	148,97	26 136	31 019	13 569	(2 492)	(2,5)
Deelkraal	**395**	**5,7**	**2 248,4**	**145,65**	**25 613**	**31 765**	**16 040**	**(3 008)**	**(3,0)**

* Combined results of both sections

Closure of gold mine may hit Swazi workers

(214)

MBABANE — About 30 Swazi migrant miners may lose their jobs when the Stilfontein gold mine closes down later this year. Star 5/4/91.

Senior government officials have also expressed fears that if more South African gold mines are forced to close down or lay off workers as a result of the falling gold price, a large number of the approximately 17 000 Swazi migrant miners could lose their jobs

The officials said that should that happen, it would create a serious situation for the miners and their families as there was little hope of their finding work in Swaziland, already facing an acute unemployment problem.

In a related development, World Food Programme (WFP) representative in Swaziland Louise Soborn announced that the organisation was helping a group of about 50 former miners, who have returned from South Africa over the past year, to establish their own independent farming project.

Miss Soborn said the WFP, using funds from the European Community, was providing the group with maize, beans and cooking oil until they began to show a profit. — Sapa.

GFSA tightens up but profits slip

Star 5/4/91.

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Alan Munro . . . More retrenchments likely.

By Sven Lunsche

Tight cost controls and the start of gold production at the Leeudoorn mine are the highlights of the March quarterly report of gold mines in the Gold Fields (GFSA) stable

On the downside, however, profits declined slightly as a result of a lower grade and the continued fall in the rand gold price.

In the three months to end-March combined after-tax profits of the mines slipped to R219,84 million from R237,66 million in the December 1990 quarter.

Working costs

Working cost increases were contained to just over 1,6 percent over the quarter at R597,73 million (December 1990 quarter: R588,2 million), but a decline in the grade from 8 g/t to 7,9 g/t and a lower gold price received of R30 929/kg (R31 239/kg) impacted adversely on the bottom line.

Total capital expenditure for the mines was slashed from R204 million to R141 million, which, according to GFSA's executive director, gold, Alan Munro, was the lowest in a very long time.

He stressed, however, that the reduction in capex would not relate to projects vital to the long-term future of GFSA operations.

It was also positive to note that the group did not retrench workers in its efforts to reduce costs Miners, who would otherwise have been retrenched, have been placed with GFSA's two new mines, Leeudoorn and the Northam platinum operation.

But Mr Munro did not rule out retrenchments in the current quarter, particularly at **Ventersdorp**, which is kept going until the new and more profitable extension area is mined by mid-1992. Venters' loss was slighly lower in the March quarter at R6,14 million compared with a loss of R6,8 million in the December quarter.

Best earner

Driefontein continued to be GFSA's main income earner, although profits fell from R130,9 million to R123,81 million.

Driefontein paid nearly all of GFSA's tax during the quarter at R93,56 million (R109,78 million), but Mr Munro says that the new rate of mining tax announced in the Budget would reduce the mine's total tax bill for the financial year by around 10 percent

East Driefontein is battling to keep up its grade, which slipped from 8,2 g/t to 7,9 g/t, resulting in lower profits of R67,5 million (R74,45 million).

West Driefontein, however, had a good quarter and with working costs of R15 000/kg is one of the lowest cost producers in the country, Mr Munro says.

This was largely achieved through a reduction in the work force through natural attrition, but also to extensive use of salvaged equipment in new mining areas, he says.

Coupled with a rise in the grade to 11,4 g/t (11,3 g/t) the lower costs lifted profits to R128,55 million (R127,17 million).

While **Kloof** reported solid results with a rise in profits to from R90,9 million to R96,7 million, total earnings of the mine were slightly lower at R81,95 million (R91,32 million) as a result of losses at its new Leeudoorn division.

Leeudoorn produced its first gold during the quarter, three months later than planned.

In addition to the usual start-up costs, problems were encountered as a result of an accident, which reduced the planned ore milling rate to 95 000 tons and also depressed the yield at 4,2 g/t.

Losses totalled R10,19 million in the quarter, but Mr Munro is optimistic that the division will move into a profit situation in the current quarter. Capex during the quarter at R47,5 million was also R50 million lower than in the preceeding three months.

At **Doornfontein** fires, which stopped underground production for about a month, were finally extinguished Mr Munro says the fires interrupted implementation of the plans to rationalise the operations of the mine.

Losses for the past two quarters now total R4,8 million, despite insurance payments in excess of R12,5 million as a result of the production losses

Deelkraal's profits were down to R13,57 million (R16,04 million), but capex at R16,06 million was retained at high levels to develop new mining areas which will secure the long-term future of the mine, Mr Munro says.

NUM calls for urgent gold industry 'summit'

W/Mail 5/4 - 11/4/91. 214

The ever-deepening crisis in the gold mining industry cannot be tackled piecemeal, insists the National Union of Mineworkers

DREW FORREST reports

THE National Union of Mineworkers reiterated its call for an industry-level "summit" between all mine unions and employers this week, as the crisis in the gold-mining industry continued to deepen

The call, which the NUM also made at a recent Chamber of Mines briefing on the state of the industry, was rooted in a conviction that the crisis could not be addressed piecemeal, said the NUM's Marcel Golding

Initially, a summit would involve unions and employers, but could draw in the government at a later stage

"The sum total of (Chamber president) Clive Knobbs' address at the briefing was to call for wage restraint," he said "A summit would obviously deal with concerns about rising costs, low productivity and labour unrest — but there must be reciprocity "

The broad outlines of an NUM summit platform are already clear — the union wants a role in restructuring the industry to create jobs, enhance skills and cater for retrenched workers, as well as improvements in miners' quality of life Migrant labour, race discrimination, the hostel system and curbs on movement, assembly and expression are seen as negotiating issues

In a recent address in which he also called for a summit, NUM general secretary Cyril Ramaphosa urged the mines to modernise their labour relations approach and replace "traditional authoritarian management" with participatory systems

He called for a central retraining fund for retrenchees, a broader commitment to skills and literacy training and the adoption of an "anti-race discrimination charter"

The NUM's plea for a summit meeting follows two hammer blows to the gold-mining industry Anglo American's announcement that it is to suspend exploration in the Potchefstroom Gap, said to contain 12 percent of the world's remaining gold reserves and the possible site of eight new mines, and the planned closure of Genmin's Stilfontein mine by the end of this year, with 2 500 job losses.

The Stilfontein closure, the first in the current crisis, could be followed by others, Gengold's Gary Maude warned this week Maude said that up to 40 percent of South Africa's gold was currently being mined at a loss

The NUM is to meet Anglo's Freegold North this week over large-scale threatened retrenchments at the mining complex NUM spokesman Jerry Majatladi has said 7 000 jobs are on the line, but this could not be confirmed

STILFONTEIN

END OF THE ROAD

FM 5|4|91 (214)

FM 5|4|91 (214)

Closure this year of Genmin's Stilfontein gold mine is a landmark decision This is the first large established mine to be shut as a result of the gold mining industry's financial crisis

Mines closed during the past year have been tiny producers like Afrikander Lease, Barbrook and Modder B

Underground operations at Stilfontein will cease by the end of the year, putting another 2 450 miners out of work Only 500 workers will retain jobs running the dump retreatment operations, expected to last another three years.

In 1987, before the slide in the gold industry's fortunes started, this mine employed 9 500 and produced 7 t of gold Since the start of operations in 1952, Stilfontein has produced 690 t of gold

Chairman Gary Maude told this week's press conference "The closure of Stilfontein is a significant indicator of what is happening to the SA gold industry This is the first large mine where we have been forced to throw in the towel Management has tried everything it can think of to keep the mine going and has failed because of the present gold price"

The fundamental reason for the mine's demise is that ore reserves on the rich Vaal Reef are almost mined out Operations now depend on the lower-grade Ventersdorp Contact Reef (VCR), which is not economic at current gold prices.

The mine has been unable to show a working profit since November 1989 Last year about R5m was spent on exploring the VCR to determine if the reef could support the mine. Maude says promising patches were found but the conclusion was that mining the VCR would not be profitable until the gold price rose to R50 000/kg It is now about R31 000/kg.

Closure will have a severe effect on the small western Transvaal town of Stilfontein, which largely depends on the mine for its existence Maude says the mine's wage and salary bill amounted to R71m in 1990, much of which would have been spent in the town He adds that the mine has already put 600 houses up for sale in Stilfontein and nearby Klerksdorp

In terms of the closure plan, the Scott and Margaret shafts are to be kept in operating condition so that pumping from the mine can continue If Stilfontein were to stop pumping, Anglovaal's neighbouring Hartebeestfontein (Harties) gold mine would be flooded

Monthly pumping costs are estimated at about R1m and Maude says discussions are under way with the State and Harties for provision of this money He was certain agreement would be reached because, if not, Harties would have to spend R40m on installing new pumping capacity to handle the additional water inflow

Maude estimates closure costs at about R35m, comprising R20m for rehabilitation and about R15m for retrenchment costs That is about equal to what the mine has in retained earnings Any special payouts to shareholders would depend on the funds raised from the clean-up at the gold plant, which will take place only after the end of dump retreatment operations

Stilfontein has about 4,8 Mt of rock dump material at an average grade of 0,9 g/t, which it could treat at a rate of 160 000 t/month at an average working cost of R24 000/kg of gold produced The share will remain listed on the JSE

Brendan Ryan

EXPLORATION FM 5|4|91 (214)

HITTING BAD GROUND

Anglo American Corp's decision to curtail drilling work in the Potch Gap does not mean the end of the project, but rather that it is not viable at present gold prices Anglo gold division chairman Clem Sunter says his group is pruning its exploration budget because of cash-flow constraints, but will still spend well over R100m on exploration in calendar 1991

"Our action implies no loss of faith in the long-term future of the gold industry," he says "It's just that at a gold price of R31 000/kg it is not worth our while spending between R2bn and R4bn to develop a mine to exploit the kind of grades the drilling work is revealing of between 10 g/t and 20 g/t in situ

Anglo's Sunter *not worth the cost*

"By comparison the drilling work that led to the opening of the Free State gold fields revealed in situ grades between 20 g/t and 30 g/t Our evaluation may change later in the Nineties if the gold price improves"

Cuts in exploration expenditure have occurred before when the industry has fallen on hard times, and it's worth noting the first drilling work in the Potch Gap started in the Thirties

But the present reality, as Randex MD Mike Saner points out, is "If you are making a loss on current gold operations at a depth of 1 000 m, then it does not make much sense spending money now on projects looking for gold at depths of 4 km"

Randex has cut back on its contributions to some deep-level gold exploration projects, but Saner says the dilution effect on the company will be delayed and minimised because of overall declining industry expenditure on these ventures

Trouble is, most of SA's remaining gold ore reserves lie at depths of 3 000 m to 4 000 m Cuts in exploration expenditure, at best, will delay the development of mines to exploit these deposits At worst, it will leave the ore in the ground, further shortening the life of the gold-mining industry Also, delaying development of a new mine means inflation will further increase the capital cost of the project if it eventually does go ahead

With the gold industry in crisis, all costs are under scrutiny and deep-level exploration is an expensive business Drilling a borehole to a depth of 4 000 m, with deflections, can cost between R5m-R10m A drilling programme and associated work to bring a deposit to the feasibility stage can cost between R100m-R200m

Anglo has stopped drilling on five boreholes in the Gerhardminnebron section of the Potch Gap, and intends suspending the entire exploration programme in September, when it has completed work in four other boreholes Reasons given are the low gold price and poor drilling results

However, it's not a total end to the exploration effort in the region Anglo is involved in two other projects in the Potch Gap, Vyfhoek and Mooirivier Exploration company Lydex is a contributing partner in Vyfhoek and director Stephen Finnemore says drilling work continues

Gold Fields of SA (GFSA) is also involved in the Potch Gap Peter Janisch, GM new business, says the house will complete its drilling programme in the area He adds GFSA has no intention of cutting back on its total exploration effort, which is vital for the group's long-term survival

continue —17

P.T.O.

FOX FM 5/4/91 (214)

An Anglovaal spokesman says the house has no plans to cut exploration expenditure on its Sun and Oribi projects in the Free State

Revival of the industry's flagging interest in deep-level exploration will need a sharply higher gold price, removal of ring-fencing and a big jump in mine profitability Without these, the "third wave" of new gold mines which, it was hoped, would rejuvenate the industry and the economy, will remain a pipe dream As it is, Frankel Max Pollak Vinderine economist Mike Brown reckons development of these mines could already have been put back as much as a decade

Brendan Ryan

GOLD AND EMPLOYMENT (214)

A SAD STOPE OPERA

FM 5/4/91.

INSISTENCE ON HIGHER WAGES COULD HAVE DAMAGING SOCIAL EFFECTS

Retrenchment is one of the unavoidable consequences of the gold industry's efforts to stay viable over its present crisis — described by Chamber of Mines president Clive Knobbs as the worst ever. But the loss of jobs is hammering already impoverished rural areas of southern Africa.

The sagging gold price is a primary cause of the industry's problems. Anglo American's decision to halt drilling in the Potch Gap area (see *Fox*) casts a pall over future prospects for what after all remains a primary source of SA's wealth. The number of gold mines which will *not* now be developed in the Nineties increases political pressures on government in an era when it must take serious stock of black aspirations for the redistribution of wealth and the creation (and retention) of jobs.

The longer-term consequences of large-scale retrenchment of mineworkers include increased migration from rural areas to the squatter camps building up around the cities and, because there are no jobs available in the cities either, a likely increase in crime.

Towns traditionally dependent on the gold mines for their existence — like Welkom and Virginia — are also being hit by a loss of residents and business and sharp drops in property values. The town councils are putting a brave face on the situation; Welkom has researched what new businesses could flourish in the city and set up a special team to attract them to the area. But the primary problem may be insoluble.

Black miners come predominantly from rural areas because of the lack of other employment opportunities there and because most urbanised blacks are simply not interested in working on the mines — even if they cannot find jobs elsewhere.

The industry's recruiting arm, The Employment Bureau of Africa (Teba), has reached into the most remote parts of the country and neighbouring states, where its recruiting stations offer the only alternative to subsistence agriculture.

The cash flows involved are enormous. In terms of governmental agreements, Teba is required to pay a portion of miners' earnings directly to his country of origin. The miners can claim these earnings when they return home on leave or at the end of their contracts.

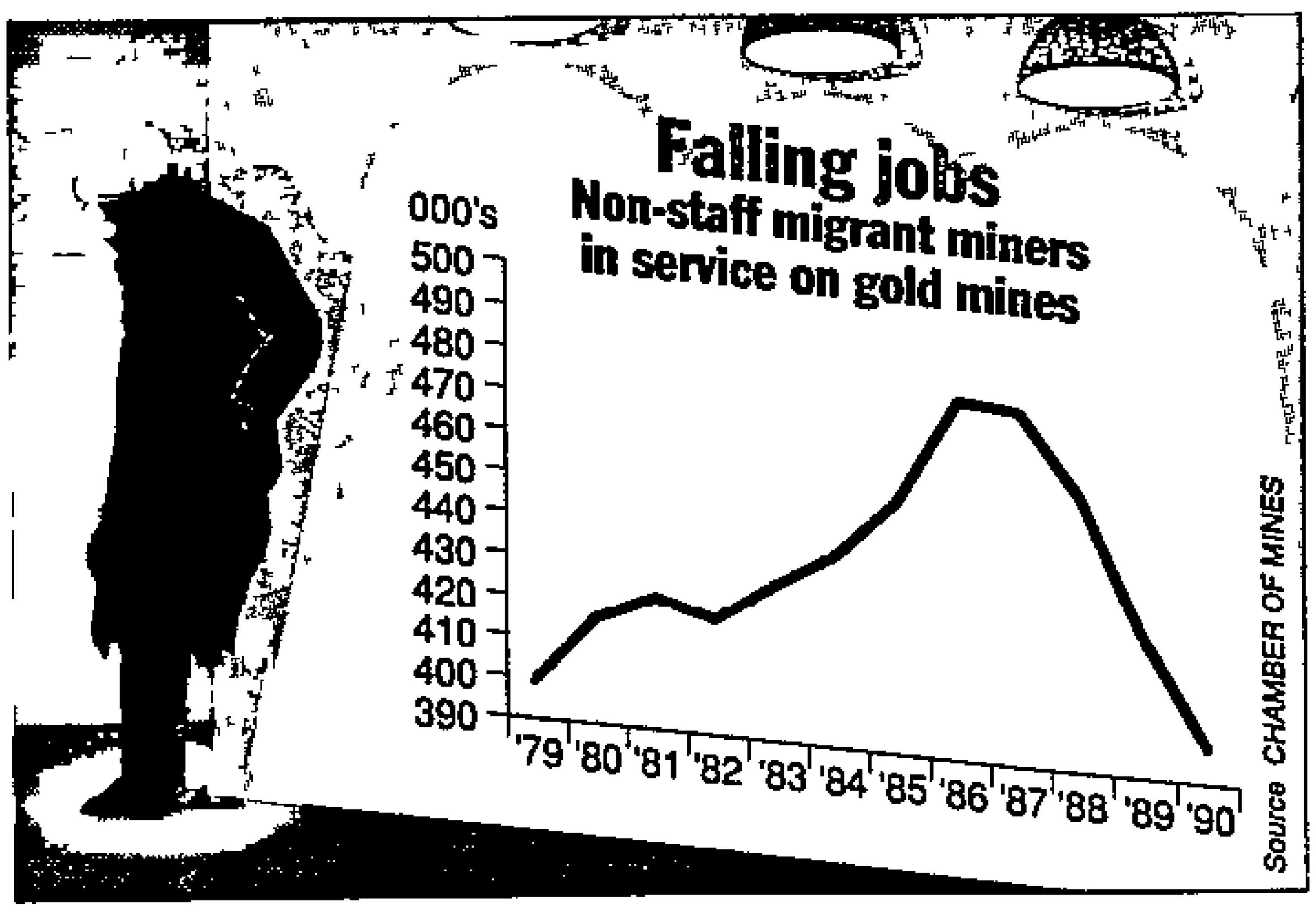
In the case of Lesotho, the agreed portion was 60% of total earnings until last month, when it was reduced to 30%. The amount involved was R472m in 1990 (1989: R408,4m) while in the case of Mozambique the portion is 50% which was worth R139m last year (R114m). That's a sore point with Mozambican miners because they get paid out at home at the offical exchange rate instead of the far more attractive black market rate.


Perlman

The biggest earner after these countries is Transkei, where the remissions are voluntary, but Teba still directly paid out R101,5m in the area during 1990 (R81,3m). Transkei also provides the best example of what's happening in the rural areas because it has been the worst hit by industry retrenchments.

Teba statistics show a 14,4% drop in migrant workers employed on the chamber's gold mines from an average of 476 127 in 1987 to 398 773 last year. Over the same period, the number of Transkeians employed has fallen 23% from 128 513 to 99 492, while the number of Ciskeians is down 24% from 12 249 to 9 289. In comparison, the Mozambique labour contingent has dropped just 6% and the Lesotho contingent is only 7% lower.

Teba points out that it recruits as required by the individual mines and the controlling mining houses which determine the ethnic mix of the work force. The reason for the pattern reflected in the statistics is not hard to work out.



Xhosa workers from the Transkei and Ciskei, who traditionally support the ANC, have the reputation of being notorious troublemakers on the mines — often for political issues not directly related to industrial relations matters.

Chamber senior GM Johann Liebenberg estimates each black miner supports up to 10 dependants through the traditional African extended family. What then happens if their cash-flows dry up? They starve — and so do their families.

Operation Hunger executive director Ina Perlman says her organisation supported about 250 000 people in the Transkei region last year. Since December, the charity has started feeding an additional 150 000 people there and it estimates that a further 150 000 are waiting to join the feeding schemes which consist of soup kitchens and monthly rations for family units.

She attributes the bulk of this to retrenchments in the mining industry, saying another badly hit region is the Ingwavuma district of KwaZulu.

How many workers have been forced out of the gold mines into unemployment is difficult to pin down because of transfers of redundant workers to other mines in the same group. Retrenchment agreements negotiated by some mines with the National Union of Mineworkers (NUM) have also included provisions for extended periods of unpaid leave in an attempt to save jobs.

In January, Liebenberg estimated that during 1990 there were 27 000 actual retrenchments on the gold mines. He has since revised that figure to 40 000 and the chamber has drawn up its 1991 budget on the estimate that between 40 000 and 45 000 more workers will be laid off.

The hard fact is that 40% of SA's gold is produced at a loss at a price of R30 000/kg and the unprofitable mines employ about 190 000 people. That is the result of Reserve Bank policy to maintain the value of the rand, whereas in the past the currency was simply allowed to devalue to compensate the gold mines for lower dollar gold prices.

A contributing factor to this new hard-nosed policy appears to be the declining importance of the gold industry to the SA economy. Bank statistics show that in 1983, gold exports of R9,93bn constituted 42% of total exports and service receipts of R32,6bn. However, in 1990, gold exports of R18bn amounted to only 25% of total exports and

Cont →

service receipts of R71,3bn

Knobbs accepts the need to fight inflation but questions whether the price being paid is not too high, given the country's social and political circumstances "Opinion in the mining industry is split on this issue but many of us feel there is room for a trade-off here between fighting inflation and fighting unemployment Increasing unemployment is not a good background against which to negotiate a new political dispensation "

Frankel Max Pollak Vinderine economist Mike Brown prefers to assess the industry in dollar terms and — assuming a flat US$350/oz gold price over the next two years — foresees, at worst, the loss of 150 t of annual gold production, but a better view is the loss of about 90 t of annual gold production.

He estimates that losing 90 t of gold production annually would mean a decline of 0,5% in real SA GDP, a drop of R2,55bn in foreign exchange earnings and the loss of 75 000 jobs

Knobbs

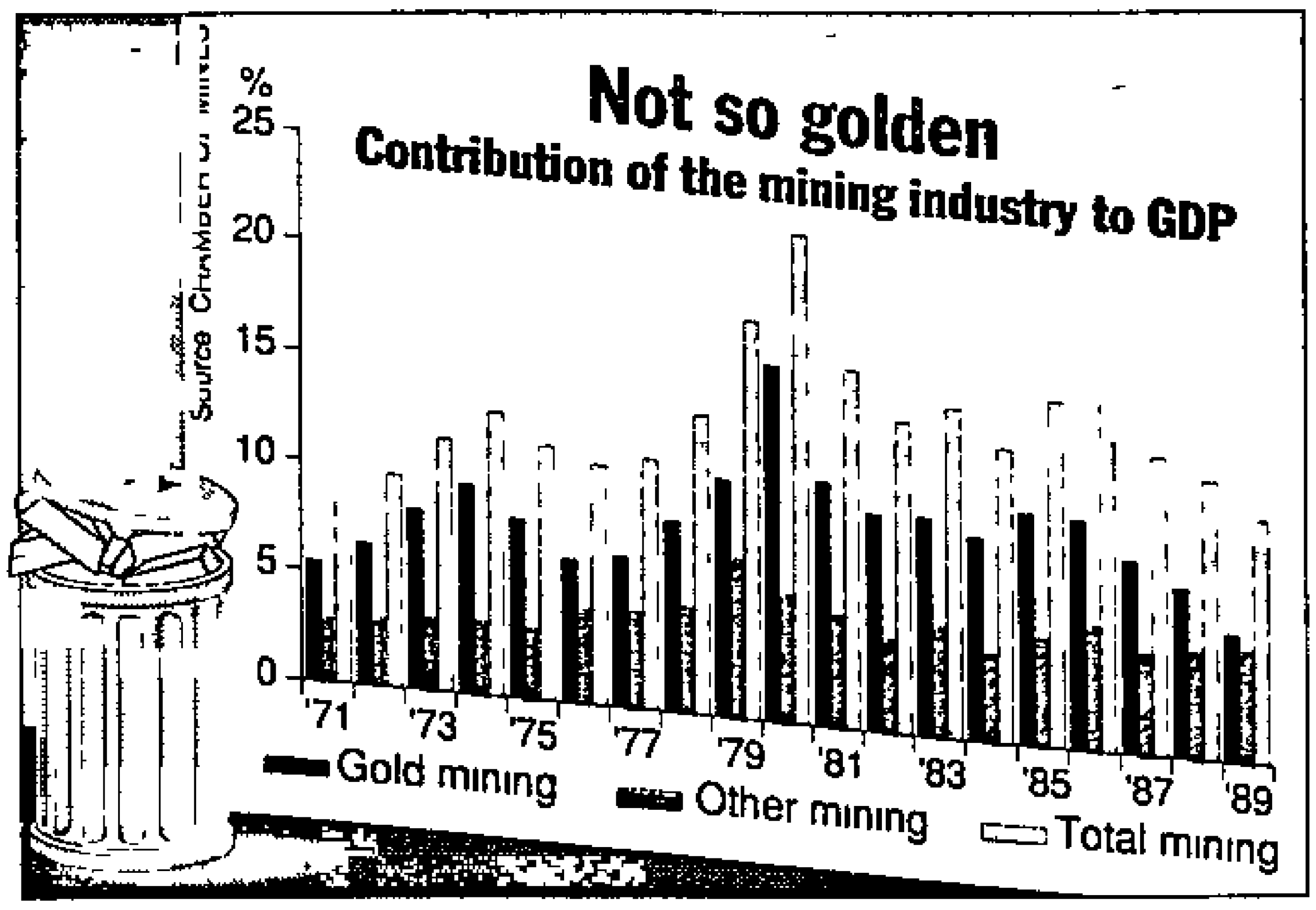
Just how high must the rand gold price be to materially help the industry? Over the past few weeks, the rand has weakened sharply against the surging dollar from a rate of about $1/R2,52 to the current $1/R2,72. The gold price is currently around R31 000/kg but that compares with the average of just under R32 000/kg which has ruled for the past three years.

Knobbs says a look at the spread of individual mine working costs, including capital expenditure, indicates that a price of R33 000/kg would put all but some six mines into the black as about 15 mines showed break-even costs between R30 000 and R33 000 for the December quarter

In the absence of an improved gold price the level of wage settlements this year will be crucial to the number of retrenchments Mining industry executives draw a direct link between the level of pay awards and the number of workers they can afford to employ with labour amounting to 50% of working costs

Ever higher wages are becoming unsustainable

The NUM has achieved real increases in wage levels after inflation for each of the past three years Liebenberg reckons the union started to show some appreciation of the realities last year when it settled for lower pay increases on the gold mines than on the coal mines, which were perceived to be able to pay more



However, initial indications for this year's bargaining are that the NUM remains set on its goal of pushing mine wages into line with the higher rates paid in secondary and manufacturing industries Yet, on the other side, the mining house executives are talking in terms of holding pay increases to a bare minimum

Brown points out that the critical issue is that mine wages are still only some 60% of the average levels for semi- or unskilled labour in other sectors of the economy

NUM press officer Jerry Majatladi does not accept that wage restraint would definitly result in greater employment, saying the general tendency of the capitalist system is to replace workers with machines

He feels the long-term solutions to the industry's labour problems will only come when the gold mines are nationalised

When the *FM* raised the issue of the Zambian copper mines as an example of what normally goes wrong with nationalised mining industries, Majatladi rejected the comparison out of hand, considering it to be "racist "

The *FM* does not consider it racist to point out how jobs can be lost permanently by nationalised industries which cannot remain economically viable

Brown comments "What appears to be driving the nationalisation campaign is the fear of mine job losses and the NUM's concern about the erosion of its power base The NUM believes that the social security system of the mining industry falls far below acceptable norms and that a State-controlled industry is a prerequisite for ensuring better treatment of workers, proper development of human capital and improved retrenchment packages

"For this reason, the union is ignoring the economic reasons against nationalisation in favour of social arguments for it "

Mining house executives remain confident about the long-term future of the industry which has a "third wave" of new deep-level gold mines ready for development which would boost employment by the industry But for these to get the go-ahead, ring-fencing will have to be dropped and a much higher gold price is required One recent estimate by Gengold MD Gary Maude put it at $700/oz Perhaps executives have to dream, just as workers do *Brendan Ryan*

Stilfontein mine families face a gloomy future

B Day 5/4/91

DARIUS SANAI

STILFONTEIN's white mountains of granite appear suddenly as the Johannesburg-Klerksdorp road dips towards the mine

A gentle hum of machines, kilometres underground, wafts across the plain adorned with its pink and white cosmos

There were patterned pink flowers, too, on the bedsheet of a bunk that I saw yesterday in the main Stilfontein hostel

In six or nine months' time, the owner of the flowered sheet will pack up his wife's forlorn present and travel back to his faraway home, without a job Stilfontein is closing down

An English mine supervisor once said that when miners are retrenched it is only individual lives that are ruined But when a mine shuts, the whole community dies

In SA the community does not lie down on the spot it gets scattered through various corners of the land

"Yes, we really were upset when we heard the mine would close," said manning clerk Arlena Modisa "My husband and I have been working and living here for 17 years My husband is 56 He will never find a job"

A few years ago they would have been forced to go back to Bophuthatswana What will they do now? I asked "My children say we should stay here — they don't speak the language in Bop, they have no links So we won't go home But it will be so difficult"

Will they survive? "I don't know I don't want to think about it"

Most other workers are less forthright about the problems they will face

"I'm sad because I don't know where I will go, where I can find a job," was the line, again and again, with no further details supplied

One man was a sampling chipper his job is the lowliest of all the mine jobs He chips samples of rock from the end of the mine shaft "Everyone's heart is sore," about the closure, he said, but no-one was really surprised

Julius Moduwa, a sharp-witted 40-year-old assistant to a personnel manager, planned to go home to Bophuthatswana and raise cattle Would that pay for his family's upkeep? "I doubt it," he smiled, "but what else can I do?"

Yet, strangely, the place is not as funereal as one might expect True, the atmosphere around the main hostel is silent and unwelcoming But these endless rows of matchbox rooms with their bunk beds and steel tables were never particularly happy places (2014)

In the neat one-roomed housing, the section reserved for families, things were brighter

The children were happy and the wives more relaxed than their working husbands But the sad predictions were the same the future in Transkei, Botswana or Lesotho, was bleak

But they all seemed happy with the lives they had lived "We have enjoyed it a lot," I was told by every child and wife I spoke to

Stilfontein town is a 15-minute walk from the mine The mood of the shopkeepers heavily reliant on the mining industry, varied from gloom to shrugging confidence

"The mine has been threatening to close for years — and we still have a few other mines (Buffelsfontein and Hartebeestfontein) to support us," said bottlestore owner Boet Reinecke

All agreed on two things the town had been hit by a gradual loss of mining jobs for years and one could only wait and see the real effects of Stilfontein's closure

Bracken Mine could be next in line for cutbacks . . . or worse

ARGUS 5/4/91

From THERESE ANDERS
The Argus Correspondent

JOHANNESBURG — Struggling towns dependent on the teetering gold mining industry are bracing for further retrenchments and possible mine closures

Bracken Mine, in the Eastern Transvaal, is probably the next in line to close.

Towns such as Stilfontein, Welkom, Virginia, Theunissen and Orkney largely owe their existence to the gold-mining industry and are in the forefront of the battle to stay alive

10 000 RETRENCHED

Of these, the Free State town of Virginia, only a few years ago a boom area, has taken the worst battering since the crisis in the South African gold industry began as a result of a low gold price and falling demand for the metal

Over the past two years, Rand Mine's Harmony Mine, near Virginia, has retrenched 10 000 workers, with 700 skilled workers (mostly white) losing their jobs in the past six months alone

This has had a devastating effect on the town

Virginia's town secretary, Mr Marius Davis, said there were now up to 400 empty houses in the town, and the council was feeling the pinch from the loss of income on service accounts

However, he said the initial gloom in the town had lifted and Virginia residents were not as anxious about their future as they were about six months ago

Once the Group Areas Act went, he said, it was hoped that the mines would move senior black personnel into the empty houses

He said businesses were also hurting, with some smaller concerns having gone under

Virginia town councillor and member of the local Chamber of Commerce Mr Kevin Charlwood said the drop in the number of residents meant there was not the same buying power in town any more

At his petrol station the volume had dropped markedly

Mr Nate Peretzman, owner of Merrie Trading Store at Harmony Mine's Merriespruit Shaft, said his business had dropped by between a third and a half over the past few months.

"When people are unhappy and insecure, they don't spend money," said Mr Peretzman

He said there was a lot of uncertainty in the area — "everyone is worried"

Welkom Town Clerk Chris Rademan said the mining retrenchments had had a detrimental effect on the town and there had been a general feeling of despondency

"But that has changed We've realised that, for too long, we've been too reliant on gold, so we've developed a programme to diversify into industry"

Orkney so far seems to have escaped major mining cutbacks, but they could be on the way soon

The other area hit by the scaling-down of the gold-mining industry is Evander in the Eastern Transvaal

Genmin's Leslie Mine has reduced its labour force from 4 800 to 1 800 over the past two years

Mr Lionel da Silva, owner of the DM Eating House at Leslie Mine, said "I now do about a quarter of my previous turnover

REALLY STRUGGLING

"I'm making only enough to pay the rent, light, water and my employees I'm really struggling"

And even worse news for the Evander area is that one of Genmin's four gold mines in the area, Bracken, is to close at the end of next year, with the loss of about 2 000 jobs

Genmin executive Gary Maude said yesterday that Bracken had come to the end of its life

More gold mines under threat

(214) WMail 5/4 – 11/4/91.

Rising costs and a falling gold price has put the squeeze on the gold mining industry One mine has already closed and others may follow

By MONDLI MAKHANYA and REG RUMNEY

GOLD mining industry observers say the closure of Gengold's Stilfontein mine does not presage any further immediate mine closures

Mining houses contacted by *The Weekly Mail* were adamant that no closures were in the offing soon

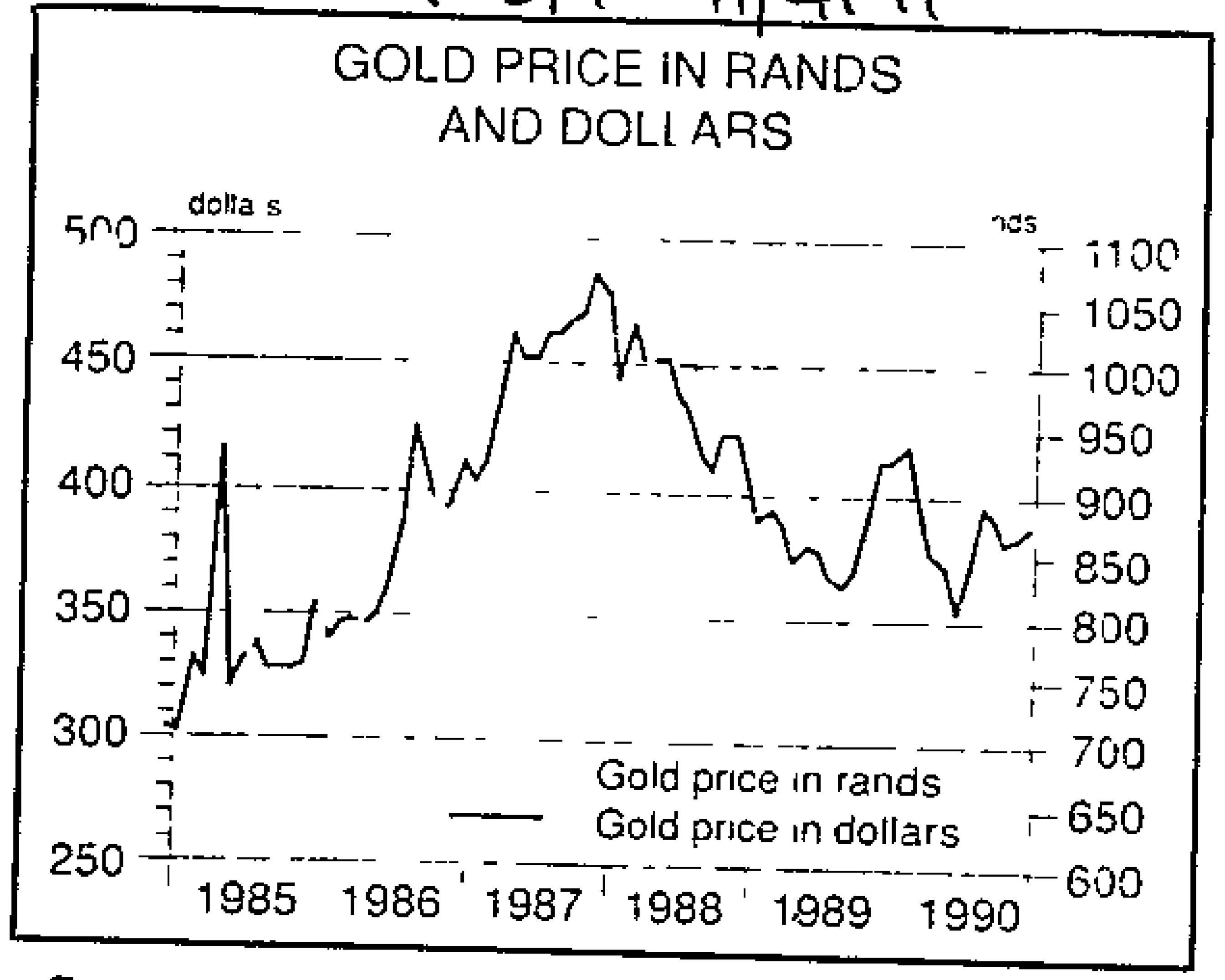
However, a continuing low gold price will inevitably take its toll

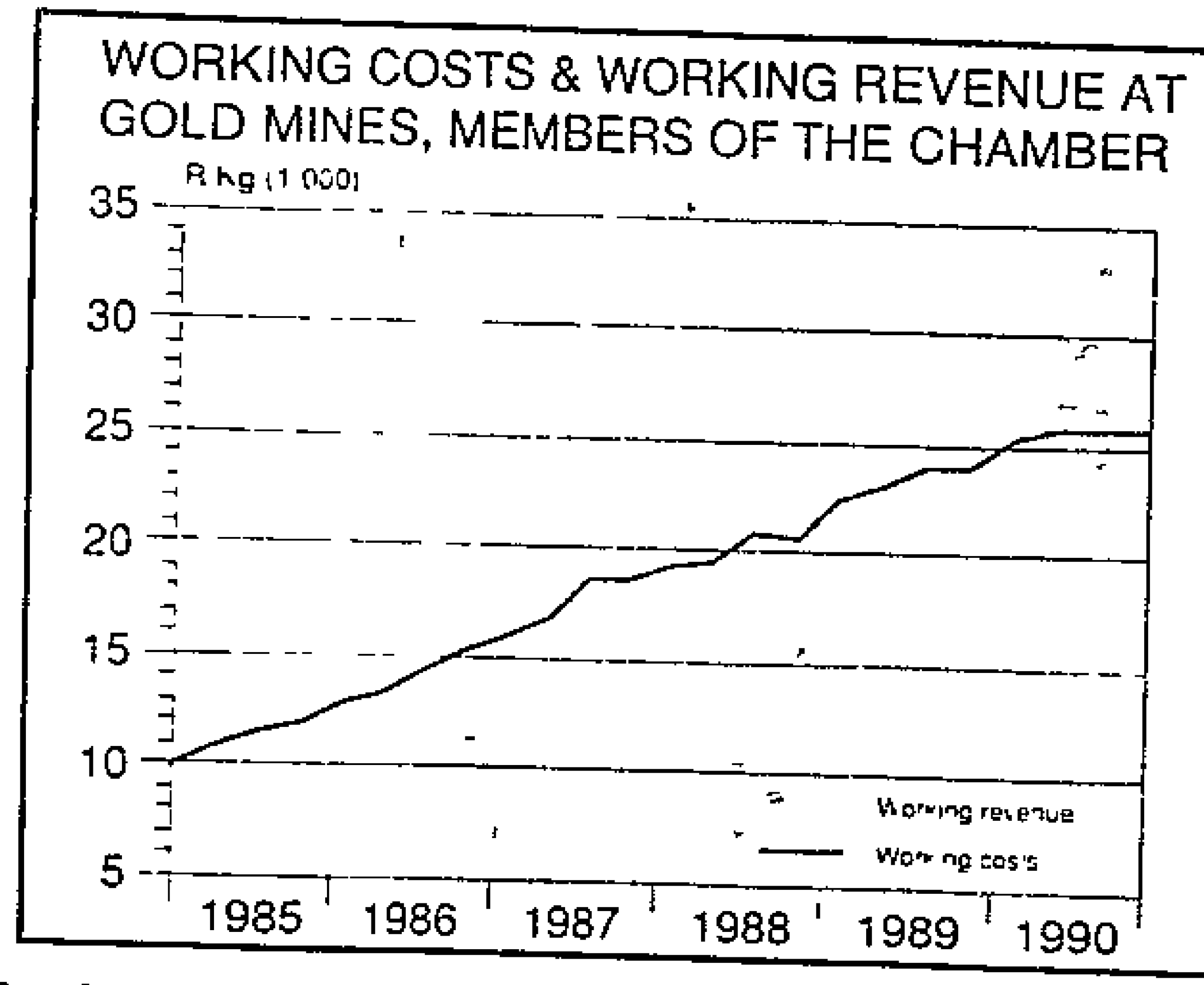
Chamber of Mines chairman Clive Knobbs has pointed out that 40 percent of South Africa's gold — or 320 tons — is produced at a loss He has also said around 45 percent of the gold mines' workforce is employed on loss-making mines

The chamber has estimated that 40 000 jobs are at risk with the present low gold price Furthermore, it is estimated unprofitable mines employ around 190 000 people

Edey Rogers analyst Gordon Gray believes Rand Mines-owned ERPM and Genmin's Bracken and Grootvlei will most likely be the next victims of the low gold price

"Stilfontein was one of those mines which simply ran out of reef And if reef runs out, there is nothing you can do about it. Bracken is a similar case In a year or two it will be facing the same problems that forced Stilfontein to close Grootvlei too is in a bit of trouble," he said.





Gray said estimates were that the gold price would have to double for such mines to continue profitably.

ERPM though, will continue operating despite losses in order to meet its R400-million debt owed to the government and banks Another Rand Mines operation, Harmony, has retrenched several thousand workers in the past year and is also in danger of closure

Anglo American chief communications officer James Duncan said the giant mining house had no intention of closing any of its mines "If one defines marginality as 'loss making' none of Anglo American's gold mining regions is marginal," he said.

Johannesburg Consolidated Investment also said none of its mines were facing closure

There is more behind the Stilfontein closure than a low gold price in dollars

The closure of this and other mines will send a strong signal to the world gold market that South Africa is not prepared to produce gold without regard to the cost This may — always keeping in mind the notorious unpredictability of the gold price — turn the tide as speculators and investors see supply being cut back instead of surging as it has in the last decade

It is no coincidence that Gengold's Gary Maude has argued for such drastic steps. He said gold production must fall 20 percent before there is any relief

The gold mining industry has been aware for some time that closures were in the pipeline.

A by now well known graph produced by Nedbank's economic unit, recently updated, shows that — including capital expenditure — at a rand gold price of R1 000 an ounce Winkelhaak, Stilfontein, West Rand Cons, Blyvoor, Western Areas, Buffels (Beatrix), Loraine, Deelkraal, Harmony, Kloof, Durban Deep, Doornfontein, ERPM, Venterspost, and HJ Joel are in a loss position

The Chamber of Mines noted in its most recent newsletter that the profitability of the industry has deteriorated to the lowest level in real terms since the 1960s, as rising costs eroded the margin between revenue and costs "In 1990 working costs, excluding the capital expenditure necessary to maintain current operations, were R25 733/kg and working revenue R32 280/kg

"The margin is now at a level that provides little incentive to invest in the industry. Indeed some nine mines employing 78 000 people and producing 77 tons of gold valued at R2,5-billion recorded operating losses in 1990"

Midweek the London gold price was around \$359 an ounce, which means revenue of just over R31 000/kg

The key is not only the dollar price of gold, but the price in rands. In previous years price declines have been matched by a weakening of the rand against the dollar. So although the gold price has fallen, the mines got more rands for their gold This has changed and the Reserve Bank has set as its task the maintenance of a stable rand

While the effect of mine closures will be felt throught the community, there is some small consolation for South Africa in that gold is not as important as it once was to the economy. It contributed 32,74 percent of export revenue in 1989 as opposed to 50,92 percent in 1980 Accordingly, its share of the gross domestic product has also declined. It is estimated that gold mines will contribute only one percent of total tax revenue this year, as opposed to 8 percent 10 years ago.

Gold holds the key to their future

214

From HELEN GRANGE
The Argus Correspondent

Argus 5/4/91

STILFONTEIN. — In this small western Transvaal town, everybody knows the latest gold price — because it is the gold price that has determined their fortune and, now, their pending misfortune.

The town, nestled within a circle of mine-dumps, faces possible economic disaster following this week's announcement of the closure of Gencor's Stilfontein gold mine by the end of the year.

About 2 500 of the 2 950 mineworkers will lose their jobs, the biggest blow yet to the region's increasingly troubled gold-mining industry.

For Stilfontein traders, who have become accustomed to occasional reports of gold-mine closures, this is the news they have regretted hearing the most.

'VERY BAD EFFECT ON US'

"This is going to have a very bad effect on us. Our business comes solely from the miners," said Rashid Dangor, owner of three shops in the central business district.

"I feel the mine unions should have stopped demanding high wages and the government stop the huge taxation on mines. I also feel the council should have prepared for this eventuality 10 years ago.

"There is no way we are ready to start other industries on the scale we need," Mr Dangor said.

Two miners in Mr Dangor's shop, Mr Judas Mjuza and Mr Isaac Dom, said listlessly they would go back to their homelands of Ciskei and Transkei and perhaps try farming if they were laid off.

"There are no jobs in the Transkei, and I have three children," said Mr Dom.

Marginal mines' rescue unlikely

SATURDAY APRIL 6 1991

W/C-Arch 6/4/91 (2/4)

From DUMA GQUBULE

JOHANNESBURG — The governor of the Reserve Bank, Dr Chris Stals has ruled out the possibility of monetary policy bailing the gold mining industry out of its current crisis in spite of an increasingly vocal lobby calling for a devaluation of the rand to rescue marginal mines.

A depreciation of the rand against the dollar would result in a higher rand gold price and some people believe this is the only hope of saving the industry

But in an interview this week, Dr Stals said he would not distort monetary policy to help the gold mines "Monetary policy cannot be changed to suit one sector of the economy," he said.

Dr Stals said the Budget would be a more appropriate route for providing assistance "But this could result in higher taxes for other people"

Since Dr Stals became governor of the Reserve Bank in October 1989 the main instruments of his monetary policy have been high interest rates and a stable exchange rate

However, this week many who had previously accepted the need for a stable exchange rate — to keep a tight reign on inflation — began to wonder whether it was worth letting the gold industry die for the sake of monetary policy

President of the Chamber of Mines Mr Clive Knobbs expressed similar sentiments this week and Dr Gad Ariovich, a senior lecturer at the London Scool of Management and Economics in Johannesburg said it appeared the strict monetary policies were not working

"It is very daring to sacrifice an important industry for a policy we can only hope will work," he said

Dr Ariovich said exporters were suffering because the rand was above its equilibrium level against the dollar "The rand can not be allowed to remain static against the dollar when our inflation rate is about nine percent above the US inflation rate," he said

But Dr Stals said the gold price was low because there was an oversupply situation in world markets "We cannot artificially try to work against this trend"

He said the benefits of allowing the rand to depreciate against against the dollar would be short-lived

"Very soon imported inflation would increase and rising production costs would catch up with the mines and negate the benefits of a devaluation," Dr Stals said.

"It is unfortunate, but somewhat inevitable that many jobs will have to be lost because of the low gold price"

With the possibility of a lower rand unlikely, it appears little can be done to save the marginal mines threatened by the low gold price

Frankel Max Pollack Vinderine economist Mike Brown points out many people would argue that there are other more pressing demands on the fiscus

The mines have been cutting costs for the past two years in an attempt to avert closure. Although many mines could

See page 3

Bleak outlook

W/C Arch 6/4/91

From page 1

2/4

benefit from more forward sales of gold, Gencor chairman Brian Gilbertson says, there comes a point at which more cannot be done

The last possibility — an agreement with labour to curb costs, which comprise 40 percent of working costs — seems unlikely

Bankorp economist international markets Charles Jonker has forecast an average gold price of $368 this year, $345 next year and $340 in 1993.

Under this scenario up to 100 000 jobs could be lost and a 20 percent reduction in South African production is possible.

Ironically, from a pure macro-economic point of view the country wouldnot neccessarily be worse off.

Econometrix economist Azar Jammine says the 20 poorest mines produce 15 percent of South Africa's gold, while the richest 10 produce 85 percent. "So you could say: why bother keeping the poor mines open?".

The price of gold would rise and the mining houses would diversify into other mining and industrial ventures. Gencor is already expanding its platinum, stainless steel and coal interests.

In addition many people would argue that gold mining is a very expensive way of creating jobs. Rather invest in industry where cheaper jobs can be created or elsewhere where more efficient returns on scarce capital resources can be obtined

Gold-mine shocks threaten economy

By LUCAS DE LANGE C/Press 7/4/91 214

TWO major gold mining-related shocks hit the South African public this week.

Anglo American Corporation, the western world's biggest single gold producer, announced it was abandoning exploration of the so-called Potchefstroom Gap, until recently thought of as a promising area for major new mines.

Secondly, Gencor announced that its Stilfontein mine was to cease all underground operations, with the loss of about 2 500 jobs.

The latter will mainly hit already severely depressed areas in southern Africa such as Lesotho and the Transkei.

While the closure announcement was dramatic it must be borne in mind that this is part of an ongoing process and that by the end of the year it will probably represent a small proportion of total job losses in the gold mining industry.

The retrenchments are seriously affecting the national finances of Lesotho and Mozambique. Some 60 percent of Lesotho's national earnings come from the portion of mineworkers' earnings which must be remitted monthly in terms of governmental agreements. Last year more than R470-million was remitted by the mines to Lesotho.

Mozambique depends on South African mines for about 50 percent of its foreign earnings.

How many workers will be laid off this year is uncertain, but the Chamber of Mines says it could be as high as 45 000.

The low gold price and the high inflation rate have caused the crisis on the mines. About 40 percent of South Africa's gold is being produced at a loss by mines employing about 190 000 workers.

There are few signs the international gold price will improve soon as investment demand is at its lowest level since the Second World War.

The fact the gold price did not respond to the Gulf Crisis has also apparently convinced South Africa's mining leaders that gold has lost its appeal as a safe bet for investors.

Fortunately industrial demand, mainly from the jewellery industry, remains steady in spite of the international economic slowdown.

But the decision by Anglo American to stop exploration in the Potchefstroom area is seen by experts as a greater setback, because this will affect future growth of South Africa's biggest export industry.

The Potch Gap represents an estimated 20 percent of South Africa's gold reserves and Anglo is telling us it is unprofitable to spend further millions establishing new mines.

Translated into production figures, it means that around 8 000 tons of gold in the Potch Gap reefs will remain underground. This is equal to about 13 years' production at our present rate.

South African gold production peaked in 1970 at more than 1 000 tons, but dropped to 600 tons last year with further declines expected in years to come. If no major new mines are opened production could drop by 50 percent over the next decade.

This means greater poverty for us all unless we can establish alternative successful export industries.

Yet our productivity is the lowest in the world, and a major national effort is needed to compete against the industrialised East and West.

☐ RETRENCHMENTS

Job axe to bite deeper in the next few years

CIpres 7/4/91

214

THE announcement that Stilfontein mine would close should not have been entirely unexpected as the threat of rationalisation has been with us for quite some time

In January the Chamber of Mines foresaw the loss of 50 000 mineworkers' jobs this year, to add to the 80 000 jobs scrapped in the previous 18 months

The National Union of Mineworkers (NUM) estimates a quarter of the country's mineworkers will lose their jobs in the next two to three years

The announcement this week that Stilfontein Gold Mine is to close was not entirely unexpected. Indeed further retrenchments are expected this year, as are efforts by trade unions to alleviate the problem, writes our SPECIAL CORRESPONDENT.

NUM mediator Roy Fewnarian said the "only hope left was that retrenchments would reach a ceiling"

The union is presently negotiating for aid from mining houses in the form of training and work-creation funds

Peet Ungerer, general secretary of the (white) Mine Workers' Union (MWU), said the "most worrying aspect of the retrenchments is that increasing numbers of skilled workers are also falling prey to rationalisation"

"Whereas in years past it was only unskilled workers who suffered retrenchment it is now common that highly skilled workers with many years of loyal service are also losing their jobs," he said

Apart from retrenchments in the mining industry, rationalisation has also taken its toll in the steel and metal industry, the chemical industry, and the explosive, fertiliser and electricity-supply industries

Ungerer reckons more people have lost their jobs at Eskom recently than on the mines

His union wrote to the State President last November asking the government to stem further rationalisation, to 'normalise' the number of unemployed, and to attempt to create employmment

So far nothing has come from these requests, according to Ungerer

The union is now hoping to meet Manpower Minister Eli Louw to discuss the unemployment situation

Labour consultancy Andrew Levy & Partners wrote in its annual report that job security will in future "probably dominate events on the the labour front, despite the campaign Cosatu initiated last year for a living wage and a workers' manifesto"

"An agreement on retrenchments between NUM and Freehold South – an Anglo American affiliate – created a precedent in the mining industry, which has been hit hardest by the economic climate," the report said

"Trade unions are now trying to place job security above wage determination during negotiations Almost every round of talks is accompanied by a set of demands surrounding this question

"Trade unions will increasingly exert pressure for all aspects of retrenchments to be negotiable"

At most mines unions have already struck deals with management to lay down a set of procedures in terms of which retrenchments take place

These determine that consideration has to be given to ways in which retrenchments can be prevented or minimised

Unions and workers have to be notified in advance on the possibility of retrenchment, while fair yardsticks have to be used in the selection of workers for retrenchment

The services of contractors and temporary workers on mines have to be terminated first Workers also have to be given the opportunity of filling posts on lower gradings if such posts are available

The agreements also provide for preferential treatment for retrenched workers when the gold price improves It also provides for refresher training courses and transfers of workers to other mines

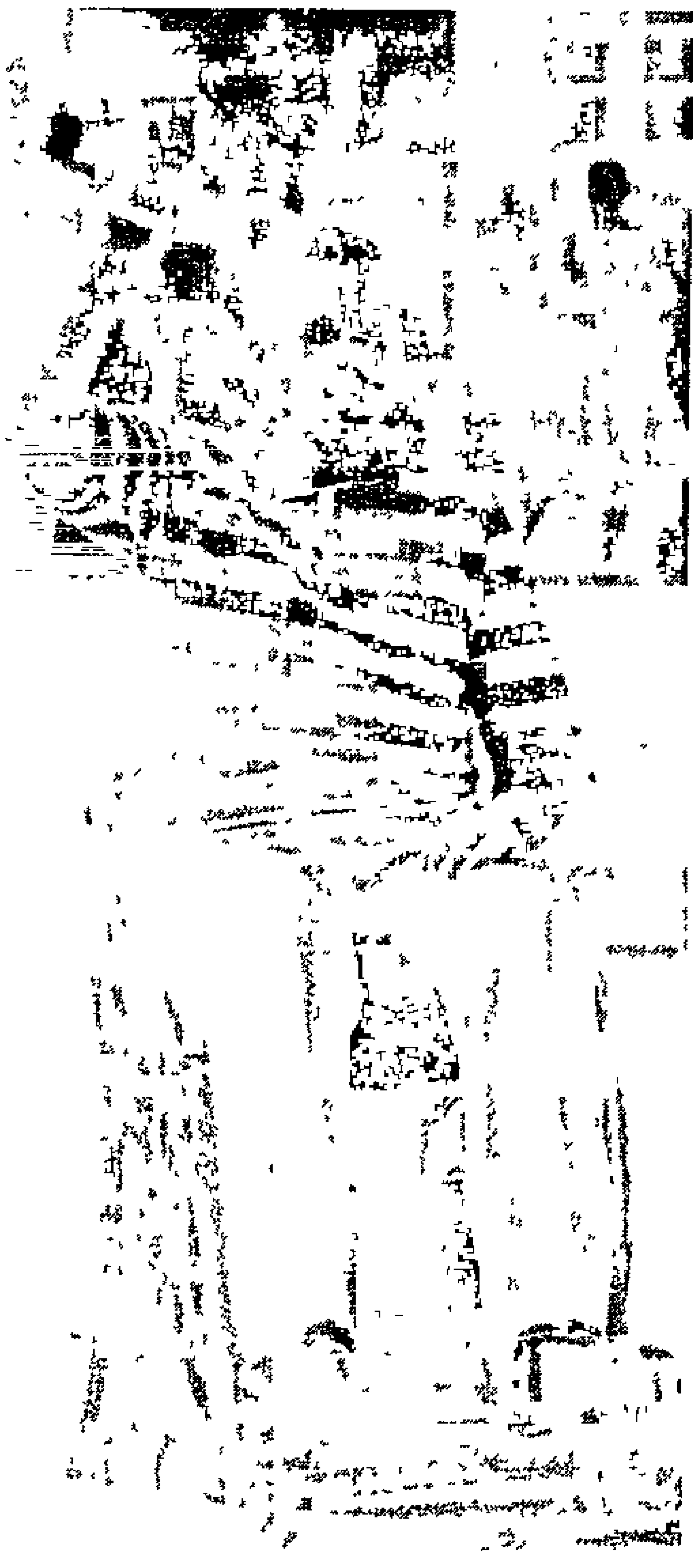
A MWU spokesman said "When a mining house announces that it is retrenching a thousand or 5 000 workers the actual amount of people that lose their jobs is often smaller After talks most retrenched workers find other work

"The announcement is normally a firebreak because people will in any case be retrenched"

Gold diggers ... this year more than 50 000 mineworkers are expected to lose their jobs.

CIpres 7/4/91 214

Some of the 2 500 Stilfontein Goldmine workers who were retrenched this week after the announcement of its closure. ■ Pics: SAM MOKUKE



Lawrence Mkhosana ... injured in a rockfall, ... faces a bleak future.

Stilfontein Goldmine workers say closure is a political plot

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By DAN DHLAMINI cl press 7/4/91

THE closure of the 42-year-old Stilfontein Goldmine is seen by some of the workers there as a government and employers' plot against trade unions and political organisations which call for the maintenance of sanctions against South Africa

Some 2 500 Stilfontein workers will lose their jobs due to the closure of this western Transvaal mine by the end of the year.

When *City Press* visited the hostel of the only remaining Stilfontein Shaft – Margrette – this week, hundreds of bitter retrenched migrant workers were being paid off and bussed to their various homes in Lesotho, Botswana, Swaziland, Mozambique, Ciskei and Transkei

The retrenched workers told *City Press* they were embittered by the retrenchment package and the manner in which retrenchments were being conducted.

A spokesman for the workers, Vuyisile Jentile, said management did not follow the "last in, first out" procedure and employees who started working for the mine at the same time, doing the same type of job, were being paid out different amounts.

He said retrenchments had brought misery and hardship to workers and their families.

"Those who have acquired housing loans ranging from R25 000 to R50 000 are the hardest hit and the mine bosses seem not to have considered this point," said Jentile.

A group of paraplegics and some workers who had been maimed by rockfalls underground said they faced a bleak future and, worst of all, they were told they would each get only R1 500 severance pay and be transferred to Welkom

Speaking from his wheelchair, Mncedisi Qalo, 52, who has been working for Genmin's Stilfontein gold mines for the past 18 years, told *City Press* he was injured underground in 1975

"I do not know what is going to happen to me. But the R1 500 we are being told about is a pittance because we are confined to wheelchairs today – yet we have enriching the mine owners

"We have told the management we are not going to accept anything before we meet our union officials to discuss the issue. Our meeting will be on April 15 when action will be decided upon."

Another paraplegic, Lawrence Mkhosana, 48, said he was injured in a rockfall at Grootvlei mine near Springs, in 1981

He said his compensation then was a mere R600 for injuries incurred before he was transferred to Stilfontein in 1989.

Mkhosana, a father of three, told *City Press* he was earning R290 monthly as a post delivery man – in his wheelchair – for the Stilfontein married quarters.

The announcement of the mine's closure will deeply affect the economy of the town.

Businessmen in Stilfontein, which was recently hit by a consumer boycott, said they depended on mineworkers

West atones for East Drie

S Times 7/4/91 (Bus (T))

TWO WRONGS almost made things right at Gold Fields of SA-managed Driefontein Consolidated gold mine in the March quarter.

Management was wrong about the grade at East Drie, which fell from 8,2g/t to 7,9g/t and to keep it that high was a struggle Management had hoped it would exceed 10g/t this financial year

But the shortfall was compensated by a better-than-expected yield from West Drie

"It shows how wrong you can be about gold grades," says GFSA director Alan Munro.

Grades, tons and cost controls could not make up for the fall in gold revenue because of the low price. The new tax formula was worth having, says Mr Munro, but

By JULIE WALKER

taxed profit from the combined operations of R123,8-million was R7-million below last quarter's

Capital expenditure fell R9-million to R35-million, but work essential to the mine's future is not affected by cutbacks

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Insurance

The Leeudoorn section of Kloof began production, but incurred a maiden loss of R10-million. Hoisting was affected by an accident at the No 1 sub-vertical shaft — K

Mr Munro pays tribute to the mine management, who have maintained production

A new carbon-in-pulp plant also locked up more gold than forecast, but the section was able to provide jobs for 4 000 group employees surplus to requirements at other mines

Leeuwdoorn's loss reduced Kloof's taxed profit to R82-million, but its capital expenditure was also well down at R72,7-million.

Mr Munro says two of the group's patients — Venterspost and Doornfontein — have survived thanks to the surgeons' skills Venters needs to contain losses until development into the extension is completed in the middle of next year

Two fires hampered operations at Doornfontein in the past two quarters, but they indirectly helped mining to be rationalised Insurance claims against loss of profits put the mine back in the black in the March quarter

Deelkraal had a poor quarter, as did Libanon Libanon had been doing well for several quarters, but slipped into the red

East Rand mine Vlaks stopped production, awaiting firm offers from potential buyers

Mine suppliers feel gold pinch

S/Times (Bus/T) 7/4/91

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By DON ROBERTSON

COMPANIES supplying the gold mines have been hit by falling sales because most mines are buying only essential goods.

Gold mines bought an estimated R8,3-billion stores and services, such as food, machinery, equipment and electricity, last year Purchases are now sliding fast

Six major suppliers — Genrec, Group Five, Murray & Roberts, LTA, Robor and Dorbyl — have closed their branches in the gold-mining centre of Welkom, causing the loss of about 1 200 jobs

About 34 other companies in the area are working short time Some are preparing for split shifts — half of the employees work for half a day and the rest the other half

More layoffs are sure to follow if the gold price does not recover within the next few months

Doldrums

Brian Angus, executive director of the Steel and Engineering Industries Federation of SA (Seifsa), says Free State mines have asked suppliers to hold prices at current levels to help them cope with the price-cost squeeze

Mr Angus says it is hard to quantify the loss of business from gold mines because the economy generally is in the doldrums Many Seifsa members also supply industries other than the gold mines

John Steyn, Seifsa chairman for the Free State and Northern Cape, says business in areas stretching from Virginia to Orkney, Welkom and Klerksdorp has fallen sharply His division has told Seifsa head office that its members are unable to offer wage increases until next January

The main Seifsa body is negotiating wage increase affecting 360 000 employees

In the second round of wage negotiations last week, Seifsa offered employees between 7% and 10,5% more The trade unions wanted increases of up to 16,7%

Suppliers of mechanised equipment for the gold mines industry expect falling sales after business in the past year declined by about 20%

Most have had to resort to rebuilding existing equipment instead of selling new plant

AECI, the largest supplier of explosives and chemicals to the mines, is also feeling the pinch Sales have been weakening since early last year, says a spokesman

He admits that several recent shaft closures and production cutbacks are only partly covered in AECI's forecasts But the impact on its business, at this stage, is "not dramatic"

AECI believes, however, that closure of Stilfontein gold mine and perhaps other mines, could arrest the downturn and stabilise the gold price

Jimmy Criswell, product development director of Envirotech, the largest supplier of pumps to the gold mines, says sales have fallen by about 15% in the past six months

Mines are trying to extend the life of their pumps Mr Criswell says sales to other sectors of the mining industry are holding up well

Colin Sawyer, managing director of HLH Timber, says gold mines are no longer the "sacred cow" in mining He says sales have declined in the past two years by about 10%

He believes that the gold price will improve in time, although "we are having a hard look at our operations"

HLH supplies about two-thirds of the timber used by gold mines

Largest

Amic, a large supplier to the mining industry, says it its report for the year to December "Any significant closures and consequent reductions in tonnages mined and milled would have an immediate impact on (our) operations In the light of these uncertainties, Amic will do well to maintain earnings at the 1990 level"

The largest item on the gold mines' shopping list is electricity and in 1989, sales were worth R1,4-billion Last

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BRIAN ANGUS All in the doldrums Picture SUE KRAMER

☐ From Page 1

Mine crisis

S/Times 7/4/91 (Bus/T) 214

year Eskom's sales to all mines fell by 3,7%

Eskom has vast generating overcapacity and has laid off thousands in the past year Sales to mines represent 24,5% of Eskom's total sales

John Feek, managing director of Haggie, major suppliers of wire ropes to the mines, says at least 12 to 14 mines are in a similar predicament to Stilfontein. Unless the gold price improves there could be more closures in the next two years

"Gold mining is not in the premium position it used to occupy and sales have fallen by as much as 14% in the past two years We will have to look at other mining, such as coal or base metals"

Own Affairs

Certain gold mine, jobs available

*1 Mr S PACHAI asked the Minister of Education and Culture Hansard 9/4/91

(1) Whether, with reference to information furnished to the Minister's Department for the purpose of his reply, a statement to the effect that approximately 15 000 jobs were available at a certain gold mine was issued subsequent to discussions between him, the Minister of the Budget and Auxiliary Services in the House of Delegates and the managing director of a certain holding mining company, if so, what are the names of the gold mine and holding company concerned,

(2) whether it was arranged that a certain official and member of a job placement committee, whose name has also been furnished to the Minister's Department, channel queries from work-seekers to the mines' recruitment offices, if so, (a) what is the name of this official and (b) how many (i) queries were received and (ii) applicants were successful during the latest specified period for which information is available,

(3) whether the visit to the offices of the above-mentioned holding company was undertaken at State expense, if not, why not, if so, (a) for what reasons and (b) at what expense to the State?

D74E

The MINISTER OF EDUCATION AND CULTURE

(1) Yes

Leeudoorn Gold Mine The holding company is GOLD FIELDS OF SA LTD

(2) Yes

(a) Mr R J Maharaj

(b) (i) Approximately 500

(ii) Approximately 150

(3) Yes

(a) To pursue its ongoing exercise of establishing partnership with the private sector, in education

(b) The trip was so planned as to coincide with routine business in the Transvaal to avoid incurring expenses in this specific direction, ex penses incurred were related to the normal overnight stay at a hotel

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Mr S PACHAI Mr Chairman, arising out of the hon the Minister's reply, I would like to state that the person in charge of recruitment at this mine indicated to me that no such jobs were available Would the hon the Minister say that this man was speaking an untruth?

Secondly, according to this article there are 15 000 job opportunities available One must also take into consideration that massive unemployment exists in the country When inquiries are made about placing people, would this type of article not raise hopes and then dash them when the people are turned away?

The MINISTER OF EDUCATION AND CULTURE Mr Chairman, I do not know of any particular recruitment officer, and I do not profess to speak on his behalf When we went to this particular gold mine a new project was launched, and the reference to 15 000 jobs is a long-term projection covering the 18 operations of Goldfields countrywide Although the Leeudoorn Gold Mine is not fully operational, an amount of R900 million had already been expended in the development of that gold mine by October 1990 I would therefore say that 15 000 jobs is a realistic figure, because currently there are 24 000 jobs at the adjacent mines to the Leeudoorn Gold Mine When one takes this into consideration, it is a realistic figure My Department is non-racial My Department is not ethnically directed We work for everybody and we have placed Whites, Blacks, Coloureds and Indians in jobs throughout the country

Regarding the hon member's allegation that we raise the hopes of people and then dash those hopes, we try not to do that Therefore, the job placement board came into being, and we have successfully placed 1 000 people in jobs and hope to have placed 2 000 by the end of this year My team and Mr R J Maharaj is doing a wonderful job in that particular regard I hope the hon member for Natal Midlands is satisfied with that answer

Mr S PACHAI Mr Chairman, further arising out of the hon the Minister's reply, were 150 people placed as a direct result of this visit of the

two hon Ministers to this particular mine and, if so, will the hon the Minister provide me with the names of the 150 people so that this matter can receive attention? If either the hon the Minister is misleading this House or my telephone inquiries pertaining to this article—the personnel officer requested a faxed copy of this article and in response to that he indicated to me that there was not a single job available and he

The CHAIRMAN OF THE HOUSE Order! The hon member for Natal Midlands must ask a supplementary question and not make statements The hon the Minister of Education and Culture may answer the question

The MINISTER Mr Chairman, I would like to state that we have looked at many different aspects and have visited many different areas in the hope of creating jobs and finding opportunities for the people in this country who need jobs I do not have the information at my disposal right now to say specifically where and how, but jobs were created and that is the information we have Many people come to us and to the job placement board for jobs and sometimes they do not take the jobs, even in the field of teaching The point is that I do not see the intention of the hon member's question

I understand that the hon member for Natal Midlands was peeved and put out when he enquired from my job placement office's director whether he could have the name of the recruiting officer so that he could get jobs to these people directly My people realistically said that they were in the habit of screening people before placing them in jobs, because in the goldfields there are many different jobs in many different areas in mining In that particular area, there is clerical work, the computer aspect and work for lab technicians, whether they are metallurgists or geologists If the hon member is trying to say that we are misleading the House somehow or lying to him personally, he is entirely in error and I would ask him to think very carefully as a responsible hon MP, before being judgmental, because we are not here to play games [Interjections]

There were a thousand job placements last year If he is talking about 150 out of 1 000, I think the hon member should have a rethink and not come here with silly and petty questions We want responsibility We in this House have had enough of minute petty probing, of asking why a person went somewhere and what he paid, as if we are defrauding the State If the hon member for Natal Midlands wants to ask us about any particular aspect in that area and if he has proof, he must produce it to the Advocate-General of this country

The LEADER OF THE OFFICIAL OPPOSITION Mr Chairman, further arising out of the hon the Minister's answer, in the light of the conflicting reports, is the hon the Minister prepared to get official clarification from the mining authorities and give the details to us in the debate on his vote?

The MINISTER Mr Chairman, the article does not state that they had given 15 000 jobs What it said is that there was the prospect of 15 000 jobs in a new mine Even at the mine which the hon the Minister of the Budget and Auxiliary Services and I visited, it was said that a new mine would be started in the north for platinum mining and that jobs were in the offing Hon members will understand that when the gold price is down, it stands to reason that job attrition takes place in the field

Realistically speaking, if a particular question is put in writing by any hon member in this House, we will try to furnish him with suitable answers I think that is what is required in the service

Mr S PACHAI Mr Chairman, arising out of this statement of the hon the Minister and relating to the visit to this particular mine, I should like to know whether there were any jobs available to people Were any people placed in these jobs as a result of this particular visit? That is all I want to know It is a simple question arising out of this statement Were any jobs available? Was anyone placed in the jobs mentioned here?

The MINISTER Mr Chairman, I would like the hon member for Natal Midlands to put that to my division in writing and we will reply to his request For me to look at an article deriving from that area and to say in this House whether a particular job mentioned in this article in this instance was given to anyone is impossible The hon member talked about a simple answer to a simple question, perhaps put by a simple man I am not here to argue with this hon member He must put his question in writing and submit it to us [Interjections] He must put it in writing

Lindum Reefs forced to halt mining operations

BDay 11/4/91

(214)

MATTHEW CURTIN

THE sliding gold price and poor yields have forced independent gold producer Lindum Reefs to suspend underground operations, another blow to hopes that the reopened old section of JCI's Randfontein Estates could again be mined profitably

The news highlights the plight of SA's 11 independent gold producers, which analysts said yesterday faced a critical year, with some likely to close down by 1992

Frankel Max Pollak Vinderine analyst Steven Jennings said yesterday 20% of independent operations would be out of action by year-end without a major restructuring of the sector or a sustained revival in the gold price

He said small companies did not have the flexibility of large mines to reorganise their operations in depressed conditions

Only those companies relying primarily on surface operations where the cost to revenue ratio was high — costs of about R18 000/kg against the gold price of about R30 000/kg in the case of Benoni Gold — would pull through the coming months.

Fergusson Brothers analyst Mark Madeyski said the independent producers were without either the retained income even of the hardest hit operations of the larger mining houses, or a supportive market environment to fall back on. In such an environment the mining houses might consider taking over small operations.

He said that he could see no large mines closing down in coming months, with the possible exception of Rand Mines' ERPM operation, although shaft closures and further restructuring were likely.

In contrast, at least four or five independent operations were in danger of closing, among them Severn Mining & Development's operations, Rand Leases and Eersteling and Golden Dumps' Nigel operation. Golden Dumps' Modder B is already heading for liquidation.

Lindum was established in 1988 to mine the Monitor shaft and Stubbs shaft workings in the Old Randfontein Section

Lindum's directors said yesterday underground yields had not improved as hoped and even "encouraging values" on the Ventersdorp Contact Reef were "insufficient to carry the overheads of mining such a small area".

Lindum Reefs' after-tax loss in the March quarter deteriorated to R1,6m (R1,1m), with a six-fold increase in losses in rands at ton milled from its underground operations

Gengold 'summit' for unions

B/Day 11/4/91 (214) (NI)

VERA VON LIERES

GENGOLD management had invited unions to a high-level meeting later this month aimed at jointly addressing difficulties facing the mining industry, Gengold MD Gary Maude said yesterday.

"The crisis in the industry should not force employers and employees to take opposite sides, but should encourage us to work together."

Maude said the Gengold proposal was based on a similar idea to the NUM's call for an industry-level "summit" between all mine unions and employers.

However, he believed talks would be more effective on a group basis because decisions by the parties could be implemented more efficiently.

Maude said the idea of employer and employee representatives talking to each other was a good one

Unions invited to the meeting include the NUM, the Council of Mining Unions, the SA Boilermakers' Society, the Surface Officials' Association of SA and the Underground Officials' Association of SA.

Maude said Gengold had met employee representatives a day prior to the announcement of the Stilfontein closure At the meeting, unions criticised the lack of joint consultation and discussion around issues facing the industry.

Gengold had consequently written to the unions, inviting them to join management at the April 26 meeting. The meeting would include 15 general mine managers and consulting engineers.

NUM assistant general-secretary Marcel Golding said yesterday the union had not yet received an invitation to the meeting. While

☐ To Page 2

Gengold

B/Day 11/4/91 (214) (NI)

☐ From Page 1

the NUM was willing to undertake discussions on a group level, it believed the crisis facing the industry needed to be discussed in an industry-wide forum

Emphasising that an industry-wide strategy was imperative, Golding said the parties needed to look at long-term proposals, including the question of the minerals policy and utilisation and restructuring of the mining industry

Golding said employers were unwilling to examine production processes as well as alternatives to the "uncreative" solutions put forward for the industry's problems

On the question of organisation of the work and production processes, greater negotiations with unions and employers had to take place to ensure "safe yet profitable and productive mining operations took place", he said

Referring to the summit, Golding said the union intended discussing restructuring of the industry in a number of areas These included the modernisation of the industry and the establishment of an effective industrial relations system He added the training and re-training of workers to address skills development would also be on the agenda

Amgold earnings decline 42 percent

Star 12/4/91

By Derek Tommey

(214)

Profit figures announced last night by Amgold, South Africa's biggest gold investment company, reflect the sorry state of the gold mining industry

Nonetheless, the market is likely be pleasantly surprised by the size of the dividend.

Earnings attributable to shareholders in the 13 months to March amounted to R178,2 million, down 42,2 percent from the R308,5 million in the previous 12 months. Earnings a share were 788c against 1 405c a year ago

However, by paying out virtually all its profits as dividends, Amgold has limited the drop in the dividend to 38 percent.

It is paying a final dividend of 375c against 600c last year, making a total payment of 775c against 1 250c last year

This is probably a higher payment than the market had been expecting for it has marked the share price down about 52 percent in the past 12 months from R416 to R200.

But Amgold does not need to retain profits at the moment as it raised R499,5 million last November from a rights issue at R230 a share to repay borrowings and take advantage of investment opportunities.

It led to Amgold moving to a net current-asset position of R322,2 million from a net current-liability position of R103,8 million

Amgold says the lower ernings are the result of a decline of 29,2 percent in its investment income from R339,9 million toR240,7 million, mainly owing to the decline in the gold price and a rise in production costs caused by inflation in excess of 14 percent

In addition, Amgold provided R20 million against its investment in Barbrook Mines after the suspension of operations and the transfer of the company's JSE listing to the Curtailed operations sector

Net interest earned in 1990 was unchanged at R4,9 million. But in view of the heavy inflow of cash into Amgold, interest earnings this year should be substantially higher

Prospecting costs rose from R35,5 million to R47,4 million. Figures for expected expenditure on prospecting this year were not available last night, but the extent to which they are increased or lowered will give a good indication of how Amgold sees the outlook for the metal.

Investments and loans rose from R531,7 million to R600,0 million and mineral rights from R25,0 million to R30,0 million.

At March 31, the market and directors' value of assets was R4 464,9 million (R8 455,5 million), equal to R201,18 (R383,67) a share.

Anglo American Investment Trust (Anamint), whose main investment is diamond company De Beers, is paying a final dividend of 308c for the year to March, making a total of 380c (377c after adjustment for the 10-for-one share split) for the year.

Attributable earnings rose from R376,8 million to R380,5 million.

GOLD FIELDS NAMIBIA (214)

UNDER PRESSURE

Activities: Namibian mining house which controls the Tsumeb base metal producer and various exploration companies
Control: GFSA 61% FM 12/4/91
Chairman: C T Fenton
Capital structure: 16m ords Market capitalisation R83m
Share market: Price 515c Yields 5,8% on dividend, 10,3% on earnings, p e ratio, 9,7, cover, 1,8 12-month high, 925c, low, 515c
Trading volume last quarter, 45 880 shares

Year to Dec 31	'87	'88	'89	'90
Turnover (Rm)	—	363	391	338
Pre-tax profit (Rm)	—	89,4	59,2	9,0
Attrib profit (Rm)	—	59,7	40,2	6,6
Earnings (c)	—	243	178	36
Dividends (c)	—	120	120	35
Production				
Ore mined (Mt)	1,45	1,80	1,67	1,61
Copper sales (000t)	37,2	39,0	33,3	30,0
Lead sales (000t)	41,5	42,5	44,6	35,6
Silver sales (t)	103	105	111	90

The share may be listed in the mining house sector, but to all intents and purposes GF Namib is a copper producer like Palamin Unlike Palamin, (see separate story) the recent movements in the GF Namib share price are understandable in terms of the fundamentals of the copper market

Simply put, the copper price has headed south and the GF Namib share price has followed, dropping to a 12-month low of 515c The share could drop further in the wake of chairman Colin Fenton's hint that this year's dividend could be passed

GF Namib wholly owns Namibia's largest base metal producer, Tsumeb, which produces blister copper and refined lead at three mines — Tsumeb, Kombat and Otjihase The average price earned by GF Namib on copper sales last year was R6 900/t, compared with R7 500/t for 1989.

Fenton warns shareholders not to expect average revenue much above R6 000/t this year He says "In view of the uncertainty in respect of the copper price, it is inadvisable

Continue →

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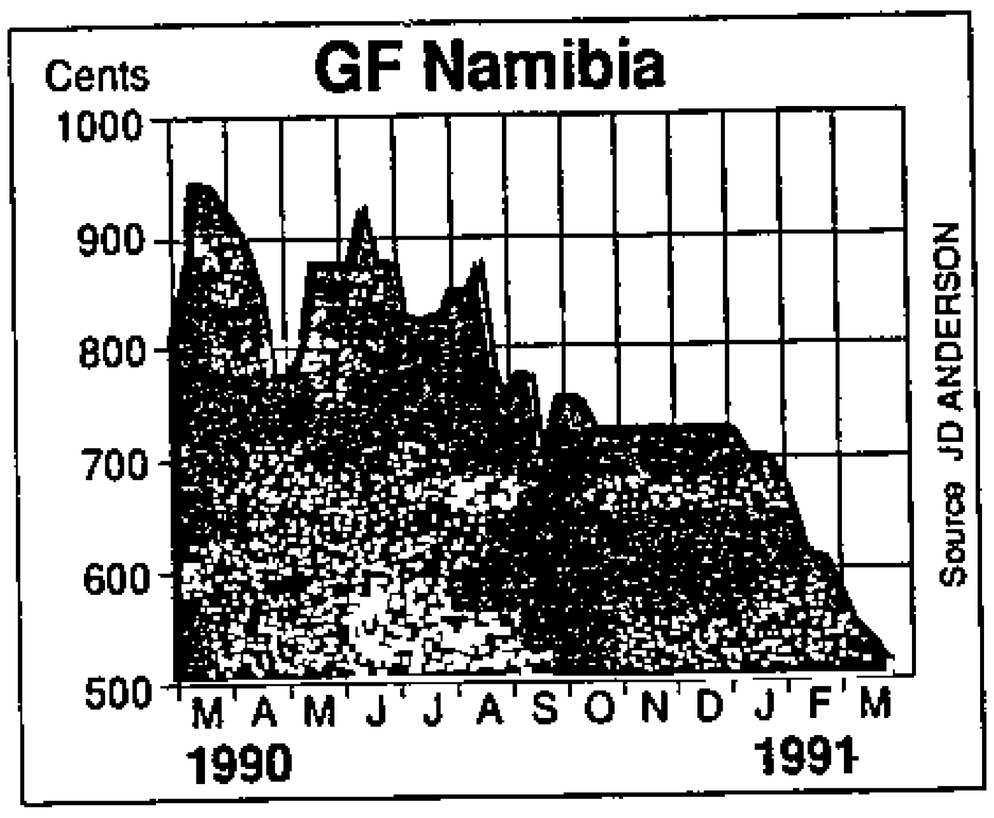


to make any forecast of dividends in 1991 "

This outlook is borne out by the March 1991 quarterly figures Metal production declined, and the cost of sales rose faster than sales revenues There was an after-tax loss of R2,7m compared with the December quarter's loss of R1,1m

Effects of the lower copper and lead prices on GF Namib have been compounded by falling production levels at Tsumeb, though Fenton says copper production should increase this year Higher output is expected from the Otjihase mine, where the backlog in development work needed to open-up the main orebody has finally been overcome.

Production of lead in concentrates fell to 13 300 t from 15 700 t in 1989 and Fenton says lead should now be considered a by-product of copper In 1990, the value of lead in concentrates was just 13% of the value of the copper production.

Tsumeb buys in concentrates from international suppliers to keep the lead smelter running at economically efficient levels The smelter produced 35 100 t of refined lead in 1990, of which 11 300 t was from Tsumeb's own mine production Lead production in 1989 was 44 200 t

Tsumeb's copper concentrate production was largely unchanged at 31 700 t and the smelter's production of blister copper dropped to 32 700 t (36 700 t) as it treated less material from outside sources

It has been an exploration priority for several years to find replacement ore for Tsumeb, but these efforts have met with limited success A nearby copper deposit at Tschudi has been located, but Fenton says preliminary results show it may not be economically viable There are no reserve problems at the other two mines, where potential extensions have already been located

GF Namib spent R6,5m on exploration last year, equivalent to 42% of the pre-tax profit from operations. Exploration spending can be expected to remain high because it is crucial for this embryo mining house to find viable projects to ensure long-term growth

Brendan Ryan

Jnion calls for mines feud 'summit'

14/4/91 · By DAVID CARTE ST Times

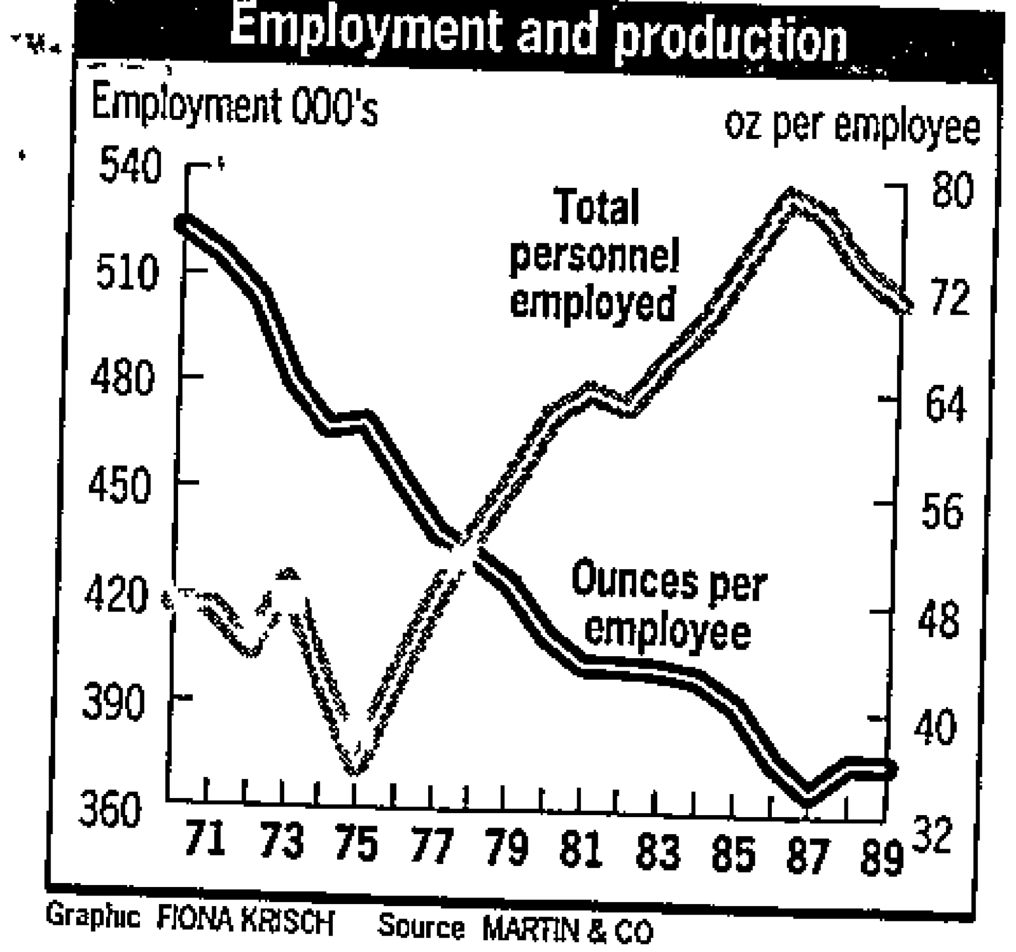
E ending of underground mining at fontein gold mine has brought to the face deep differences between mine nagements and the National Union of neworkers

The mines contend that labour costs ve outstripped a stagnant gold price l labour productivity, hence the need to n workforces

But NUM spokesman Marcel Golding ims that falling profitablity of gold nes is not solely due to labour costs

He says many mines are wasteful ey bring out and mill more rock than cessary They need to work smarter iners have a wealth of experience, hich is not being used

In an interview, Mr Golding said the ining houses have a 100-year-old culture nat is resistant to change from the "top-own unilateralist approach" He said iere were too many job categories and



Graphic FIONA KRISCH Source MARTIN & CO

too much reliance on certification

Disagreement and misunderstanding between the union and the mining houses run so deep that Mr Golding says only "summit" talks involving the union, the mining houses and the government can resolve matters

"You can't attack these problems piecemeal, the way Genmin has, in closing down its workings at Stilfontein"

The summit would aim at restructuring SA's biggest foreign-exchange-earning industry It would look at improving wages, job security and working conditions through enhanced skills and productivity, reduced wastage and suppression of non-labour ~~costs~~, such as electricity

Agreement

214 ~~##~~

The three parties would jointly look at ways of promoting further beneficiation of raw materials

Mr Golding said the NUM realised that international competition made it imperative that miners should become literate, numerate and more productive

He complained that Genmin acted "unilaterally" in announcing the closure of underground workings at Stilfontein

But Gary Maude, chief executive of Genmin, says Stilfontein held no fewer than 26 meetings with the union in the past year and on January 26 it reached an agreement on retrenchment with the union, which it accepted and signed

Mr Golding says the discussions were about retrenchments, not closure of the mine, which came as a complete surprise to the union

He added "The Genmin mission statement says the company shares an identity of interests with employees That's laudable, but how they go about things in practice is quite different

"We were discussing how to minimise job losses and then they came out with a statement that 2 500 miners are to go"

Mr Golding says the least mines can do when they retrench workers is offer retraining Mr Maude says Genmin has agreed to put R1-million into a retraining scheme at Stilfontein JCI also offers retraining to retrenched miners but, according to director Bill Nairn, few of those laid off have used it

While NUM complains that mine wages for blacks are still too low, a research report by Martin & Co gold analyst Lloyd Pengilly says the real cost of skilled (mainly white) labour has fallen 47 percent since 1970, while that of unskilled (mainly black) labour has risen 140 percent

In 1970 skilled miners took 65 percent of the combined pay bill In 1989 their share fell to 29 percent

The unskilled portion rose from 35 percent to 71 percent Meanwhile, mine grades have fallen from 13 grams of gold a ton of rock milled to five grams

"In terms of gold recovered, therefore, the industry has suffered a horrendous productivity loss, with annual gold production per employee more than halving from 76 oz to 36 oz"

● See graph

High costs squeeze Pouroulis mines

B/Day 15/4/91 (214)

MATTHEW CURTIN

HIGHER operating costs and accelerated development work ate into profitability of South Roodepoort and Consolidated Modderfontein, the two gold mines managed by Loucas Pouroulis's Golden Dumps group, in the March quarter

Both mines reported operating losses for the three months, with South Roodepoort falling deeper into the red as its after-tax loss widened to R1,3m (R529 000)

The mine's battle against escalating working costs, significantly reduced in the December quarter, faltered as unit working costs rose 7,3% despite a drop in tons milled.

The average gold price received at South Roodepoort rose against the grain by R309/kg, but the amount of gold produced in the quarter fell by 32kg to 181kg, while there was a small drop in the average yield

Cons Modder turned a

● POUROULIS

R4,2m after-tax profit into a R2,1m loss in the quarter

Working costs climbed 15% to R33 840/kg milled, while the gold price received by the mine (R31 039/kg) and the average yield (3,97g/t) fell by 1% and 13% respectively

Pouroulis said at the weekend that both mines' results were affected by costs of the group's continuing "rationalisation programme", involving retrenchments and the reorganisation of underground operations

He said a critical factor at Cons Modder was the mine's intensified development programme

The mine was driving to create higher grade ore reserves Development work on the Black and Kimberley Reefs advanced more quickly in the quarter, and average grades while stable on the Kimberley Reef, jumped on the Black Reef to 13,6g/t and 10,1g/t on the two development shafts

Pouroulis has said the opening up of the Kimberley Reef would bring down costs at Cons Modder and had a 50/50 chance of doing so at South Roodepoort

He was upbeat about both mines' performance in the coming quarter, saying their performance in the last three months was good given the conditions in the industry and relative to other gold mines

He said the mines would be "back in the black" at the end of the June quarter

Rand Mines faces major restructuring

Star 15/4/91

(214)

A view from London of SA's largest mining group's jaded prospects as it nears its centennial.

The business world is an unsentimental place, as the Rand Mines group is discovering to its cost

Just a year before its centenary, the mining house that was once South Africa's largest is faced with the indignity of a large-scale restructuring, brought about by difficult conditions, particularly in the gold industry, bad luck and poor management

Two recent initiatives suggest the group is at last receiving the sort of hard-headed managerial attention which has for so long seemed absent

Barlow Rand, Rand Mines' parent, says it is "considering a reorganisation of certain interests" within its mining and mineral process g division

Meanwhile Barplats Mines, Rand Mines' platinum arm, has held unsuccessful talks about rationalisation with Rustenburg Platinum, the world's largest producer

Within Rand Mines, the rationalisation has already begun, as a spate of announcements at the end of last year revealed

- Harmony, its flagship gold mine would have to cut production by 20 percent, involving considrable job-losses, in order to remain profitable
- Barbrook, its new gold mines, suspended operations in December, pending reassessment of its prospects
- Vansa, the group's Vanadium mine was closed and platinum prospect Kennedy's Vale was shelved

From one perspective, these announcements are reassuring They testify to the sort of firm managerial action that critics have long been demanding

But what went so badly wrong in the first place? Part of the answer lies in history

Analysts agree that, stretching back to pre-war years, Rand Mines was "late to the party" when it came to securing prime exploration prospects This was largely due to the tardy attitude of its UK parent, Central Mining

As a result, Harmony (in 1954) was the last important gold mine opened by the group which now only has five marginal gold operations that it manages

The smaller Barbrook mine closed last year after only a year's production

Another mine, ERPM, has achieved notoriety through the large loses it has run up

Analysts say these are in large part due to unrealistically optimistic assumptions made by Rand Mines about the gold price and possible recovery grades

On the platinum side, Rand Mines failed during the 1960s to develop its rich and extensive prospects, and was forced to take what it could get during the 1980s

This has left it with a second rate portfolio

More recently, there have been big miscalculations, such as the group's exchange rate calculations which were optimistic to the point of eccentricity

Dammy Watt, chairman, says the group had budgeted for an exchange rate of R2,90 to the US dollar in 1990, not anticipating the Reserve Bank's determination to protect the value of the currency

The actual rate stayed at about R2,55 to the dollar for most of the year Mr Watt believes this alone cost the group about R90 illion ($33,3 million) in profit

After a certain point, a series of miscalculations and poor investment decisions becomes mismanagement

Analysts are near unanimous in their condemnation of current management

One commented "Not only have they not achieved success, but they have failed to get every facet of the business right" There is surprise that heads have not yet rolled among the executive managers

Mr Watt has pronounced the financial year to September a watershed in which important decisions affecting the future profitability of the group must be made

Whether 1991 will provide the sort of watershed he is looking for is open to doubt

John Clemmow, mining analyst at stockbrokers George Huysamer, believes equity accounted earnings will drop from R15,92 a share last year to R13,84 this year, below the level of four years ago

He is also predicting Rand Mines will cut its dividend, something mining houses are loathe to do, from 560c to 500c

The view of the market is clear Although the price has recovered from a recent low of R53 to R70, on the news of possible restructuring, it is still a long way off the 1990 high of R140

While the group is not ex actly on its uppers — attributable profits in the year to September 1990 were R226,4 million — it is the unevenness of its performance that gives cause for concern

The vast bulk of profits — 73 percent or R163,2 million — came from interests in coal Gold produced only R5,5 million, or 2,4 percent, of profits, compared with 27 percent five years ago — Financial Times

Frigate to help GFSA halt underground fire

B/Day 16/4/91 (214)

GOLD Fields of SA (GFSA) has called in independent coal producer Frigate to assist in preventing an underground fire at its Middelburg Steam colliery spreading to neighbouring Coronation colliery

Frigate has been contracted to mine the boundary coal pillar and create a fire-proof seal between the two mines

Frigate MD Mike Stanley said it was a very tricky and expensive operation

But left unattended, the fire could become as disastrous as the underground fire at the Outspan Colliery, which the Witbank municipality has been fighting for the past nine years

The R4m contract is fraught with numerous mining complications, Stanley said

The boundary pillar is very narrow (only 30m wide) and confined by powerlines supplying the bulk of Witbank's industry

ROBERT LAING

— the nearest pylon is 15m from the boundary

Both mines have been filled with water, so any penetration of old areas could result in the sealing operation being flooded

"It is a tricky operation because we have to mine opencast an area designed to be mined underground Once we have removed the coal, we will fill the void and make a fire-proof seal," Stanley said

Low gold price, VAT setbacks for owners

(214) · (510) (880)

The depressed gold price and the introduction of VAT have serious implications for the owners of commercial and industrial property, says John Whiting, chairman of Pangbourne Properties (Panprop) Star 16/4/91.

"About 50 percent of such property on the Witwatersrand is directly or indirectly dependent on gold mining," he says

"If the gold mining industry takes a knock, so does the property industry"

Mr Whiting also saysthe closure of mines and cutbacks in production affects hundreds of goods and service suppliers in the industrial sector

This could lead to a serious fall in demand for factory and warehouse space as well as office accommodation

"The imposition of VAT at a rate of 12 percent from October 1 could lead to serious cash flow problems for commercial and industrial property owners

Reclaim input

"Landlords will be obliged to pay the tax within 30 days of rendering month-end rental statements

"They may, however, reclaim their input from the Receiver only when tenants settle their rental accounts

"Unfortunately, many tenants, particularly in the current difficult economic climate, are late payers

"This could tie up at the Receiver, interest-free, substantial funds which could be more profitably deployed elsewhere"

Durban Deep only gold mine in profit for group

B Day 17/4/91 (214)

DURBAN Roodepoort Deep was the only Rand Mines gold producer to show a profit for the March quarter

The mine reported an after-tax profit of R2,7m against R2,9m previously

Gold production from underground and sand treatment operations was up 7% at 1 068kg which enabled the mine to increase revenue from R34,3m to R35,2m

Total costs were well-held at R32,6m (R31,5m), leaving a working profit of R2,5m (R2,8m).

Underground operating results saw a jump in grade from 3,45g/t to 3,63g/t and a reduction in costs/kg from R33 118 to R32 364. On the sand treatment operation, tonnage treated was up 12% to 210 000 tons. Capex was marginally up at R1,4m

Harmony recorded a R21m loss because of large one-off retrenchment benefit payments of R21,6m which are included in total working costs Tonnage milled dropped 734 000 tons to 1,3-million tons and gold production decreased to 4 872kg (6 630kg).

Revenue per ton milled was R123,69 (R105,23), while the cost per ton was R145,98 (R112,60), leaving a working loss of R22,29 a ton (R7,37)

Capital expenditure for the quarter was R957 000

ERPM's underground tonnage milled was 9% down at 239 000 tons, but gold production was 90kg higher at 1 266kg as a result of a higher grade of 5,30g/t (4,49g/t) Gold production from sand treatment operations was 6kg lower at 158kg (164kg).

Total working costs were R46m (R43m), leaving a lower working loss of R756 000 (R1,0m)

Loss after taxation and state's share of profit was R12m (R8,9m).

Blyvooruitzicht showed a small loss of R83 000 against after-tax profits of R7,4m in the December quarter

Reduced tonnages and grades resulted in a 7% drop in gold production to 2 171kg Capex was R545 000.

Barbrook, which is now on a care and maintenance basis, showed a net loss of R4,5m. — Sapa

Anglovaal's gold production dipping

B/Day 17/4/91. (214)

ROBERT LAING

ANGLOVAAL continued to trim milling rates and contain costs at all three of its gold mines, but falling recovery grades reduced gold production and squeezed working profits

Only Eastern Transvaal Consolidated (ET Cons) successfully offset a reduced milling rate by working more profitable stope faces and increased its gold output

Recovery grades at Anglovaal's largest mine, Hartebeesfontein (Harties), slipped as the mine continued to shift its focus to the lower-yield Zandpan area

Harties' low-grade recovery plant increased material treated to 453 000 tons from 433 000 tons, resulting in its gold output rising to 611kg from 585kg

Harties received a huge tax break from the Budget — the mine's tax was reduced by R13,6m, of which R5,5m was a saving from the new mining-tax formula.

However, this was a one-off effect because the Budget allows the reduced tax rate to take effect from the beginning of the financial year, nine months backdated

Loraine fell further into the red and more operating cutbacks and retrenchments are being implemented

The mine's milling rate is to be reduced to 113 000 tons a month and 500 of the mine's 8 371 staff will be retrenched

Directors cautioned if these measures did not sufficiently reduce working losses, further contingency plans would be implemented Closure was not being considered

Village Main, which processes old dumps, treated 200 000 tons (205 300 tons) with an increased yield of 0,96g/t (0,93g/t), leading to an unchanged gold production of 191kg

All four mines continued to hedge certain proportions of their production at forward prices ranging from R35 851/kg to R37 095/kg

Loraine retrenches 500 more as losses mount

Star 17/4/91. (214)

By Sven Lünsche

Anglovaal's Loraine gold mine yesterday announced the retrenchment of 500 workers as part of an ongoing rationalisation programme at the mine.

In June last year 600 workers were laid off as working costs continued to exceed the low rand/gold price received

The latest retrenchments follow a loss of almost R5,2 million in the three months to end-March compared with a R312 000 profit in the previous quarter.

And the directors warn that "unless working costs are curtailed sufficiently further contingency plans will have to be considered"

An Anglovaal spokesman did not elaborate but said that the closure of the mine was not being considered at present.

Apart from the lay-off of about eight percent of staff at the mine the programme entails a 5 000 ton reduction in the mill throughput to about 113 000 tons.

Total profit at Anglovaal's four gold mines was, however, hardly changed at R39 million in the March quarter (R39,25 million in the December 1990 quarter) largely as a result of hedging profits.

The four mines hedged a substantial portion of their quarterly production at a forward price of R34 727 per kg during the quarter, against an actual price of around R31 500/kg.

Further profits from hedging can be expected over the next two quarters as the mines will recieve R35 850 and R37 040 for gold delivered in the June and September quarters respectively.

Loraine is selling about half its production forward, Village Main Reef 25 percent, ET Consolidated 30 percent and Hartebeestfontein 27 percent.

As part of the overall programme to reduce costs total capital expenditures at the four mines were reduced by almost R3 million to R7,8 million (R10,55 million)

The changes in the taxation of mines announced in the Budget also proved beneficial with the total tax bill falling from R33,1 million to R19,5 million.

Hartebeestfontein, by far the largest producer in the Anglovaal stable, reported after-tax profits of R39,9 million (R65,8 million), but only after a 43,3 percent drop in tax payments to R17,8 million (R31,4 million).

Pre-tax profits were substantially lower at R57,7 million (R65,8 million) as a result of a lower grade of 8,9 g/t (9,1 g/t), the lower rand gold price and a loss of R7,3 million on sales of uranium. Working costs rose by three percent over the quarter.

ET Cons' after-tax profit was slightly lower at R3,8 million (R4 million) as a result of higher prospecting expenditures of R3 million (R2,55 million) and the lower gold price.

At Village after tax profits dropped to R520 000 (R563 000) after an unchanged gold production of 191 kg

Anglovaal's copper and zinc producer **Prieska**, which ceased production at the end of January, reported an expected loss of R442 000 during the quarter compared with a previous R426 000 quarterly profit.

Copper and zinc production in January totalled 103 000 tons (380 000 tons in the December quarter), but higher losser were prevented through non-mining income of R954 000 (R630 000)

JCI asks unions to accept lower pay rises

(214) Star 17/4/91

By Derek Tommey

The JCI group is hoping that the percentage pay rises on the gold mines this year will be limited to a "low single digit figure", says Mr Kennedy Maxwell, chairman of JCI's gold division

He said in Johannesburg yesterday that JCI had made an offer to the Confederation of Mining Unions, which represents the mining officials and was waiting for its reply

Negotiations would start later with the other unions.

Mr Maxwell said that these were difficult times but the union members had a good understanding of what was happening and were aware that everyone had to pull in their belts

The low wage offer was simply a function of trying to survive and keep the industry going.

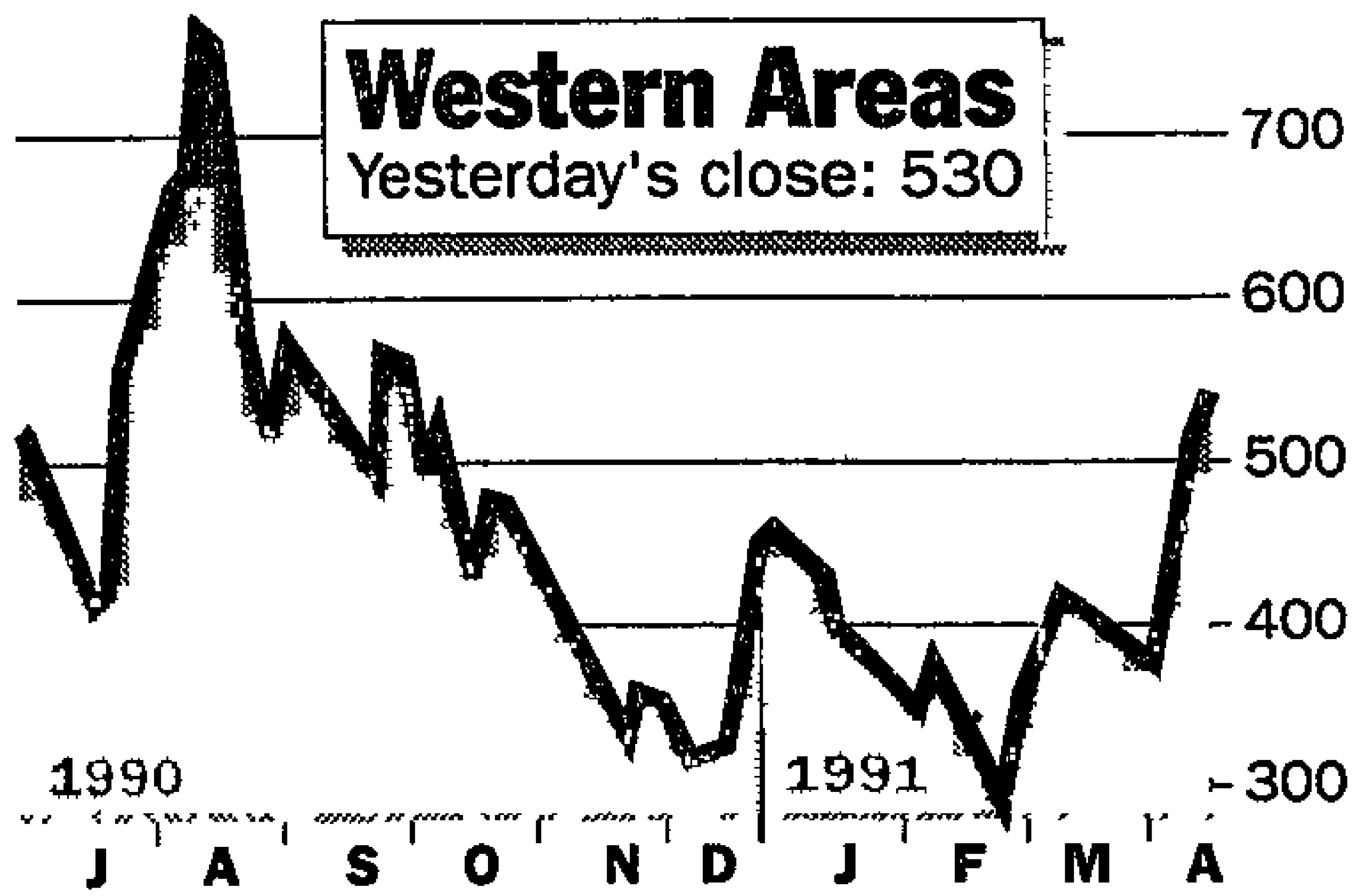
At Randfontein the tonnage of ore milled from underground dropped by 183 000 tons due mainly to a planned reduction at the Doornkop Shaft where exploration is being stepped up, partly as a result of problems at the Cooke Shaft which have now been overcome and partly because of the loss of six working shifts — equal to a loss of eight percent of working time

However, the effect on gold production was to a great extent offset by increased production from surface dumps and an increase in the underground grade from 3,98g/t to 4,06g/t.

As a result revenue from gold dropped from R231,0 million to R222,4 million. As working costs dropped from R203,9 million to R196,6 million profit from gold was only marginally lower at R25,8 million (R27,1 million)

Sundry revenue was R7,8 million (R6,5 million) and taxed profit was R31,1 million (R32,5 million). Capital expenditure was R18,5 million (R20,4 million)

Grades at Cooke Number 3 shaft continue to be good, said Mr WA Nairn, managing director of JCI's gold division



Operations at Western Areas were hit by an interrupted power supply which, though quickly repaired, resulted in considerable damage to plant and equipment.

Tonnage milled dropped from 563 000 tons in the December quarter to 517 000 tons in the March quarter.

Profit from gold dropped from R9,3 million to R1,2 million.

However, increased profit from uranium, a reduction in interest paid and a reduced North Shaft closure payment resulted in a taxed profit of R6,7 million agant R9,4 million in the December quarter.

Capital expenditure was R1,8 million (R12,0 million)

Encouraging development results at Joel hold the promise of better times ahead. But in the March quarter the mine still made a loss from gold of R7,3 million compared with R7,4 million in December

Ore milled rose from 228 000 tons to 239 000 tons, but yield dropped from 4,4g/t to 4,1g/t.

Revenue from gold was maintained at R31,1 million (R31,1 million) and working costs were R38,4 million (R38,5 million)

But more encouraging, development results averaged 2 006cm-grams/ton, which was a 23 percent increase in the December figure and three times higher than last year

However, because ventilation still had to be provided for these reef connections, the benefits from stoping these high grade area will only start coming through in the June quarter.

But the mine should break even before capital expenditure this quarter and show a profit after capital expenditure in the September quarter

RM's gold mines winning cost battle

(214)

Star 17/4/91.

By Derek Tommey

The Rand Mines (RM) group is slowly winning the fight to restore gold mines to profitability, the March quarterly reports show. But the cost has been heavy.

At Harmony in the Free State 6 039 people have been retrenched.

Highlights of the quarters are:

- Durban Deep had a satisfying quarter, says Clive Knobs, chairman of the gold division The mine continues to run at a substantial profit,
- Harmony would have almost broken even but for retrenchment payouts However, a further reduction in working costs is still needed,
- ERPM has increased its yield to above 5 g/t and cut its pre-interest loss to R750 000.
- Blyvooruitzicht failed to maintain its December profits, swinging to a small loss.

Taxed profits at **Durban Deep** were R2,7 million, down slightly from the R2,9 million in the December quarter

The gold grade improved from 3,45 grams to 3,62 grams a ton, while costs dropped from R33 118 to R32 364 a kilogram.

Revenue rose from R34,3 million to R35,2 million and costs were R32,6 million (R31,5 million).

Capital expenditure was R1,4 million. Capital expenditure commitments are zero.

The mine, which produced 1 068kg of gold in the March quarter, has sold 1 187kg forward over the next three quarters at prices ranging from R35 661 to R36 802 a kilogram.

Clive Knobbs . . . satisfying quarter at Durban Deep

Harmony had a loss of R21 million after payment of R21,6 million in one-off retrenchment benefits.

The reduced level of operations resulted in revenue dropping from R215,6 million in the December quarter to R162,7 million, although it received slightly more for its gold.

Working costs fell from R230,7 million to R192 million, resulting in a working loss of R29,3 million (R15,1 million).

Harmony produced 4 872kg of gold and has hedged 4 087kg of gold for the June quarter at R34 671 a kilogram and a further 1 347kg for the September quarter at R35 311 a kilogram.

Harmony received an average of R33 385 a kilogram in the March quarter.

ERPM increased underground production by 90kg to 1 266kg in the March quarter as a result of an improvement in grade from 4,49g/t to 5,3g/t, although the tonnage milled dropped.

Gold production from sand treatment declined from 164kg to 158kg

Working revenue rose from R42 million in the December quarter to R45,3 million, while total workings costs were R46 million (R43 million), leaving a working loss of R756 000 (R1 million loss in December).

Sundry revenue was R1,9 million. But a R12 million (R8,9 million) interest payment resulted in ERPM having a taxed loss of R12 million (R8,9 million)

ERPM's total borrowing were R413,8 million at the end of March, including deferred interest of R69,2 million.

Capital expenditure in the quarter was R2 million and there are commitments for R1,4 million.

Rand Mines has hedged 740kg of gold in the present quarter at R34 508 a kilogram.

Blyvooruitzicht had a taxed loss of R83 000 (profit of R7,4 million in the December quarter)

Reduction production, together with increased production costs, led to a working loss of R1,1 million (working profit of R6,9 million previously)

It has sold forward 852kg of its second and third quarter production at R35 883 and R36 443 respectively.

Barbrook, which is on a care-and-maintenance basis, had a net loss of R4,5 million, which includes R2,4 million in retrenchment costs

Disruptions underground knock JCI mines' results

BDay 17/4/91. (214)

MATTHEW CURTIN

UNEXPECTED disruptions to underground production knocked the results of JCI's Western Areas and Randfontein gold mines in the March quarter.

At the group's developing mine H J Joel, working losses fell in the quarter, but the company's growing debt burden prompted it to sell its metallurgical plant in a lease-back agreement worth R69,4m with a partnership involving JCI, banks and other parties.

However, the group weathered the adverse conditions affecting the gold mining industry, and all but maintained gold production and overall after-tax profits

Intermittent hiccups in Western Areas' power supply disrupted underground production for six weeks, and problems at Randfontein's Cooke No 3 shaft dented the two mines' results

Newly appointed gold division MD Bill Nairn said yesterday two main electricity cables blew at the beginning of March at a substation serving Western Areas

Damage of R1,5m was caused to equipment and production of 10 000 and 15 000 lost.

A R371 improvement in the gold price received in the quarter and a fall-off in rationalisation costs failed to off-set the effects of disruptions to production Western Areas' after-tax profits slumped 29% to R6,6m (R9,4m) Nairn said repairs had been completed.

Western Areas moved into the black in the December quarter after a major restructuring programme involving closure of its north shaft, retrenchments and the sale of its stake in the South Deep project to South Deep Exploration.

Gold division chairman Kennedy Maxwell said yesterday the favourable cash balance of R45m reported at year-end as a result of the sale would not be redistributed Western Areas cash reserves were still "inadequate" in view of off-balance sheet debts of about R40m set to mature soon.

Underground production at Randfontein fell off in the quarter To cut costs, management continued to focus on development rather than production at the Doornkop shaft, dogged by faulting and unpayable sections on the Kimberley reef

Nairn said the shortfall in underground production was made up by a 179 000 increase in surface production, but that reduced the overall yield to 3,08g/t (3,25g/t) in the quarter

The mine hoped to reach target areas of high-grade ore from development at Doornkop within nine months to a year

H J Joel consulting engineer Con Fauconnier said the mine was undergoing a period of consolidation, as production continued to edge towards a target of 90 000 tons a month by mid-1991 Development results improved considerably in the quarter

Gengold slashes dividends

Star 18/4/91

214

By Derek Tommey

Against a background of a 24 percent drop in the gold price in real terms in the past 12 months, gold mines in the Gengold group have slashed their dividends

Bracken is paying a dividend of 10c a share against 25c last September and 30c a year ago

Kinross is paying 115c a share In September it paid 165c and in April, last year 160c

Leslie is paying 5c a share compared with 20c in September and 40c last April Winkelhaak has cut its dividend to 100c from 150c in September and 165c a year ago

Unisel is paying 10c against 26c in September and 50c in April

Wage negotiations

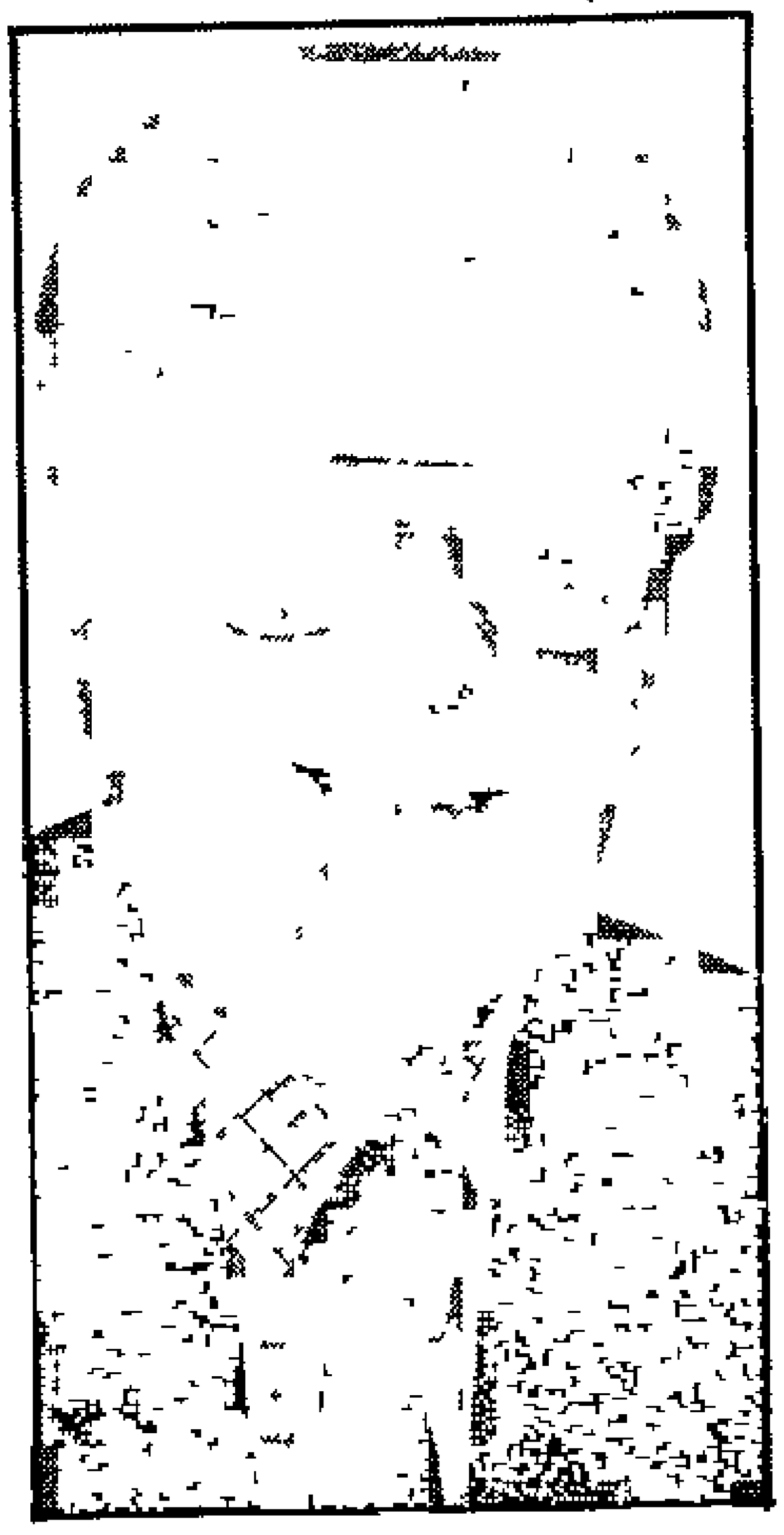
Meanwhile, it seems that this year's wage negotiations on the gold mines may not turn out to be the bitter fight that many outside the industry are expecting

Mr Gary Maude, Gengold's managing director, said at a Press briefing yesterday that he sensed a feeling of acceptance among the unions of this year's low wage offers

He believed there was a feeling in the unions that it was better to have a small wage increase and have people at work than to lose lots of jobs and union members

He said that during the March quarter 268 people had been retrenched at Stilfontein and about 2 000 by the group as a whole

Highlights of the Gengold quarterlies were the increased profitability of West Rand Consolidated and Grootvlei, two mines which it was feared last year would have to close



Gary Maude (left), general manager of Gengold, summed up the spirit the gold mining industry at yesterday's Press briefing on the group's March quarterly reports with a Biblical quotation from 2 Corinthians, chapter 4, verses 8 & 9.

The quotation reads: *We are troubled on every side, yet not distressed. We are perplexed, but not in despair. Persecuted, but not forsaken; cast down, but not destroyed."*

West Rand Cons reported a pretaxed income of R1,8 million againt R1,2 million at the end of December It even paid tax — contributing R846 000 to the Treasury And an improvement in development values from 810cm g/t in December to 1206cm g/t in the March quarter suggests that higher profits are likely, given a steady gold price

Grootvlei had a pre-taxed profit of R2,8 million (R2,3 million), and an after-tax profit of R2,1 million (R1,1 million)

Stilfontein, which is scheduled to close at the end of the year, reported a loss of R2,9 million for the quarter against a profit of R8,2 million in December

Buffelsfontein was hit by a loss on its uranium production This, and a higher tax payment, resulted in the taxed profit falling form R7,0 million to R2,7 million Mr Maude said the production of uranium could not be stopped as this would affect the efficienty of the gold plant

The new tax formula increased **Beatrix's** liability for the nine months ended March This led to the tax paid in the March quarter rising to R9,4 million from R4,5 million in the December quarter and cut the quarter's taxed profits to R8,6 million (R13,6 million)

Mr Maude said that the possibility of giving Beatrix a third shaft was always under consideration The mine could go for the next 15 years with its current two shafts, but a third shaft would increase production by 60 000 tons a month

Work at the two developing mines, Weltevreden and Oryx, was progressing well Oryx was expected to pour its first gold in April, next year

St Helena was battling, said Mr Maude Working revenue dropped from R80,5 million in December to R78,8 million in March, while working costs rose from R73,8 million to R75,0 million Working income dropped from R6,7 million to R3,8 million

Unisel's earnings before tax dropped from R8,3 million to R4,0 million owing to a substantial drop in production following a decision to stop work on low grade stopes But development is expected to start in richer areas in about six weeks' time and the mine should be restored to profitability in six months' time

Bracken earned R1,5 million (R1,2 million) in the March quarter Bracken is expected to stop production in 1993

Exciting projects

Winkelhaak's earnings dropped from R25,7 million to R22,0 million while capital expenditure was R22,4 million (R25,7 million)

Mr Maude said that Winkelhaak had several exciting projects which would ensure the mine's survival into the 21st century But the Gengold group did not like borrowing money and these would be financed out of profits

Leslie had a taxed income of R1,1 million (R980 000) and is encountering good values in the new northern block

Kinross increased its taxed profit from R17,0 million to R18,8 million

SA and US gold coin traders strike a deal

BDay 18/4/91

SEAN VAN ZYL

THE South African Gold Coin Exchange (SAGCE) has reached an agreement in principle with the United States-based International Gold Coin Exchange (IGCE) to sell SA gold coins to US collectors

SAGCE chairman Eli Levine said formal dealing between the two exchanges in US, Portuguese and SA investment coins would be initiated once Washington had lifted sanctions.

Levine said this week's decision by the EC to lift its sanctions against SA was a sure sign the US could follow suit shortly

SA had lost its lead to Canada and Australia as the world's main supplier of gold investment coins, but once sanctions were lifted the SAGCE-IGCE agreement would boost SA sales, he said

The SAGCE planned to promote the Portuguese Prestige Proof series and SA proof coins such as the Protea and Gold Reef City series The IGCE agreement would not, however affect Krugerrand sales, Levine said

(214)

Krugerrands faced strong competition from investment coins minted in Australia and Canada, but Levine said he was confident the SA coin would recapture its market position

Gengold shows its mettle as cutting costs pays off

214

B|Day 18/4/91

MATTHEW CURTIN and ROBERT LAING

GENGOLD, the Gencor group's gold division, emerged almost unscathed from the March quarter — the toughest faced by the mining industry for decades — as its drastic restructuring programme of the last two years kept all but one of its 11 gold operations firmly in the black

Stilfontein, on the verge of closure after 39 years, was the exception Gold production fell 18% to 915kg (1 122kg) as plans to wind up operations by year-end — the result of the exhaustion of payable ore reserves at the mine — began last month

Soaring costs

A 33% slump in after-tax profits belied the group's successful containment of working costs a kilogram which were up only 0,5% in the quarter Ten of Gengold's mines remained profitable, in stark contrast to the fortunes of several other mining operations where drops in working revenue have outpaced the rewards of cost-cutting measures

Gengold has deliberately cut underground production and shed more than 35 000 jobs in the last two and half years in an attempt to keep its mines, some of them the smallest in the industry, profitable in face of the weak rand gold price and soaring costs

MD Gary Maude said yesterday the rand gold price had plummeted 24% in real terms since January 1990

West Rand Consolidated and Grootvlei, both marginal operations, improved bottomline performance for the second quarter running

Grootvlei's survival, dependent on a marked improvement in grade, was in doubt as recently as September last year

Gengold sold gold forward successfully at West Rand Cons, Unisel, Leslie and Buffelsfontein, where a better rand/gold price received — up by as much as R1 258 to R32 422/kg at Leslie against a prevailing price of about R31 000/kg in the December quarter — combined with lower working costs to boost working profits

Bracken turned in better results thanks to mining of high-grade shaft pillar material Maude said the mine was now firmly on the way to closure

The company was preparing for the rehabilitation of the property and an estimated R6m worth of retrenchment costs for the mine's current workforce of 2 200

He said essential capital expenditure at Winkelhaak was putting the company's dividends at risk, despite his assurances to the contrary last year Gengold's policy was to minimise borrowing to fund expansion, but a R60m financial facility had been set up in case bridging finance was required

Non-mining tax

In the meantime, the mine would finance expansion in the eastern Fold-Fault area of the mine through working profits At Buffelsfontein, an increase in non-mining tax and R2,3m loss from uranium operations dented overall profits

He said Unisel suffered from the mine's decision to cut back on development two years ago and the fact it had run into a low-grade area of reef in the newly opened western area

Leslie's future was brightened by good values in the northern block development, while development prospects improved again at Oryx and Beatrix

Gengold's results buck the trend

(214) B|Day 18|4|91

MATTHEW CURTIN

GENGOLD, the Gencor group's gold division, has emerged almost unscathed from the March mining quarter which wreaked havoc among other mining groups

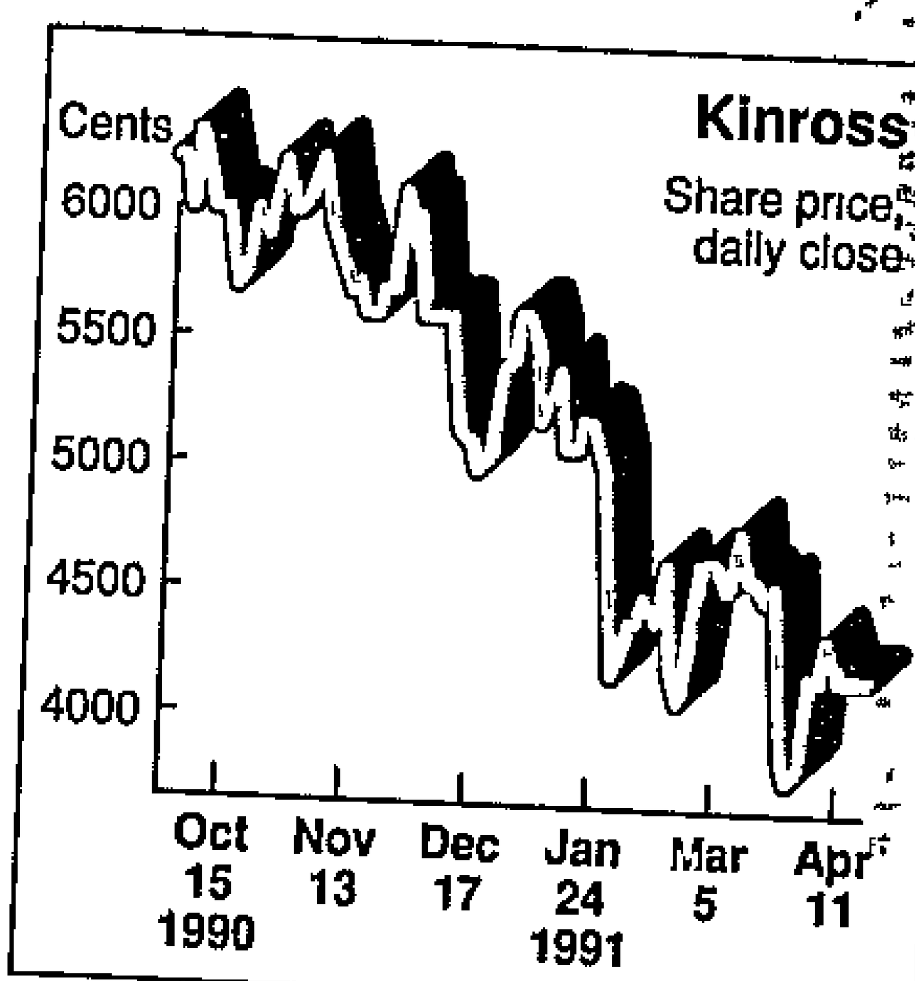
The group's one casualty was Stilfontein, facing closure after 39 years, because it has run out of payable ore reserves

However, Gengold's fierce restructuring programme over the last 30 months, during which mines shed more than 35 000 jobs in production cutbacks, ensured the group's other mines remained firmly in the black in the quarter

Analysts had said the group's West Rand Consolidated, Grootvlei and Bracken mines were in danger of following Stilfontein into an early grave Yet, in the last three months, Bracken remained profitable and gold hedging boosted bottomline profits at West Rand Cons, Leslie, Unisel and Buffelsfontein Kinross's profits jumped R2m after a R7m drop in its tax bill thanks to new mining tax provisions

Gengold MD Gary Maude warned yesterday that selling gold forward was not a panacea for the industry's problems About 2 000 people lost their jobs in the March quarter, and the rand gold price had fallen 24% in real terms since January 1990

In quarterly results released by other mining houses, Gold Fields of SA's Libanon mine went into a loss while Venterspost, whose losses more than doubled in the quarter, and Doornfontein were "hanging on for grim life" Anglovaal's Loraine mine pitched into the red despite rationalisation while at Rand Mines, three of its five operations either failed to reach profitability or saw losses increase



Graphic: FIONA KRISCH Source JSE

Only JCI's two operating gold mines have reported stable results Anglo American reports today

● See Page 6

Gold producers' salvation pinned to jewellery demand

Star 11/4/91.

(214)

By Derek Tommey

The chairman of Anglo American's gold division, Clem Sunter, says the gold mining industry can get out of its difficulties if the demand for gold jewellery can be doubled.

He said in Johannesburg yesterday this would be possible if gold could be promoted more aggressively

Mr Sunter said demand for gold for jewellery had grown by 300 tons a year in 1988 and 1989 and totalled about 1 800 tons last year

New gold production in the next three years was not expected to rise above 2 000 to 2 200 tons, he said.

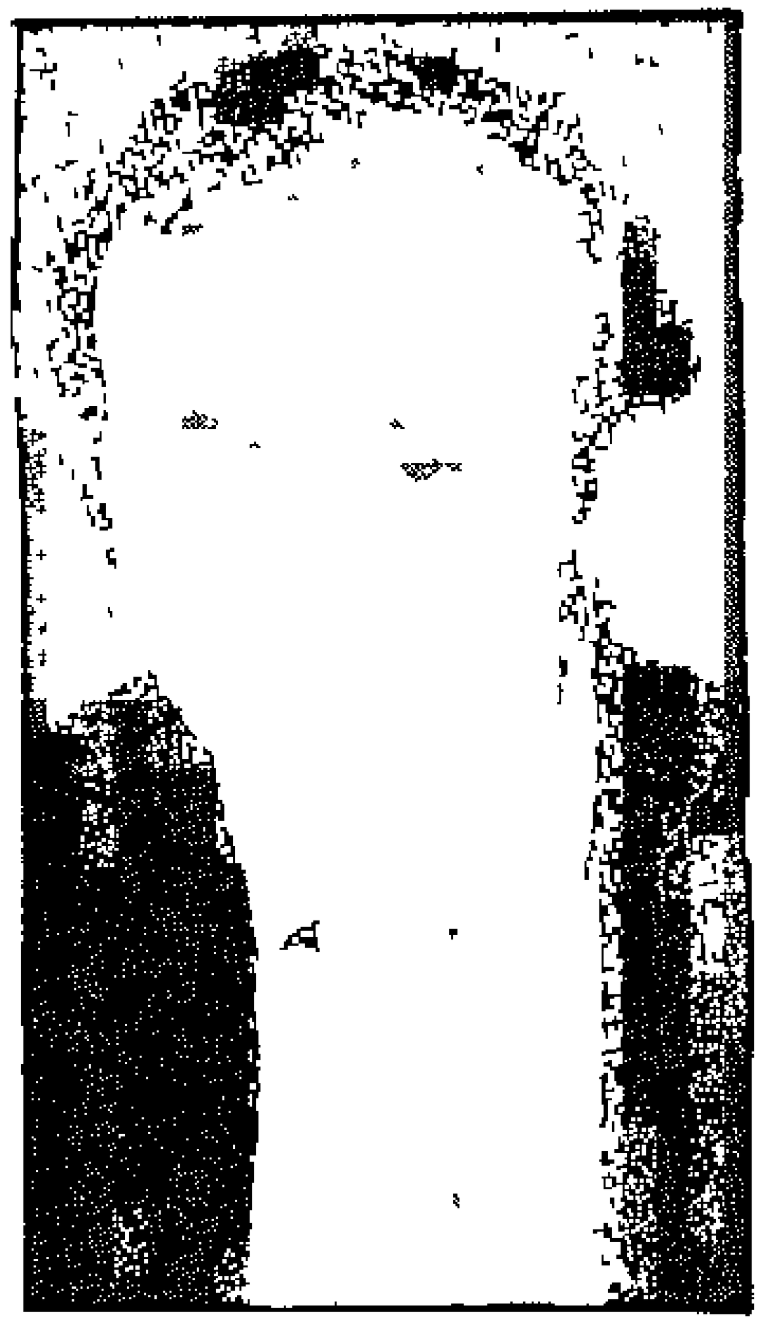
A few years' growth in jewellery demand at a rate similar to that of 1988 and 1989 would see a major transformation in the supply-demand situation

A doubling of the jewellery offtake meant 2 000 tons of gold a year would have to come out of stocks

He said the promotion of gold was in the hands of the International Gold Council, which was financed by a levy on all the western world's major producers

Mr Sunter would like to see the levy increased He felt a "good time" formula should be devised, with mines paying a higher levy whenever the gold price increased.

Mr Sunter said there was no smart intellectual solution to the mining industry's problems. It would have to be multi-faceted. It would not help to point fingers or apportion blame.



Clem Sunter . . . solution to mining industry's problems

The SA mining industry was a world-class industry, with a world-class management and a good work ethic among staff. Moreover, the unions had recently become more responsible

The industry's first task was to hold down cost escalations. Anglo had set a target of keeping the rand-a-kilogram costs flat for the next two years.

The industry could look at speeding up underground transport systems, improving metallurgical recovery and cutting rock instead of blasting it.

Management systems needed to be improved and a move made to more participative management underground, he said.

Exploration must be maintained. Although Anglo had halted exploration in the Potchefstroom Gap, it had not lost confidence in gold and was continuing to spend R100 million a year on it.

Dividend declarations by Anglo's gold mines reflect the current problems facing the industry.

Freegold, SA's largest gold mine, has declared a final dividend of 85c, making a total of 140c for the year to March. This is less than half the 295c it paid last year

It means that the cash paid out in dividends has been cut from R347,3 million in 1989-90 to R164,8 million in 1990-91. In other words, shareholders are receiving R182,5 million less this year

Ergo is paying a final of 35c, the same as its interim, making a total of 70c for the year, against 105c last year The cash payment has been cut R50 million to R33,3 million

Ofsil is paying a final of 220c, making a total of 263c (768c) for the year, while **Welkom** is paying a final of 57c, making 93c (198c) for the year

Rationalising

Freegold had a pre-tax profit of R154,4 million (R107,4 million) in the March quarter, despite provisions for retrenchment costs Profit after tax and capital expenditure was R54,0 million (R47,4 million)

The mine is to rationalise operations at the north section and plans to reduce the number employed by 8 000.This should have not effect on gold production.

Vaal Reefs' working profit dropped from R176,4 million in the December quarter to R124,4 million and profit available after tax and capital expenditure was R41,6 million (R73,3 million)

Costs in the December quarter were below normal, which accounts for much of the profit drop in the March quarter

Vaal Reefs intends reducing the number of its employees by 4 500.

Vaal Reefs royalty payments to Southvaal dropped in the March quarter to R16,4 million (R37,2 million).

Elandsrand had a working profit in the March quarter of R31,7 million (R39,7 million) and available profit was R9,5 million (R11,3 million)

Western Deep's operating profit was R93,6 million (R90,4 million) and available profit was R20,1 million (R21,8 million)

Ergo had a taxed profit of R13,4 million (R23,0 million). It has acquired 17,5 million tons of slimes material with an average grade of 0,49 grams a ton from Simmer & Jack for R18 million, which will be settled by the issue of 2,5 million Ergo shares

SA Lands earned R12,0 million (R13,9 million) and profit available was R459 000 (R1,03 million) It is planned to stop pumping at the mine This could affect Daggafontein, Grootvlei, Sub Nigel and number of other small operations

AMGOLD FM 19/4/91

FALLING TREND (214)

After suffering the indignity of last year's less-than-successful rights issue, blue-chip mining financial stock Amgold has been forced to provide R20m against one of its investments in the accounts for the 13 months to end-March

The year-end has been changed from February, as a consequence of the R500m rights issue which was only 82,9% subscribed Underwriter Anglo American Corp (AAC) picked up the rest of the shares, taking its stake in Amgold to 50,4% and making the company a subsidiary

A dog in Amgold's portfolio is Rand Mines' Barbrook mine in the eastern Transvaal, which has been transferred to the JSE's "curtailed operations" board after the decision in December to suspend mining Amgold holds 12,2m shares in Barbrook

The provision was a small contributor to Amgold's 42% drop in earnings to R178,2m (1990 financial year — R308,5m), but the main reason for the poorer performance was a 29% fall in investment income to R240,7m (R339,9m) Amgold shows a 44% drop in EPS to 788c (1 495c)

The share price is well down on the rights issue price of R230 set in October, but has risen over the past two months to current levels of around R196 from the 12-month low of R178 reached early in February

That recovery in the price came despite the dismal outlook on the gold exploration front, and the news that AAC intends curtailing its drilling programme in part of the Potchefstroom Gap Amgold has a 20% stake in Anglo's gold exploration programme

If the gold price remains at current levels around R31 000/kg, then even the best gold mines in the country will have to cut their dividends again this year, meaning lower earnings for Amgold *Brendan Ryan*

Anglo cuts 12 500 jobs at two mines

CAPE TIMES 19/4/91

Z14 ZNN D35

Own Correspondent

JOHANNESBURG — Anglo American is to cut about 12 500 jobs at its two largest gold mines, Freegold and Vaal Reefs, Anglo's gold and uranium chairman Mr Clem Sunter said here yesterday

His announcement was made at a briefing on the quarterly results of the group's six gold producers which suffered an 18,8% fall in net profit in the March quarter to R133,8m

Further job losses are expected if the gold price does not recover. Yesterday the gold price once again dropped through the $360 resistance level to close in London at $358,55 (from the previous day's $360,75)

FM 19/4/91 (214)

GOLD FIELDS PROPERTY (214)

GOLD-DRIVEN

FM 19/4/91

Activities: *Property holding and investments, and mining investments*
Control: *Gold Fields of SA 44%*
Chairman: *M R Fuller-Good*
Capital structure: *10,2m ords Market capitalisation R61,2m*
Share market: *Price 600c Yields 8,3% on dividend, 20,3% on earnings, p e ratio, 4,9, cover, 2,4 12-month high, 600c, low, 410c Trading volume last quarter, 124 000 shares*

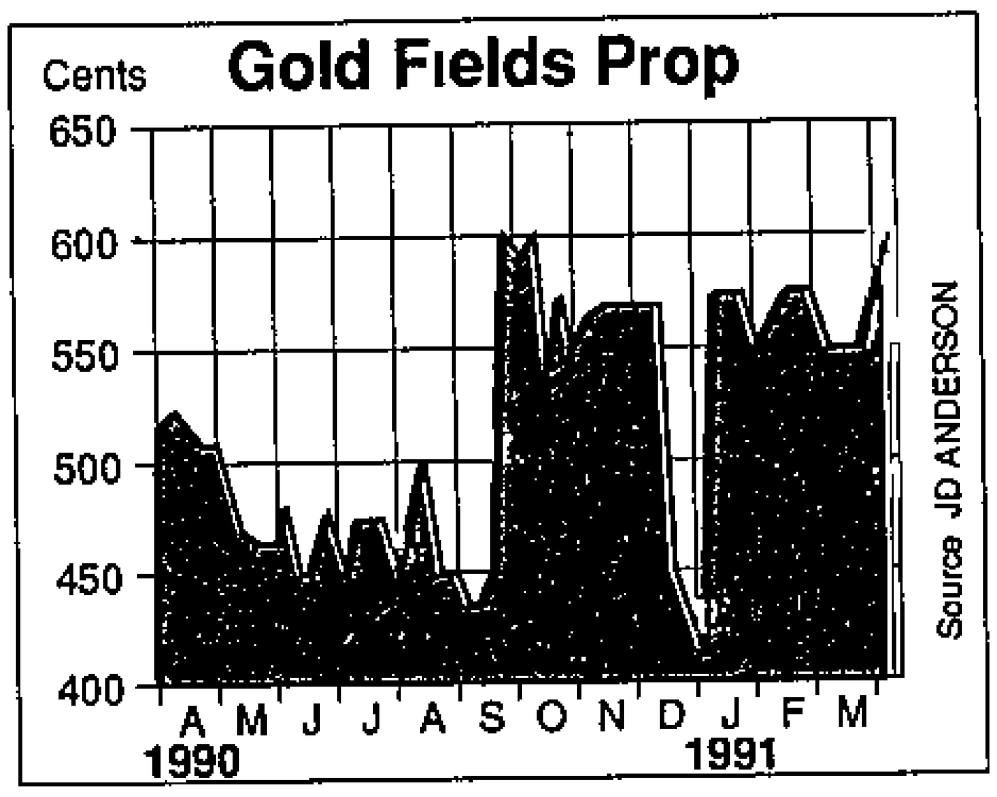
Year to Dec 31	**'87**	**'88**	**'89**	**'90**
Taxed profit (Rm)	9,2	6,4	12,1	12,1
Earnings (c)	90 0	62 3	118,6	117,0
Dividends (c)	48 0	36,0	42,0	50,0
Net worth (c)	567	548	713	853

The declared aim of this group is to increase its exposure to the property business but, for the next year at least, its fortunes will be gold-driven — and it could not have happened at a better time given the state of the property market

This is the result of the sale of the slimes dams at Sub Nigel, in two separate agreements, for 2m shares in Ergo and 0,8m shares in East Daggafontein Chairman Michael Fuller-Good makes it clear the group intends selling these shares, but precisely when is not certain because of the depressed state of the gold market and gold shares

GF Prop does not yet have possession of the shares Certificates will be delivered only once the transfer of the mining titles to the dumps is completed When the deal was struck in September, the 2m Ergo shares were worth R19,2m, they are now worth R15m, because of the drop in Ergo's share price since then

However, GF Prop is entitled to the dividends declared on these shares since the deal was struck, and if you must have a stake in the gold business at present, then dump retreatment operations are the best bet Ergo should boost its profitability this year, after the rationalisation of operations announced in December



Fuller-Good reckons the expected dividend income will more than compensate for falling rental income and forecasts a further increase in the dividend during 1991 For a property company in present market conditions that is a bullish forecast The share price has moved to a 12-month high of 600c from a low of 410c at the beginning of January

Property accounted for 60,4% and gold 23% of GF Props' pre-tax profit during 1990, compared with 46,6% and 16,6% respectively in 1989 Gold's share must jump this year, but management's aim is to lift the property proportion again as soon as possible Fuller-Good comments "The company is in a very strong position to take up new property investments at favourable prices and will do so where it can within the limits of its pre-set targets "

GF Prop concentrates on smaller property developments in the Johannesburg and Durban areas It intends selling stands during 1991 in a large tract of land bought at Kya Sand near Randburg Factories will be developed on those stands that the group keeps

Brendan Ryan

Anglo holds down costs as gold price stagnates

214

B/Day 19/4/91.

ROBERT LAING

ANGLO AMERICAN's six gold mines met their goal of keeping working costs level in the March quarter to prevent the further erosion of profit margins as the gold price stagnated

However, 12 500 jobs will be axed at Freegold and Vaal Reefs as the mines prepare for tough conditions facing the industry

A slow start after the Christmas holidays reduced the ore tonnage hoisted at Freegold, said Anglo MD Lionel Hewitt Despite 30% more surface material being milled, gold production fell 1,7% but shrewd forward selling raised the mine's gold revenue to R931,6m (R917,6m in last year's December quarter)

Freegold declared a dividend of 85c a share The two investment holding companies associated with the mine, Ofsil and Welkom, declared dividends of 220c and 57c respectively for the year to end-March

Vaal Reefs' Nos 3 and 4 shafts are to reduce operations and lose 4 500 out of 49 600 jobs, said Clem Sunter, chairman of Anglo's gold and uranium division

Mining at No 6 shaft stopped during the past quarter, following the closure of No 7 shaft in July Most of the miners affected were given jobs at the mine's other shafts

Borrowed

Western Deep had a satisfactory quarter Gold production and revenue both increased despite a fire which halted production in the eastern section of the mine, Hewitt said

Elandsrand borrowed R38m to start extending its subvertical shaft, which provides a second hoisting shaft The project's final cost was estimated at R900m, Hewitt said

The dispute between Anglo and Simmer & Jack over an unpaid R9m loan Simmers made under its former chairman Joe Berardo has been settled

Simmers has forfeited its 50% stake in Simmergo and any rights to material which will be treated at Ergo until June 30 Simmergo's operations have been terminated and its plant is being used as a pumping and mixing station to feed Ergo's processing plant

Simmers has sold four of its slime dams to Ergo for 2,5-million Ergo shares, which will increase Ergo's issued capital to 50-million shares

Ergo's gold output dropped to 1 446kg (1 593kg) because the plant converted its entire recovery process to carbon in leach (CIL) The initial problems have been resolved and this quarter's production should be at December's level, Sunter expects

Ergo declared a dividend of 35c a share

Sallies' gold production dropped and it will stop pumping at its lower level when its state subsidy ends on June 30

ANGLO AMERICAN March Quarter	Tons treated 000	Yield g/ton	Gold produced kg	Cost per ton milled R/t	Costs per kg gold produced R/kg	Price received R/kg	Profit after tax R000	Profit after capex R000	EPS cents
Freegold	**6 548**	**4,30**	**28 184**	**125**	**29 035**	**33 008**	**134 487**	**53 933**	**46**
	6 493	4,42	28 683	128	28 933	32 279	102 978	47 402	40
Vaal Reefs	**2 813**	**6,66**	**18 730**	**165**	**24 783**	**31 686**	**115 141**	**41 645**	**218**
	2 936	6,39	18 748	144	22 494	31 552	161 693	73 293	384
Western Deeps	**1 594**	**6,41**	**10 215**	**147**	**23 013**	**31 947**	**83 114**	**20 147**	**73**
	1 669	5,96	9 953	140	23 444	32 284	89 372	21 817	78
Elandsrand	**553**	**6,58**	**3 637**	**150**	**22 796**	**31 529**	**30 874**	**9 474**	**10**
	593	6,66	3 948	147	22 151	31 823	37 359	11 327	12
Sallies	**574**	**0,66**	**382**	**20**	**29 615**	**31 496**	**432**	**459**	**5**
	586	0,76	444	20	25 899	31 511	942	1 033	11
Ergo	**9,674**	**0,28**	**2 673**			**33 728**	**13 442**	**8 115**	**17**
	9 790	0,30	2 979			32 146	13 010	9 921	21

EXECUTIVE SUITE By William Wells and Jack Lindstrom

Mines' results show growing viability gulf

Bday 19/4/91 (214)

MATTHEW CURTIN

MARCH quarter results from independent gold mining companies, Consolidated Mining Corporation's Southgo and Gazankulu Gold (Gazgold), underscored the growing gulf between the viability of small-scale low-cost surface operations and higher cost underground operations

Mechanical problems which cut the amount of ore milled at Southgo's West Witwatersrand (Westwits) and Benoni Gold dented what would otherwise have been sound performances from two of the company's recovery operations

Problems with crushing and milling operations at Westwits's gold plant reduced throughput by 60 000 tons, and gold production by 74 tons After-tax profits fell from R1,3m to R484 000 in the quarter The directors said the problems were now rectified

Benoni Gold saw after-tax profits from its recently commissioned sands and slimes recovery operations jump to R1,2m (R169 000) in the quarter

Unit costs rose in the quarter in the wake of some mechanical problems. Throughput fell 50% in January and February, while the plant operated at 80% capacity last month

At Knights, a drop in the amount of sands and slimes treated, a marginal drop in recovery grades, and a 2% rise in unit working costs trimmed after-tax profits to R1,8m against R2,6m quarter on quarter

In contrast, operating losses at Nigel's underground operations offset stable profits from its dump retreatment operations, almost doubling the mine's after-tax loss to R1m (R616 000) in the quarter A rise in unit working costs outpaced an increase in gold revenue from underground operations despite the mine's decision to cut underground production by half

Gazgold's directors advise shareholders today to exercise caution in dealing in their shares because of "negotiations regarding Gazgold's financial structure"

The mine turned in a profit with working costs of R23 449/kg against a gold price received of R30 725

However, overall operating profits fell from R638 936 to R109 336 in the quarter

Mines' cost-cutting fails to stem tide

B/Day 17/4/91

214

MATTHEW CURTIN

THE plight of SA's gold mines was reaffirmed in March quarterly results released yesterday as drastic cost-cutting programmes undertaken by several companies at the end of last year failed to stop their slide into the red.

Worst affected were mines in the Rand Mines stable, ERPM, Durban Deep and Harmony.

ERPM, whose future has been secured only with government assistance, saw its after-tax loss in the quarter rise to R12m from R9m.

Both Blyvooruitzicht and Harmony fell back into the red.

Only the group's Durban Roodepoort Deep mine stayed in the black.

At Anglovaal, the reduced mines tax rate in the Budget boosted bottomline figures, but at Lorraine, the directors said the mine's rationalisation programme had not stemmed cost increases. If a new wave of retrenchments and restructuring was not successful, further contingency plans would have to be considered.

JCI's three gold operations weathered the storm more successfully, with only marginal drops in performance for the group as a whole.

JCI's developing mine H J Joel sold its metallurgical plant for R69m in a lease-back agreement with a partnership involving JCI, banks and other parties.

● See Page 6

Grootvlei staves off undertakers

S Times (Bus TT) 21/4/91. (214)

By JULIE WALKER

EAST RAND gold mine Grootvlei has "pulled itself up by its bootstraps", says Gengold chief Gary Maude.

A year ago the mine faced closure unless it could reduce working costs by at least R1-million a quarter

Mr Maude says that after the cessation of mining at Stilfontein was announced, a newspaper asked him whether Grootvlei was next "I was happy to tell them that it would not close The recovery is due entirely to the efforts of the mine's people It is a tremendous achievement"

Grootvlei lowered working costs by nearly R1,5-million in the three months to March for a profit of R2-million after capital expenditure

Pillar

The Bracken mine at Evander has had a two-year life for the past decade, and even now management says it is "the end of the beginning of the end"

The shaft pillar is being mined out and provides about a quarter of the gold produced It is a technological triumph to mine the pillar while continuing to work underground

Bracken made R1,48-million and paid a 10c dividend But even a high gold price cannot prolong the mine's life — the reserves are almost finished

Neighbour Leslie showed good development results and has a future It makes about R1-million a quarter Winkelhaak is battling to pay decent dividends and fund the new shafts Shareholders have been warned that dividends could take a dive in the short term The mine has many years left

Kinross saved a little on the new tax formula It is the only member of the group to pay full mining tax

Oryx will be looking for money soon to fund development But because 98% of the scrip is held by four major shareholders and the share price is so low, debt rather than equity finance looks more likely

Unlisted Weltevreden is doing well, but Unisel had a hard time Mr Maude expects Unisel to improve in six months when payable faces become available The price of reducing development a few years ago is being paid now

It is acting with St Helena to contain costs St Helena is also battling

Buffelsfontein bucked up with a taxed profit of nearly R2-million after capex Mr Maude says good reef is being found deep on the east side of the Strathmore shaft

West Rand Cons had to pay non-mining tax of R846 000, being the profit made on securing a higher gold price through a small amount of hedging A dispute with a contractor about the purchase of old plant meant the suspension of capital recoupments These should return to about R1-million a quarter

Development shows 20g/t gold over a width 60cm which will be mined later this year

Customer

Anglo American gold and uranium division chairman Clem Sunter says SA gold producers have fallen into the same trap as have centrally planned economies we produce it and there will be a market for it

"The customer comes first," says Mr Sunter "We have to double the demand for gold jewellery to 3 600 tons a year within the next few years It has grown at 300 tons a year over the last three years"

The gold price should climb if demand can grow and new supply taper off as forecast Mr Sunter says the target market for gold jewellery is the working woman

He says profit margins on retail jewellery are too high The value of the gold itself in jewellery averages only 17% of the selling price The balance is the mark-up of manufacturers and retailers

He believes the World Gold Council is doing a good job promoting sales and that the easing of restrictions abroad on Krugerrands might help

Mr Sunter outlines similarities and differences in SA gold production in the past 80 years It has shown a pattern of roughly four lots of 20 years each

Up to 1930, the grade of gold recovered was stable at 11g/t In the 20 years to 1950 it fell to 6g/t

In the next 20 years, mining in the Free State lifted grade to 13g/t In the past 20 years it has fallen to 5g/t

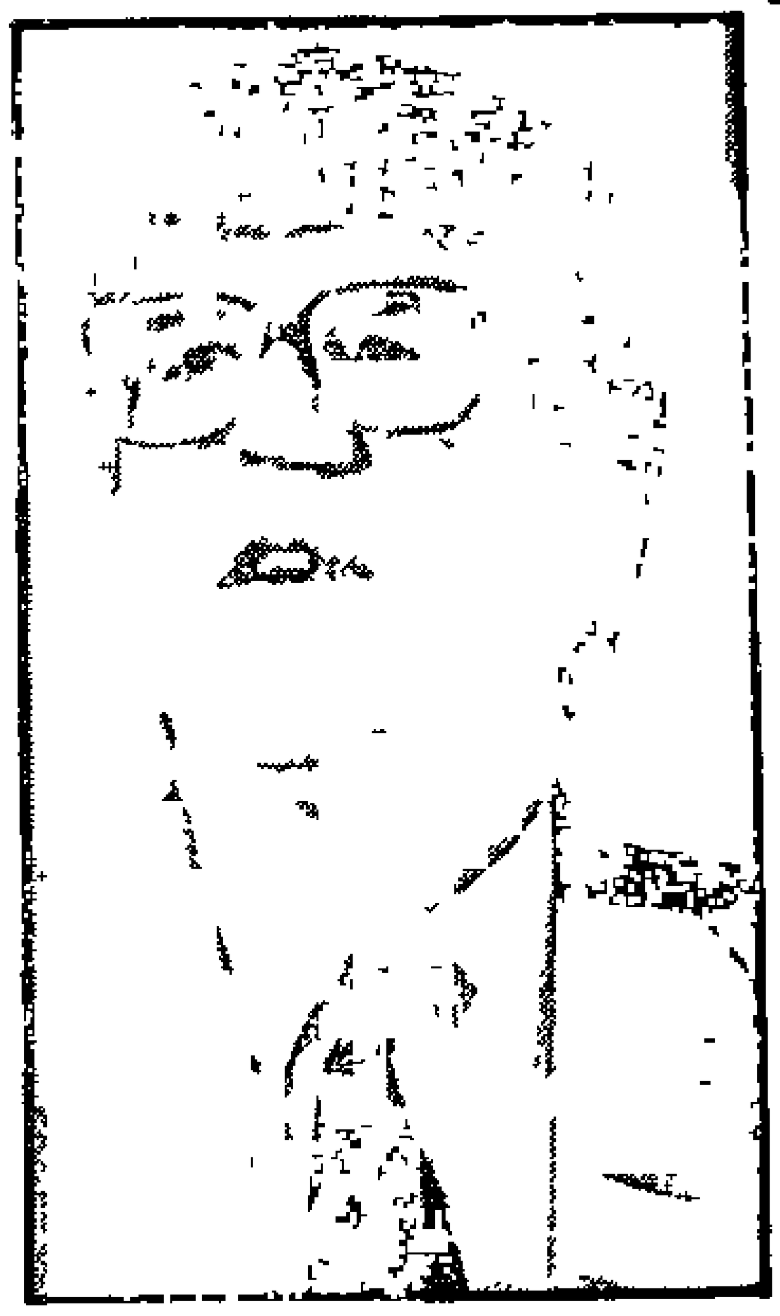
But between 1910 and 1930, production costs rose by 50%, whereas from 1970 to 1990 they increased by 1 400%

Jobs

The difference now is that there is not another discovery like the Free State Goldfields to be made He says there is still plenty of gold left in SA, but at lower grades and deeper than the 43 000 tons of metal already taken out

Gold was a store of wealth, now it is a commodity, except in the Far East

But Mr Sunter has some constructive comments about what can be done The first is that the rate of cost escalation must be lowered Since 45% of cost goes to salaries, restraint will have to be shown He believes bonuses are a better form of remuneration



GARY MAUDE A great achievement

Technological breakthroughs, such as speedier transport underground, materials handling and more efficient mining methods, are needed

Anglo American aims to promote a "commercial culture" underground where each miner knows what he is producing and at what cost

Another 12 500 jobs will be lost as two mines curtail their operations The lack of flexibility at Freegold North is one of the reasons for the cutback Vaal Reefs is trimming operations at two of its older shafts

JCI's HJ Joel mine entered a lease-back agreement for R69-million on part of its plant to help it through a tight spot Development results showed another improvement although recovered grade dropped from 4 4g/t to 4 1g/t

The higher grade will be mined from about June Working costs of R38 446 a kilogram are expected to fall as production builds up

Gold mining towns already feeling pinch

(214)

By Mark Suzman Star 22/4/91

The current crisis in the gold mining industry is having a severe effect on many businesses and jobs in towns that have grown dependent on the industry

And according to Roger Lacey, senior economist at the South African Chamber of Business, the overall effect of the moves could lead to reduced growth even outside the mining sector, with severe social and political consequences

After the decision to close Gengold's Stilfontein mine two weeks ago, many of the town's shops and small businesses admit that they have been deeply hit no mine means no purchases of food and supplies, and no spending of miners' wages in the community

But while Stilfontein is the most graphic example, many other mining towns are also feeling the pinch

Local businessmen involved in traditional supply and support operations with the mines are being forced to cut back heavily, helping to push unemployment up and consumer spending down

In Welkom, which has just been hit with the news that Anglo American intends retrenching a further 12 500 workers on Free State Consolidated mine, the situation is also bad

Optimistic

According to Aubrey Nyschens, executive director of the OFS Goldfields Chamber of Commerce and Industry, some businesses have already been forced to rationalise or close down as a result of the current climate

"In the short term there will definitely be an adverse effect on the economic activity of the town," he notes, although he is optimistic that business will ultimately pick up again

Similarly in Carletonville, the local chamber of commerce notes that the mining crisis has already led to some non-mining retrenchments

"The small businessman is suffering a lot and there is a general feeling of insecurity," observes Annetjie Claasen, president of the chamber

In Klerksdorp, whose chamber includes Stilfontein, the situation is even grimmer Local businessmen have begun to look for ways of expanding out of dependence on the gold industry by increasing development in areas such as agriculture and industry

"The ultimate objective is for the town to wean itself from the mines," says Colin Hyman, president of the West Vaal Chamber of Business

Nevertheless, in an area where at least 80 percent of all business is mine-related, and mines contribute 62 percent to the region's gross domestic product, Mr Hyman admits this is a difficult task

Great expectations turn into a loss of R5m for Barbrook

(214)

MATTHEW CURTIN

BARBROOK, Rand Mines' newest and smallest gold operation, posted an after-tax loss of R5,7m for the year to end September 1990 BDay 23/4/91

Barbrook was reduced to care and maintenance status in December after labour unrest precipitated the suspension of operations on December 12

The mine's demise followed a promising start in which its underground and surface infrastructures were completed on budget and commissioned ahead of schedule.

Although chairman Clive Knobbs said in his annual statement last year the mine would post working profits by the end of 1990, ore processing difficulties and labour problems pushed up costs at Barbrook

By December the mine was no longer viable at the current gold price

Management has said it would review the mine's status in September or earlier if there was substantial and sustained increase in the price of gold

Barbrook's closure in December coincided with the mothballing of the group's Vansa Vanadium plant and Kennedy's Vale platinum mine near Steelport.

In addition, three of Rand Mines's four other gold mines reported after-tax losses in the March quarter

Barbrook reported a working loss of R2,9m and an accumulated loss of R5,7m in the year

Labour bears the brunt of gold mining cost cuts

B|Day 23/4/91. (214)

MATTHEW CURTIN

THE penny has dropped for SA's lumbering gold mining industry, wracked by retrenchments and mine and shaft closures in the March quarter

"Gold is a commodity," was the revelation made last week by Clem Sunter, chairman of Anglo American's gold and uranium division.

Speaking after the announcement of Anglo's quarterly results, Sunter said gold was no longer a store of value for which there was insatiable demand

As the producer of a luxury commodity, the gold mines had to dig gold out of the ground and market it If gold jewellery consumption doubled, demand would outstrip supply by about 1 000 tons of gold a year, triggering a life-saving rise in the price of gold

Sunter based his optimism that this could be done on the 600-ton rise in world jewellery consumption in 1988 and 1989, pushing total jewellery demand to 1 800 tons in 1990 out of an overall figure of 2 100 tons

Davis Borkum Hare gold analyst David Giese yesterday said investors had been treating gold as a commodity in the last two years. The World Gold Council was already engaged in an aggressive campaign to sell gold, jewellery and coins in particular, a development SA has missed given the Krugerrand's pariah status.

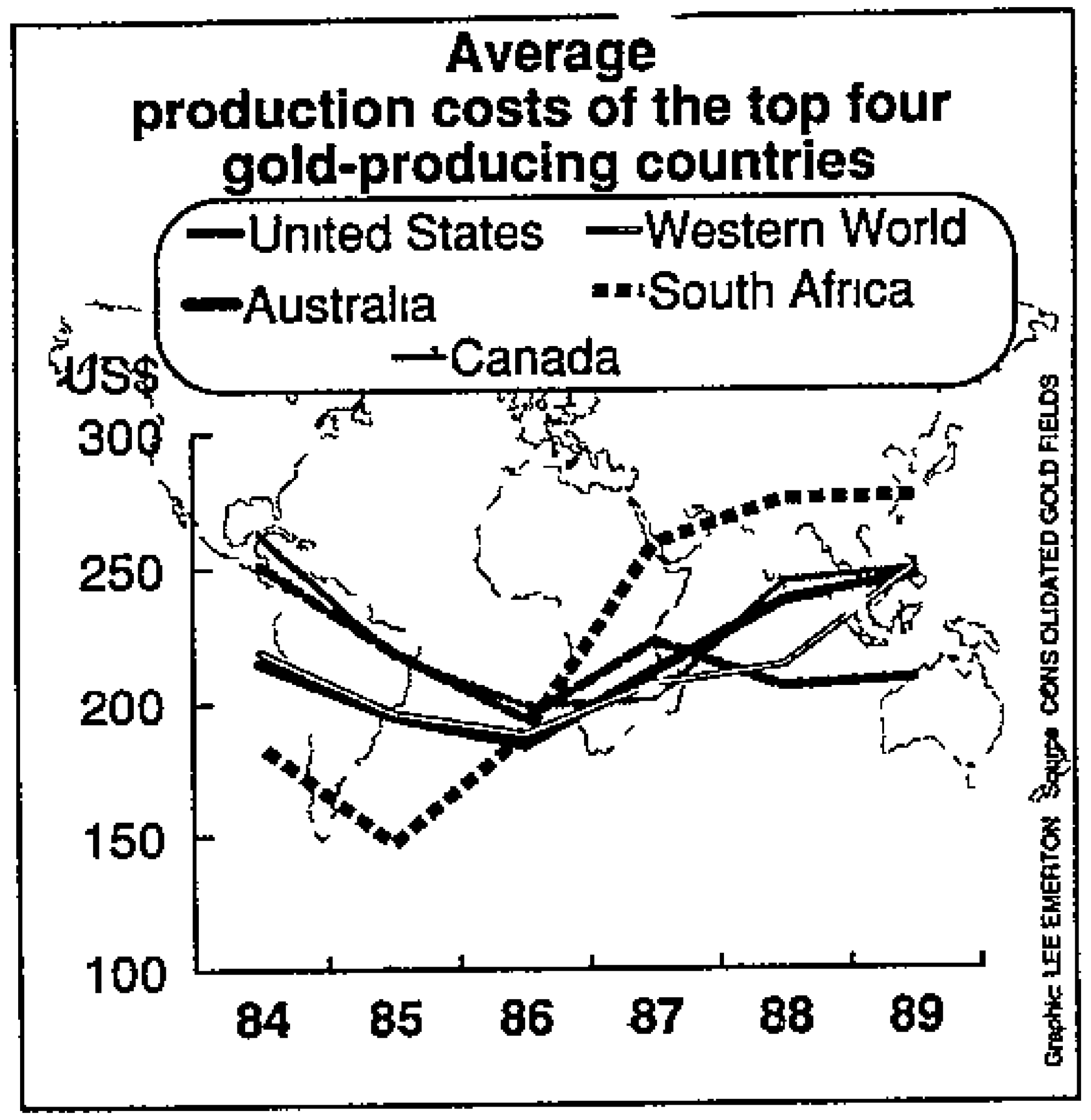
He said the rate of return on gold investments had fallen below that of the currency markets, and confidence that gold still retained some attracton as a store of value was undermined by the Gulf War. The metal responded quickly to the Iraqi invasion but its gains above the $400 mark were knocked by the rush of forward selling, in which SA gold mines were active

The turning point came with Anglo's decision to cut 12 500 jobs — more than a quarter of the total number expected to go this year — as it curtailed underground operations at Freegold North and Vaal Reefs SA's largest gold mining house had adopted in earnest the cost-cutting strategy begun by Gengold three years ago

Giese said the belief that the economies of scale worked in gold mining finally died in the quarter, when Gengold pulled through on the back of its strategy of ruthlessly cutting jobs and mining only payable face, so minimising underground operations and maximising gold production with the smallest possible workforce

Marginal operations at other mining houses, only midway through the process, performed less well. Three of Rand Mines' four operating mines saw no substantive improvement in results despite drastically curtailing operations Harmony, which in the December quarter abandoned its concentration on high milling rates to keep unit costs to a minumum, reduced underground production and again retrenched staff in the quarter, to no avail

Anglo, which has cultivated good relations with the National Union of Mineworkers in the past and negotiated the union-friendly retrenchment programme at Freegold South last year, demonstrated labour, as elsewhere, would bear the brunt of its cost-cutting exercise.



Giese highlighted the lower dividends declared in the quarter, notably at Gengold, as a major development He said it was an indication of the extent to which the industry was cash-strapped The practice of paying full dividends and raising money for expansion on the JSE was over

Mines were retaining income to fund expansion internally while borrowing only as a last resort In the quarter, JCI's H J Joel developing mine sold its metallurgical plant for R69,4m in a lease-back arrangement to raise extra funds, while at Western Areas the R45m the mine received for the sale of its stake in the South Deep project to South Deep Exploration would not be distributed but retained to bolster inadequate cash reserves

The gold mining industry remains in limbo Without technological breakthroughs, a volatile gold market or new gold discoveries, the mines have months of belt-tightening ahead Shrewd hedging may provide the small amounts of extra revenue to keep marginal mines in the black Jobs will go as the amount of payable reserves dwindle and shafts close

In the meantime, labour and management will have to work more closely together to see the industry through these hard-times.

The NUM has long advocated industry-wide negotiations to discuss retrenchments, productivity and labour unrest The union says the industry's mine-by-mine approach to wages and retrenchments is inadequate if the current crisis is to be addressed successfully

Days after the union reiterated its call for such a summit, Gengold announced it would convene a high-level meeting with mining unions at the end of April aimed at jointly addressing the industry's problems

Sunter hinted at the urgency of addressing the efficiency of underground operations by stressing the need to make the workforce aware of the wider commercial environment in which they were operating

Resignation sets off Southgo share fall

(214)

B/Day 24/4/91.

MATTHEW CURTIN

SHARES in South East Rand Gold Holdings (Southgo), the gold operating arm of independent mining house Consolidated Mining Corporation, slid 23% to a low of 23c on the JSE yesterday on the news mining entrepreneur and a founder and MD of the group, Glenn Laing, had resigned on Monday.

Laing said he left CMC because he and his fellow directors no longer saw eye-to-eye over the group's development

Exchange

While he was concerned that CMC invest in its long-term future — "more projects, more expansion" — other board members were anxious to redistribute the company's wealth to shareholders

Laing said doubts he had had for the past six months came to a head with Southgo's decision to sell the Wolhuter pipeline and slimes dam which it owned in a joint venture with Aurigena Mining Southgo subsidiary gold mining company, Knights, bought the Wolhuter facility and took over the R7,3m cost of the pipeline in exchange for the issue of 9-million new shares

He said the pipeline project represented a long-term strategic investment for Southgo, with expected revenue of R2m to R3m a year in two years time CMC directors had opted for an immediate boost to cash reserves to see the group through the difficult economic climate

Analysts said yesterday Laing's departure from the group was a blow to the group's fortunes

Mathison & Hollidge analyst Tony Rogers said the news was a "knock" for CMC and Southgo, and the market had reacted accordingly CMC shares were bid yesterday at a low of 10c, and Knights stock fell 2,8% to a year-low of 67c

Edey Rogers analyst Keith Bright said Laing had been the "driving force" behind the group, which had become the flagship of the small mining houses, and he was concerned there might be a "fall-out" after Laing's departure

CMC emerged from the consolidation in 1988 of Southgo, whose development as a leading gold recovery operation, now consisting of Knights, Westwits, Nigel and Benoni Gold, was pioneered by Laing, and Joe Berardo's ill-fated Johannesburg Mining & Finance, restructured and renamed Consolidated Mining

Analysts said that despite disappointing March quarter results CMC's prospects were good as it was a low-risk mining operator Surface gold recovery operations were low-cost with accessible ore reserves being processed by proven technology, and were not subject to the vagaries and soaring costs of underground mining

Laing said yesterday he had set up a new mining company, Revere Resources

CMC chairman Gerald Rubenstein and director Norman Lowenthal were unavailable for comment yesterday

Two Severin mines slip deeper into the mire

B Day 25/4/91 (214)

MATTHEW CURTIN

THE two gold mines managed by Severin Mining and Development, Eesterling and Rand Leases, turned in lacklustre performances in the March quarter after poor yields, rising rand/kg unit costs and the weak gold price knocked profits

The mines' pre-tax loss deteriorated to R839 000 (R404 000) and R231 000 (R222 000) as the operations reported increased working losses

The yield at Eesterling dropped to 2,26g/ton (3,71g/ton) The directors said the gold content of the majority of the workings fell and with the small mine's limited flexibility, "it was not possible to replace these with higher grade faces" Capital expenditure dropped from R118 000 to R5 000 in the quarter

Rand Leases posted more stable results with marginal drops in the amount of gold produced, yield and revenue An improvement in the gold price received failed to offset higher working costs and Rand Leases turned a R7 000 working profit in the December quarter into a R231 000 working loss

The mine spent R0,5m on capital expenditure in the three months, after spending none at all in the previous quarter

RMP results fulfil chairman's gloomy predictions for year

214

BDay 26/4/91.

MATTHEW CURTIN

A SLUMP in profits from gold recovery operations virtually offset marginally better profits from property sales and expropriations at Rand Mines Properties (RMP) in the six months to end-March

Results posted yesterday fulfilled chairman Dammy Watt's gloomy prospects for the year

RMP's earnings rose a cent to 76c a share, but the interim dividend was unchanged at 40c

The directors said the year-end dividend would be lower than last-year's 140c

Gross revenue from township land sales totalled R20,2m (R18,2m)

Operating profit from the property division rose to R9,6m (R9,1m)

However, operating profits from RMP's Crown and City Deep gold recovery plants plunged, with total operating profit in the division more than halved to R1m (R2,5m)

Increased costs wiped out the benefits of greater throughput and higher grades at the two plants

Operating profit from the Pilgrim's Rest plant slumped to R171 000 from R877 000 for similar reasons

The directors said "standstill" gold prices combined with escalating working costs to knock the division's performance

At the AGM in January, Watt said the outlook was not good for developing new gold mines at RMP, echoing pessimism in his annual review six weeks earlier when he also predicted property profits and overall earnings would be down by year-end

The directors said the lower dividend forecast for 1991 was based on expected after-tax profits for the full year of R15m (R20,9m)

With only interim results from Rand Mines' battling platinum operation — Barplats — to come, the last six months have not been good for the group as a whole

Negotiations with Genmin over Barplats' fate continued yesterday, with no news as to what the two parties were discussing

Barplats ran out of working capital in August last year Earnings from the group's four gold mines fell in the December quarter, with Harmony, Blyvooruitzicht and ERPM falling deeper into the red

(214) FM 26/4/91

GOLD QUARTERLIES

	Gold														Profit		
	Produced kg		Working cost R/kg	$/oz*†		Cost incl Capex R/kg	$/oz*†		Revenue R/kg	$/oz†	Milled 000 t*		Recovery g/t*		Gold R 000	Uranium & other R 000	♣EPS(c) Mar
ANGLO AMERICAN																	
Elandsrand	3 637	(3 948)	22 796	277	(269)	29 476	358	(349)	31 529	380	553	(593)	6 6	(6 7)	31 723	−653	6 8
Ergo	2 673	(2 979)							33 728	406	9 674	(9 790)	0 3	(0 3)	14 306		19 2
Freegold	28 184	(28 683)	29 035	352	(351)	31 738	385	(375)	33 008	398	6 548	(6 493)	4 3	(4 4)	113 300	32 100	49 6
Vaal Reefs	18 730	(18 748)	24 783	301	(273)	28 639	347	(321)	31 686	382	2 813	(2 936)	6 7	(6 4)	124 400	−3 100	224 5
Western Deep	10 215	(9 953)	23 013	279	(284)	29 183	354	(356)	31 947	385	1 594	(1 669)	6 4	(6 0)	90 000	3 600	72 5
ANGLOVAAL																	
ET Cons	834	(828)	22 365	271	(270)	23 112	280	(295)	31 318	380	82	(82)	10 2	(10 1)	7 467	−2 186	3 7
Hartebeestfontein	7 251	(7 430)	23 795	289	(281)	24 633	299	(293)	31 604	383	1 199	(1 185)	6 0	(6 3)	56 626	1 058	30 2
Loraine	1 746	(1 943)	36 820	447	(401)	37 408	454	(409)	31 857	386	352	(372)	4 9	(5 2)	−8 665	3 140	−37 9
GENGOLD																	
Beatrix	3 305	(3 300)	21 069	256	(260)	§21 871	265	(275)	30 667	365	535	(535)	6 2	(6 2)	31 777	13 822	§15 5
Bracken	511	(510)	28 249	343	(360)	28 323	344	(359)	30 844	374	107	(112)	4 8	(4 6)	1 935	661	10 3
Buffelsfontein	3 128	(3 130)	29 505	358	(373)	29 737	361	(376)	30 990	374	536	(556)	5 8	(5 6)	4 711	1 384	17 6
Grootvlei	574	(569)	29 068	353	(371)	29 197	354	(367)	31 354	382	114	(115)	5 0	(4 9)	1 467	1 365	17 4
Kinross	3 015	(3 030)	22 134	268	(264)	24 291	295	(281)	30 713	376	479	(481)	6 3	(6 3)	26 037	2 948	68 3
Leslie	540	(565)	30 057	365	(364)	30 491	370	(368)	32 422	392	108	(116)	5 0	(4 9)	1 325	425	5 6
St Helena	2 550	(2 591)	29 417	357	(346)	30 161	366	(365)	30 860	373	410	(405)	6 2	(6 4)	3 792	3 758	45 5
Stilfontein	915	(1 122)	33 714	409	(383)	33 656	408	(386)	31 197	371	492	(514)	1 9	(2 2)	−2 303	−568	−21 6
Unisel	1 200	(1 503)	29 167	354	(316)	33 329	404	(368)	31 733	385	206	(242)	5 8	(6 2)	3 103	889	−8 5
WR Cons	560	(570)	31 495	382	(389)	31 418	381	(369)	32 488	370	217	(202)	2 6	(2 8)	556	1 228	17 3
Winkelhaak	2 900	(3 002)	23 883	290	(284)	31 616	384	(384)	30 987	378	483	(492)	6 0	(6 1)	20 898	2 507	−3 4
GFSA																	
Deelkraal	2 308 5	(2 248 4)	26 136	317	(311)	33 093	401	(413)	31 019	376	405	(395)	5 7	(5 7)	11 370	3 761	−2 5
Doornfontein	1 667 3	(1 792 8)	35 259	428	(445)	35 566	431	(451)	30 630	372	327	(344)	5 1	(5 2)	−7 676	12 924	11 8
Drie Cons	14 151 1	(14 272 8)	16 445	199	(200)	18 923	230	(238)	30 907	375	2 025	(2 025)	7 0	(7 0)	204 659	12 709	43 5
Kloof	7 338 1	(6 776 2)	19 237	233	(216)	29 145	354	(437)	31 026	376	635	(540)	11 6	(12 5)	86 506	−4 465	7 6
Libanon	2 030 5	(2 062 5)	31 567	383	(356)	32 631	396	(369)	30 958	376	435	(435)	4 7	(4 7)	−1 169	1 028	−7 1
Venterspost	1 199 2	(1 395 1)	36 536	443	(435)	‡49 482	600	(553)	31 375	381	330	(390)	3 6	(3 6)	−6 139	3 431	‡−90 3
GOLDEN DUMPS																	
Cons Modder	456 3	(530 6)	35 264	428	(357)	35 729	433	(359)	31 039	377	115	(117)	4 0	(4 5)	−1 928	−203	−4 7
South Rood	181 3	(213 0)	37 408	454	(395)	36 233	440	(390)	30 938	375	60	(65)	3 0	(3 3)	−1 173	−138	−6 3
JCI																	
Randfontein	6 967	(7 363)	28 217	342	(336)	30 867	374	(370)	31 878	387	2 262	(2 266)	3 1	(3 3)	25 763	7 839	20 7
Western Areas	2 975	(3 238)	31 751	385	(351)	32 373	393	(396)	32 133	390	517	(563)	5 8	(5 8)	1 246	5 410	11 9
RAND MINES																	
Blyvoor	2 171	(2 332)	32 442	394	(360)	32 693	397	(361)	31 953	388	534	(589)	4 1	(4 0)	−1 061	2 107	−2 6
Durban Deep	1 068	(1 001)	30 569	371	(382)	31 922	387	(396)	32 922	399	467	(444)	2 3	(2 3)	2 513	180	53 7
ERPM	1 424	(1 340)	32 360	393	(390)	33 828	410	(406)	31 829	386	671	(581)	2 5	(2 3)	−756	−11 257	−84 8
Harmony	4 872	(6 630)	39 400	478	(422)	39 596	480	(428)	33 385	405	1 315	(2 049)	3 7	(3 2)	−29 305	2 963	−81 6
INDEPENDENT																	
Benoni Gold	265	(194)	25 513	309	(336)	31 725	385	(715)	30 657	372	372	(395)	0 7	(0 5)	1 363	322	−0 4
Gazgold	81 15	(92 76)	29 361	356	(291)	37 742	458	(365)	30 708	373	31	(46)	2 6	(2 0)	109	—	−1 1
Knights	323	(348)	23 573	286	(270)	48 474	588	(277)	30 731	373	841	(869)	0 4	(0 4)	2 284	−399	−7 2
Lindum Reefs	75 117	(136 044)	51 533	625	(480)	51 014	619	(483)	29 913	363	115	(118)	0 7	(1 2)	−1 624	6	−8 6
Nigel	261	(366)	30 015	364	(371)	32 345	392	(404)	31 149	378	503	(568)	0 5	(0 6)	296	−1 430	−1 1
West Wits	497	(571)	28 819	350	(343)	29 773	361	(363)	30 730	373	406	(461)	1 2	(1 2)	950	−469	0 01

* Figures in parentheses refer to previous quarter † Calculated at R1=$0 39 when dollar figure not given by mine ♣ Earnings after tax and capital expenditure § Includes capital appropriation ‡ Includes expenditure on new mine and interest earned on rights issue funds

FM 26/4/91 (214)

GOLD QUARTERLIES

A HEDGE IN TIME

Don't count out the SA gold industry just yet — that's the overall impression from the March quarterly results, which show managements are pulling out all the stops to survive the crisis and succeeding with some impressive cost control performances

A striking feature is the extent of hedging

Continued

on sales to lock in future gold prices Without these hedging activities, a number of mines such as **Harmony** and **Freegold** would be in a lot more trouble

Underlining the quantum jump towards a more active form of management in the industry is **Anglo American Corp** (AAC) gold division chairman Clem Sunter's description of gold as a commodity that must be marketed There is now an aim to double annual jewellery consumption from 1 800 t to 3 600 t over the next four years

"The target market is very much the working woman based in Japan, Europe and America," he says "We are competing with camcorders, with clothes and other luxury items, and we are going to have to go out and promote this stuff"

Compare that with the prevailing attitude of a few years ago Industry spokesmen had long maintained they could do little about the gold market, nothing about the gold price and just had to accept ruling conditions

However, cost control remains paramount for short-term survival Campaigns being waged to increase grade, cut mine overheads and press suppliers seem to be paying off

Genmin's gold mines reported an average increase in working cost/kg of gold produced of 0,5% quarter-on-quarter, and just 8% year-on-year, which is excellent given ruling annual inflation rates of around 15%

At **Gold Fields of SA** (GFSA) average cost/t milled for the group went up by just 1% quarter-on-quarter, while **East Driefontein** dropped its total working costs 1,4% and **West Driefontein** lowered its total costs 1,6% — both on unchanged tonnage throughput **Rand Mines** marginal **Durban Deep** dropped its production cost/kg by 2,2% quarter-on-quarter

Looming ahead are the wage negotiations with the black and white mine workers' unions, which will largely determine cost performances for the next 12 months given that labour accounts for 50% of working costs on average First up earlier this month was the white Council of Mining Unions (CMU), which went in asking for a 20% rise

The *FM* understands the Chamber of Mines counteroffer was for a 4% increase, but the chamber will not confirm this Mining industry executives are talking of settling wage claims in single-digit figures this year They claim the houses are united as never before towards this goal

A number of mines have taken full advantage of the Reserve Bank's favourable hedging terms **Harmony** stands out, achieving a price of R33 385/kg for the March quarter against average revenue for **GFSA** mines, which do not hedge, of R31 239/kg Harmony has contracted to sell 4 t — almost its entire forecast production — during the current June quarter at R34 671/kg

The mine's operating position looks poor because, even allowing for the one-off lay-off payments of R21,6m, Harmony's production cost in the March quarter was still R34 954/kg Full benefits of the rationalisation programme have yet to come through and so far revenues have fallen faster than costs

AAC continues to refuse to divulge hedging details, but it made all the difference for **Freegold** which reported an average revenue of R33 008/kg against costs of R29 035/kg Add in capex of R76,2m for the quarter, and Freegold would have shown a loss without hedging as production costs including capex were R31 738/kg

As it is, both **Freegold** and **Vaal Reefs** are continuing to scale down their operations by cutting back at unprofitable shafts, and another 12 500 jobs will be eliminated as a result Jobs are also being lost at the head offices of the controlling mining houses, with **Rand Mines** now shedding staff after **AAC's** decision to do so

The harsh adjustments are taking a toll on the mines, with distributable earnings plummeting as shown by Gencor's sharply lower dividend declarations The house has also warned that dividends from **Winkelhaak** will be squeezed because of capex commitments on the No 6 shaft A penalty of raising pay limits is the loss of available ore reserves — as is clearly revealed in the figures published by **Freegold**

Despite the improved peformances, the viability of a number of marginals remains in question **ERPM** continues to look particularly vulnerable, while **Anglovaal's Loraine** has returned to making heavy losses **GFSA's Venterpost** must staunch the losses being made in its older workings if its new lease on life through the developing No 4 shaft complex is to be realised *Brendan Ryan*

FM 26/4/91 214

VOGELSTRUISBULT FM 26/4/91

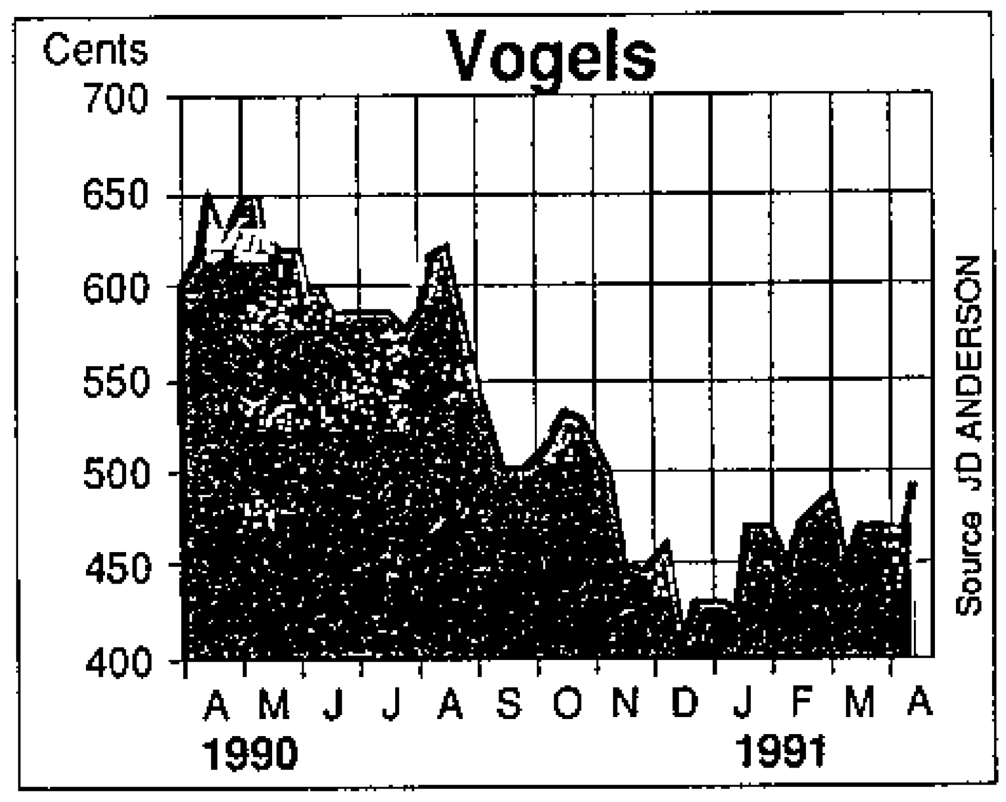
BASE METAL PLAY

Activities: *Investment and share dealing company*
Control: *Gold Fields of SA 49%, New Wits 21%*
Chairman: *A J Wright* 214
Capital structure: *18,4m ords Market capitalisation R101m*
Share market: *Price 550c Yields 10,9% on dividend, 15,5% on earnings, p e ratio, 6,5, cover, 1,4 12-month high, 650c, low, 410c Trading volume last quarter, 108 000 shares*

Year to Dec 31	'87	'88	'89	'90
Investments				
Listed (Rm)	45,8	33,3	46,7	48,6
Unlisted (Rm)	34,5	73,3	102,2	133,7
Performance				
Taxed profit (Rm)	6,9	12,2	20,1	15,6
Earnings (c)	38	66	114	85
Dividends (c)	30	40	60	60
Net worth (c)	448	593	878	1 030

Vogels came through for its shareholders during 1990 with a maintained dividend, despite the weakening conditions in the base metal markets that saw producers such as Palabora Mining (Palamin) and Gold Fields Namibia cut their dividends

That performance has brought the share up by a third, to the current price of 550c, from the 12-month low of 410c reached in December The improvement should be underpinned by chairman Alan Wright's forecast that the dividend could be maintained again this year, despite a further drop in earnings



However, on the fundamentals, there is little reason for investors to expect the share to head back towards its 12-month high of 650c and emulate the surprisingly bullish performance of Palamin in recent weeks (*Companies* April 12)

With LME stocks of copper, zinc and lead continuing to rise, metal prices are expected to remain weak, though Wright hopes they might start firming in the second half of the year That depends on how fast the US economy turns around now that the Gulf War is over

Revenues being earned by SA base metal producers are also being hit by the Reserve Bank's policy of holding the rand firm as part of its anti-inflationary drive, though the 6% depreciation of the rand against the dollar since January must have helped

The particular attraction of Vogels is that, through its spread of investments, it offers the most direct route into two of SA's major base metal operations These are O'okiep Copper, the second biggest copper mine in the country, and Zincor, SA's only zinc metal producer Vogels holds 38% of unlisted Zincor and 30% of O'okiep Copper, which is listed in the US in ADR form and beyond the reach of SA investors

Base metals accounted for 72% of Vogels' net assets employed in 1990, and provided 79% of pre-tax income The only other way into Zincor and O'okiep is through the controlling mining house, Gold Fields of SA (GFSA), but that share is gold-driven, with some 70% of GFSA's income coming from gold

Vogels' other investments include 14% of Gold Fields Coal, 30% of Rooiberg Tin, 1% of unlisted lead-zinc producer Black Mountain and 2% of Northam Platinum Last year it followed its rights in Northam's latest share issue, at a cost of R9,9m

The Northam investment has pushed the gold and platinum portion of Vogels' net assets to one-tenth, but these investments contributed just 0,1% to pre-tax profit in 1990

All going well, the investment in Northam should start paying off from early 1992, with the first saleable platinum group metals planned to be produced in February

Brendan Ryan

SIMMERS/ERGO

NEW DEAL

FM 26/4/91 (214)

Simmer & Jack has resolved its dispute with Anglo American Corp and East Rand Gold and Uranium (Ergo) over the Simmergo treatment plant, which lost R1,3m in the March quarter because its operations are no longer economic at present gold prices

As expected (*FM* March 15) Ergo has gone for ownership of the remaining slimes dams on the Simmers property and will acquire 17,5 Mt of slimes at an average gold grade of about 0,49 g/t Ergo has also acquired Simmers' stake in the Simmergo treatment plant

In return, Simmers gets 2,5m Ergo shares worth R18m, which Simmers chairman Chris Mumby says will probably be sold to get the cash back into the company Simmers is developing a number of small gold mines in the eastern Transvaal and also intends using the ground presently occupied by the slimes dams for industrial purposes once these areas are cleared

Before Ergo can treat the slimes dams the remaining sand material on the lease area has to be removed because it is deposited on top of the slimes dams Mumby says Simmers has undertaken to remove this material over three years at its own cost Details have

FM 26/4/91 (214)

not yet been finalised but he says this material will be treated by another dump retreatment company

The loans arranged by former Simmers chairman Joe Berardo involving Simmers, Ergo and Anglo American Corp have been repaid Anglo now has another 10 years to make up its mind about possible mining of the deep-level orebody that it had been prospecting in the southern section of the Simmers' lease After that Anglo's rights over this area fall away

Brendan Ryan

IE POULTRY EXPANSION

but Rainbow was 1c short of its 1990 EPS target of 32,3c More significantly, earnings declined by 11% at the December interim compared with the December 1989 interim

Analysts agree that Rainbow's offer at 270c does not offer value in the short term One broking firm predicts EPS of 20c in the year to March 1991 — giving a p e of 13,5 — and 23,6c in 1992, well down on 31,3c for the year to June 1990

But there is disagreement about Rainbow's long-term prospects One analyst argues that Rainbow is at the bottom of its earnings cycle and will enjoy the benefits of the Bonny Bird acquisition by 1993

"Much of Bonny Bird's older capacity had been shut down before it was sold to Rainbow," he says "Rainbow's tight management systems should ensure the former Bonny Bird operations make a full contribution by the beginning of financial 1993 (April 1992)"

The long-term growth in demand for white meat, which has grown almost as rapidly as the demand for red meat has declined, underpins the optimistic view The pessimistic view, held by Ed Hern, Rudolph's Sid Vianello, is that Rainbow's decision to build its own feed mills for R237m — instead of continuing to buy feed from Tiger subsidiary Meadow Feeds — has turned Rainbow from an interest earner to a borrower He says the potential profitability of the mills is difficult to assess

Rainbow's strong cash position has enabled it to ride out economic downturns in the past. Says Vianello "The key to Rainbow has always been that it has been a highly-focused business which concentrates on just one product"

As for HLH, analysts fear that its earnings from Rainbow will be of lower quality than those from its interests in sugar, spices and timber

Nevertheless, Vianello believes the HLH offer is more promising than is Rainbow's — largely because a diversified portfolio should have better long-term prospects than a counter dedicated to the volatile poultry industry

Stephen Cranston

CONS MINING FM 26/4/91

LAING DEPARTS (214)

In an unexpected and sudden parting of ways, Consolidated Mining Corp (CMC) MD Glenn Laing has split from the group's controlling consortium led by Norman Lowenthal, Gerald Rubinstein and his original Southgo partner, Roy Flowerday

Laing has formed a new mining company called Revere Resources SA, with an overseas partner he declines to identify He intends building a mining group concentrating on surface and opencast mining operations, but will not provide further details of his plans at this stage

Reason for the split, according to both Laing and Consolidated Mining director Norman Lowenthal, was an irreconcilable difference of opinion on how CMC should be managed and on the group's longer-term objectives Both stress the parting is amicable

Cons Mining's Laing *a difference of opinion*

Says Laing "The essential difference between me and my former partners is that I turn 40 this year while the rest of them are aged between 53 and 60 In my planning I'm looking 20 to 25 years ahead, while they are looking five to 10 years down the road

"I want to go for long-term growth while they are looking at setting-up the group to cash in their stakes in about five years," adds Laing "I am not prepared to stay with the group if it's going to be sold out from under my feet in five years' time"

Lowenthal confirms this difference in viewpoint but denies the group would be sold in five years "Five years is a long time in SA," says Lowenthal "We've been through a rough time and the group cannot simply keep on growing We have to consolidate and make money for the shareholders In five years we can reassess CMC's future"

Laing says the structure of the Wolhuter

FM 26/4/91 (214)

continue —>

P.T.O —>

dump deal brought to a head differences that had been building up over the past six months He had proposed that Southgo should buy the dump and fund construction of a 17 km pipeline to pump the material to the Knights treatment plant in Germiston Repayment would come in the form of a toll, with any gold contained in the dump material over a grade of 0,44 g/t being treated by Knights for Southgo's account Average grade of the dump material is about 0,68 g/t

The deal announced last week, pushed through by the other partners who have the majority shareholding in CMC, was that Knights will acquire the dump for R7,6m, through issue of 9m new shares, and have to fund construction of the pipeline, which is estimated to cost R7,3m

Another difference was over management style Laing had been the sole link between the board and the operating divisions His approach was hands-on, personally visiting CMC's diverse operations each week and reporting to a weekly directors' meeting to get board approval for those decisions that required it He says the board wanted to form an executive committee to run the group, in which case operating decisions he had been taking alone would be subject to consensus

"I was not prepared to accept that because it would just stifle this kind of business," he says "My attitude was that if any other directors wanted to get more involved in the day-to-day running then they must come in full time and not as part-timers "

Lowenthal denies any intention of trying to stifle Laing's operations He says the idea was for Flowerday to get more involved in the management Laing says Flowerday has been getting increasingly committed to his own Zimbabwean interests

The market has reacted to news of Laing's departure by knocking down the share prices of most CMC companies, though Lowenthal is playing down the seriousness of the split "I don't want to knock Laing's abilities, he's extremely good, but we have excellent management on the mines, the group is running well and we can cope with the situation," says Lowenthal

However, the group has lost the most talented of the new breed of mining entrepreneurs, with the best track record over the past five years Starting with the Nigel mine Laing has survived tough times, developed successful operations like Knights and Goldam and turned around mines like West Wits that were loss-makers under Joe Berardo's former management Many other entrepreneurs have fallen by the wayside over this period

Prendan Ryan

Pioneer talks in mining industry

W/mail 26/4 - 2/5/91

214

The Chamber of Mines has given the green light for a ground-breaking summit which could chart a path for the industry's regeneration By **DREW FORREST**

THE National Union of Mineworkers and the Chamber of Mines have agreed to organise a tripartite conference in which employers, organised labour and the government will discuss the future of the stricken mining industry.

The summit could blaze a trail in the area of joint economic management by setting a precedent for worker participation in decisions about how to restructure key sectors of South Africa's economy

The proposed summit will involve all mine unions, the Chamber of Mines and government representatives, which will look at ways of tackling the industry's current crisis and chart a new course for its regeneration

A number of Cosatu unions have indicated they will launch a campaign to win the right to participate in making decisions about how a post-apartheid economy can be reorganised and all eyes will be on the mining industry to see if this demand can be translated into reality

This week, in response to repeated National Union of Mineworkers calls for an industry conference, a heavyweight team from Chamber of Mines met the union and indicated it favoured the idea

"There is an in principle agreement in the industry to support a meeting of parties that will be able to explore the long-term viability of the mining industry," a Chamber representative told *The Weekly Mail*. "We are currently engaged in discussions with various parties who are interested in such a gathering."

At a press conference before the opening of the NUM's national congress on Wednesday, union general secretary Cyril Ramaphosa said there were indications a summit could take place in three to five weeks

The Chamber's green light to the summit opens the way for a joint employer-union approach to government to participate. Given the critical role of mining in the broader economy and on the lives of whole communities, the union believes its woes amount to a national economic crisis, and it wants the government to acknowledge this.

"Our view is that the minister of finance, the minister of mineral and energy affairs and their directors-general must attend," Ramaphosa said.

Yesterday the director-general of mineral and energy affairs, Dr Piet Hugo, said the government "was in a negotiating mode" and would be sympathetic to joint consultations

The National Union of Metalworkers of South Africa, the second-biggest union after NUM in Cosatu, has also been vocal in demanding a right to take part in rearranging sectors of the economy

The union envisages an economic compact with the state where independent trade unions will have pivotal roles in negotiating state-initiated policies on economic development, planning and the direction of investment

Hugo stressed that in the light of the low gold price, there were limits to the assistance the government could offer. He also suggested employers and unions should meet first to hammer out proposals before approaching the state

The NUM sees the conference as setting the framework for a restructuring process lasting many years

Crucial congress for SA's troubled miners

WM 26/4-2/5/91 (214)

The crisis-racked gold-mining industry, hit by mass retrenchments and mine closures, will cast a long shadow over the seventh congress of the National Union of Mineworkers.
DREW FORREST reports

STAGED at a political watershed and against the backdrop of an unprecedented crisis on South Africa's mines, the National Union of Mineworkers' seventh national congress is arguably the most important in its nine-year history.

The 532 delegates from 16 NUM regions who gathered in Johannesburg this week will grapple with the question how can the 270 000-strong union improve the lot of workers when key sections of their industry are in headlong decline?

And with political transition, impossibly distant at the last NUM congress, now on the agenda, how can the union support and strengthen the forces of change?

The slump on the gold mines, which have shed more than 50 000 jobs in a year and where tens of thousands of workers are living on borrowed time, will critically shape congress debates. One resolution from the regions urges pressure on the government to declare the disastrous state of the industry a national economic crisis.

The congress theme is "restructuring the mining industry" to secure jobs, and an entire session will be devoted to this

Structural change, says NUM economist Martin Nicol, may be a 20-year process — but the NUM believes a start must be made now and the framework set in an industry "summit" involving the employers, the state and unions.

This week, in a vital breakthrough, the Chamber of Mines met the NUM on the summit issue and signalled its openness to an industry forum — although the agenda has still to be settled.

Central to the restructuring demand is the belief that workers' accumulated experience, their "pit sense", can help rehabilitate the industry.

The congress is certain to demand management changes which will boost worker participation.

Skills and literacy training are also seen as central — "we must increase productivity by using capital and people better," Nicol says

"As in Canada and Germany, training must be available throughout workers' lives and for every level from sweeper up to engineer. It must also equip workers for jobs outside mining."

The congress is set to demand mine facilities and paid time off for training, to impart "flexible, adaptable and portable skills".

Linked to restructuring is nationalisation of the mines, which NUM president James

Dual leadership ... NUM's Cyril Ramaphosa says mineworkers' interests must come first

Motlatsi describes in a union congress bulletin as "the only option" — although he says it can only take place under a democratic government and will be a lengthy process.

One NUM region has urged the nationalisation of "selected, strategic, profit-making enterprises", suggesting this should be without compensation. It also reaffirms support for a socialist South Africa despite attacks by "imperialists and capitalists" following the fall of Eastern European regimes, and calls for socialism to be redefined.

The NUM's wage policy may also undergo key modifications at the congress — at least in regard to the beleaguered gold mines. Delegates will consider proposals for a shift towards non-wage demands — including union and "social" rights — in that sector.

Migrant labour, the hostel regime and mine curbs on expression and assembly are among the central non-wage concerns. Delegates are also set to demand an "anti-racial discrimination charter" and penalties for those who breach it

Another likely decision will be to intensify pressure for a national retrenchment agreement, so far rebuffed by the Chamber.

This year, it will be the congress that finalises 1991 wage proposals — and the signs are that, although a distinction will be drawn between gold and coal, all demands will exceed the inflation rate.

The implications for Chamber-NUM pay talks are ominous. Employer sources suggest the Chamber mandate is between three and five percent.

More than economics will be exercising delegates' minds — they meet at a critical juncture in the constitutional process and at a stage when labour is battling to define its political role.

On the agenda, and certain to spark heated debate, is the "two hats" controversy — dual leadership of unions and "fraternal" political organisations As the first union congress to air the issue, it will provide an important test of worker feeling.

General secretary Cyril Ramaphosa has said the union has an "accommodative" approach, subject to the proviso that mineworkers' interests must come first. Clearly, not everyone agrees — claiming the increasing involvement of unionists in political work is sowing "concern and confusion" among members, one NUM region is known to have called for wearers of two hats to opt for one position within 30 days.

Worries about the democratic character of constitutional talks is reflected in a call by two regions for direct Cosatu involvement in negotiations and "continuous consultation" with members of the African National Congress and its allies

On demands for an interim government and a constituent assembly, the congress is likely to be unanimous in calling for no compromise

But concerns about the ANC's conduct of the constitutional process and dual leadership should not be construed as opposition.

Sources say the union is of one mind on the need for a strong mass-based ANC. A resolution calling for NUM members to build ANC membership and organisation is likely to go before congress and can expect overwhelming support, sources say.

66

NUM seeks 20% gold mine wage hike

DW 214

Business Day Reporter

THE NUM is to present to the Chamber of Mines demands for a basic 20% wage hike for gold miners in 1991, with a further adjustment by the mining groups paying lower minimum wages, assistant general secretary Marcel Golding said yesterday

The gold mining wage proposal, formulated at the union's annual congress over the past four days, is the lowest opening demand made by the NUM since it began negotiating wages in 1984 However, it is demanding substantially higher increases for colliery workers BDay 29/4/91

The NUM is to demand a R700 monthly minimum for surface colliery workers and R775 for underground miners In percentage terms, represents increases ranging from about 45% to more than 75%

The minimum wage on Anglo American gold mines, together with JCI the highest paying group, is R490 and R534 respectively However, certain groups like Gold Fields maintain a steeper wage curve, with the minimum below R400

Colliery wages are generally slightly lower than those on gold mines The union is to attempt to reduce the wage differential between the mining groups

The union's bi-annual report says the NUM will ensure that the restructuring of the mining industry features prominently in this year's wage negotiations

Delegates also debated proposals for a shift towards non-wage demands, including those of union rights

MINING — GOLD

1991

MAY — SEPT

Gold has a future (214) Oppenheimer

B|Day 2/5/91

SHARON WOOD

GOLD has not been permanently displaced as a store of wealth despite investor disenchantment, says Anglo American Gold Investment Company (Amgold) chairman Nicholas Oppenheimer in his 1991 annual report.

Oppenheimer says the metal's resilience at lower price levels shows gold is still considered a store of wealth

"Eventual renewed worldwide growth and higher disposable incomes must have a beneficial impact on fabrication demand and on bar investment of gold," he says.

However, he cautions against counting on an early revival in the gold industry

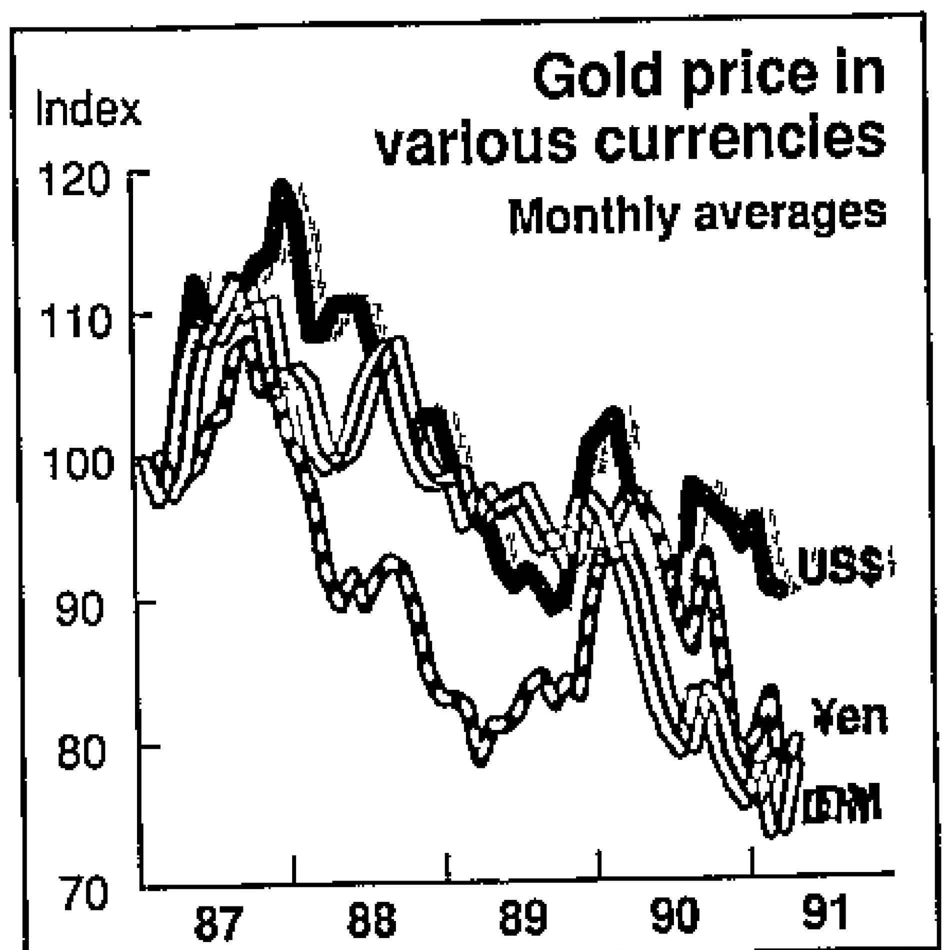
"The objective should be to focus on the longer-term goal of achieving substantial increases in the offtake of gold for fabrication purposes, particularly by the promotion of gold in jewellery," he says

Anglo gold and uranium chairman Clem Sunter said recently that gold had become largely a commodity for use in jewellery production After release of the group's six gold producers' quarterly results, Sunter said "Gold has become more a luxury commodity than a store of wealth"

Oppenheimer says the gold price's performance during 1990 and this year has been disappointing The dollar gold price fluctuated markedly, with investors indifferent to gold's hedging qualities "during a period of alternating pessimism and optimism on world stock markets

"The price has been driven back to the $350-$365 range as gold is not playing the role of touchstone for world anxieties, is apparently delinked from the dollar, and has been subject to more intensive producer selling," he says

□ To Page 2



Graphic: FIONA KRISCH Source AMGOLD

Oppenheimer

B|Day 2/5/91. (214)

□ From Page 1

The gold price's narrow dollar trading range is characterised by producers selling on a price rally towards $400 and substantial physical buying at the floor in the mid-$350s While price rallies might prompt additional forward sales, capping upward movement, increased producers' hedging has substantially mortgaged future sales, he says 'The effect of such hedging is unlikely to increase as sharply as it did during 1989 and 1990

The relatively firm prices in early and late 1990 brought the average dollar gold price for the year to $384, just more than the $381 average price recorded for 1989 But a slightly stronger rand put average rand price received by the industry at R32 015/kg, marginally less than the R32 036/kg received in 1989

The gold price drop in Deutschmark and yen during 1990 — 12% and 14% respectively from 1989 prices — outstripped the 10% fall in the dollar price

Oppenheimer says that if the average gold price remains below the average of the past several years a number of mines face curtailed activity or shutdown

Costs must be brought firmly under control or the viability of SA's entire gold mining industry will be threatened

Firmer monetary policies must be accepted, but this will mean considerable adjustments for gold mining industry suppliers and further retrenchments "If wage negotiations this year are not conducted on a realistic basis, retrenchments and shaft closures will be accelerated"

He says the 1990 wage agreements were prudent, reflecting the squeeze on industry margins but incorporating important improvements in wages and leave

Government's decision to introduce VAT on a full-credit basis, and the 5% reduction in the import surcharge on capital goods has made an important contribution to the industry's campaign to keep down costs

He also welcomes the new formula tax for gold mines, saying it is a "rational compromise" between the extremes of previous formulae and the flat 50% ordinary company tax rate

Oppenheimer is concerned that the recently adopted Minerals Act does not provide an unambiguous mechanism for protection of existing rights to acquire mining leases on state-owned mineral rights, and says futher representations are being made with regard to the implementation of the provisions

Amgold tells unions to be more realistic with wage demands

Star 2/5/91. (214)

By Sven Lünsche

Anglo American Gold (Amgold), the country's largest gold mining company, has warned the unions that excessive wage increases could force further cutbacks in gold production and the closure of marginal mines.

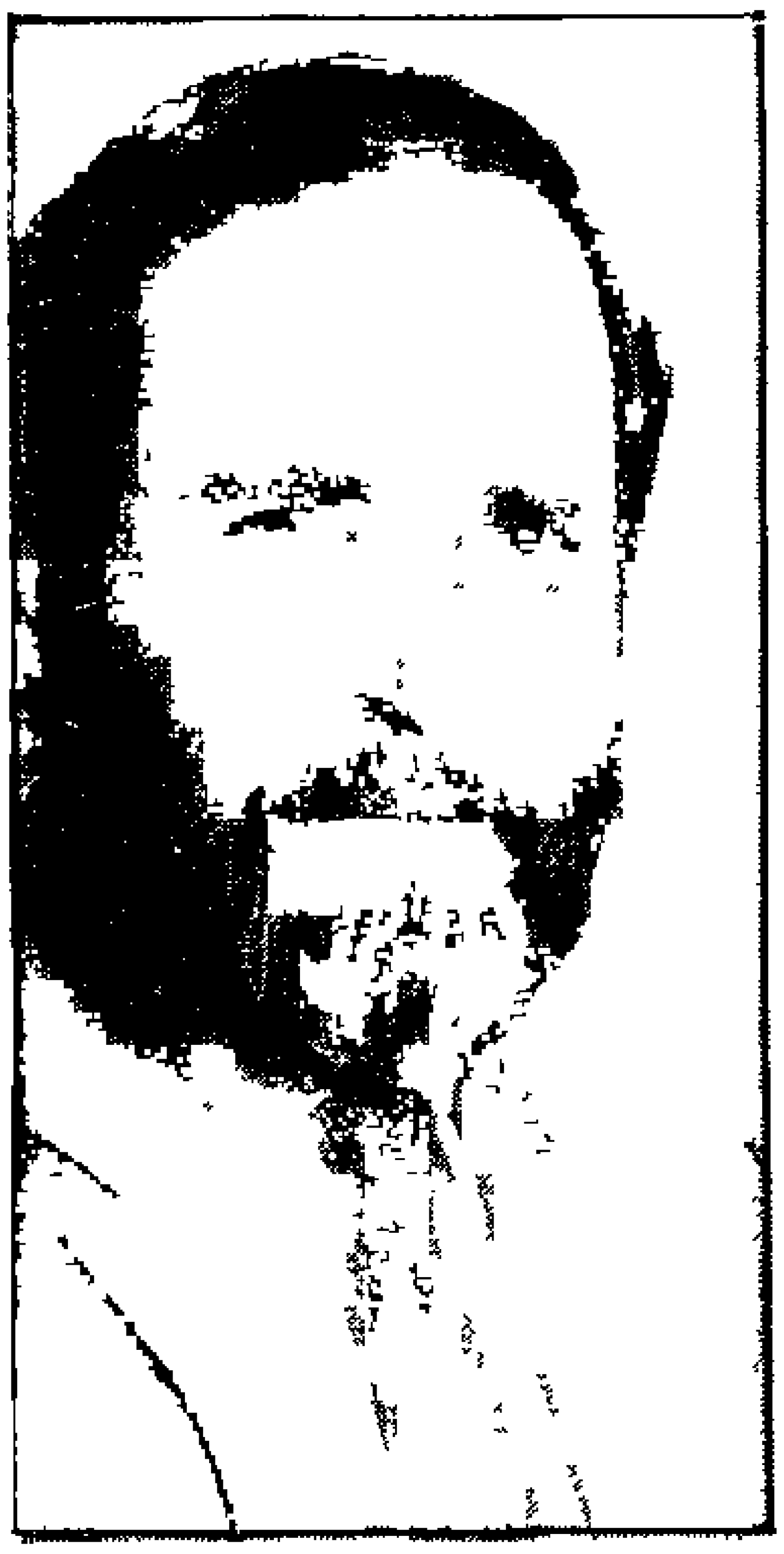
"The viability of the entire gold mining industry will be threatened unless costs can be brought firmly under control," Amgold chairman Nicholas Oppenheimer says in his annual review released today.

His warning comes hard on the heels of the demand by the National Union of Mineworkers for a 20 percent wage increase and ahead of an expected summit on the future of the beleaguered industry

"The challenge of firm monetary policies must be accepted, but this inevitably means considerable adjustment for suppliers to the industry and further labour retrenchment," Mr Oppenheimer warns

"If wage negotiations this year are not conducted on a realistic basis, retrenchments and shaft closures will be accelerated.

"The continuing squeeze on margins makes it imperative that further restraint is exercised this year. This will require



Nicholas Oppenheimer viability of the entire industry will be threatened

flexibility and maturity by the parties in the wage-settlement process," Mr Oppenheimer says

He also stresses the effects on profitability of a fall in the average rand gold price to R30 804/kg in the first three months of this year, compared with an average of R31 895/kg in 1990.

If the average gold price remains below the average of the past several years, he says, a number of mines face curtailed activity or cessation of operations.

Turning to the recent performance of the gold price Mr Oppenheimer warns that it would be unwise to count on an early revival in the metal's price

He stresses, however, that it would be wrong to conclude that the metal has been permanently displaced as a store of wealth

"The market today appears to be constrained between the ceiling imposed by producers, investors and speculators selling on any rally towards $400, and the floor of about $350

"While rallies in the price may prompt additional forward sales by producers and speculators, and so cap any upward movement, the widening extent of hedging by gold producers to date has already substantially mortgaged future sales

"The impact of such hedging is unlikely to increase as sharply as it did in 1989 and 1990," Mr Oppenheimer comments.

A return to normality and, eventually, renewed growth and higher disposable incomes world-wide must have a positive impact on fabrication demand and on bar investment, he says.

The objective, therefore, should be to focus on the longer-term goal of achieving substantial increases in the offtake of gold for fabrication purposes, particularly by the promotion of gold in jewellery

The low gold price had an adverse impact on the group's exploration and capital projects

The Moab extension at Vaal Reefs has seen only a limited amount of work being undertaken "owing to the low rand gold price"

The drilling programme in the New Central Witwatersrand joint venture was also curtailed after disappointing results were reported, says Mr Oppenheimer, adding that exploration expenditure in several of the traditional prospecting areas would be trimmed further this year.

Jewellery can put shine back into gold — Sunter

BIDay 3/5/91. (214)

MATTHEW CURTIN

CLEM Sunter, chairman of Anglo American's gold and uranium division, is bravely trying to paint a golden lining on the clouds enveloping the gold mining industry

In keeping with his high road scenario for growth and development in SA, Sunter is more than euphemistically "cautiously optimistic" about the future of the industry "It often needs a crisis to motivate change," he says

Gold "really is more of a commodity than a store of wealth" were his words, described by one observer as something akin to Saul's conversion on the road to Damascus, at the presentation of Anglo's gold quarterly results two weeks ago

Interviewed last week Sunter said 1989 was the turning point for the industry because it was the year in which fabrication, including its most important component — jewellery fabrication — matched world gold production If demand could be made to strengthen, it would transform the prospects of the market Jewellery accounted for 1 800 tons out of worldwide production of 2 100 tons in 1990 If gold producers market their product so shrewdly as to double jewellery demand, jewellery manufacturers would have to buy gold bullion from investors to satisfy their orders As SA production slips, and American and Australian production level off in the coming 18 months, Sunter says, the laws of supply and demand will propel the gold price to far more lucrative levels.

As with even the best scenarios there are holes, not least of which is that exactly this view of the industry may have been doing the rounds at Anglo when Sunter and his colleagues put together their high road, low road scenarios six years ago

Sunter would not be drawn on why it has taken the industry so long to see the light Analysts have said investor ambivalence towards gold is at least two years old He did say it had taken him a year at the gold division to become "comfortable with the logic of the industry"

Although the industry's future depends on gold as a commodity, its function as a store of value would not be eroded but enhanced by the late 1990s as the price was driven up Sunter noted gold jewellery in the Far East was bought as a luxury commodity and as an investment Given the erratic performance in recent years of other metals — such as silver, platinum, chrome, nickel and copper — the gold industry will hope Sunter is right

Amgold chairman Nicholas Oppenheimer echoed Sunter in his annual review of the industry saying "it would be wrong to conclude bullion has been permanently displaced as a store of wealth" Both noted gold's association with the international monetary system was significantly looser now than it was in 1950

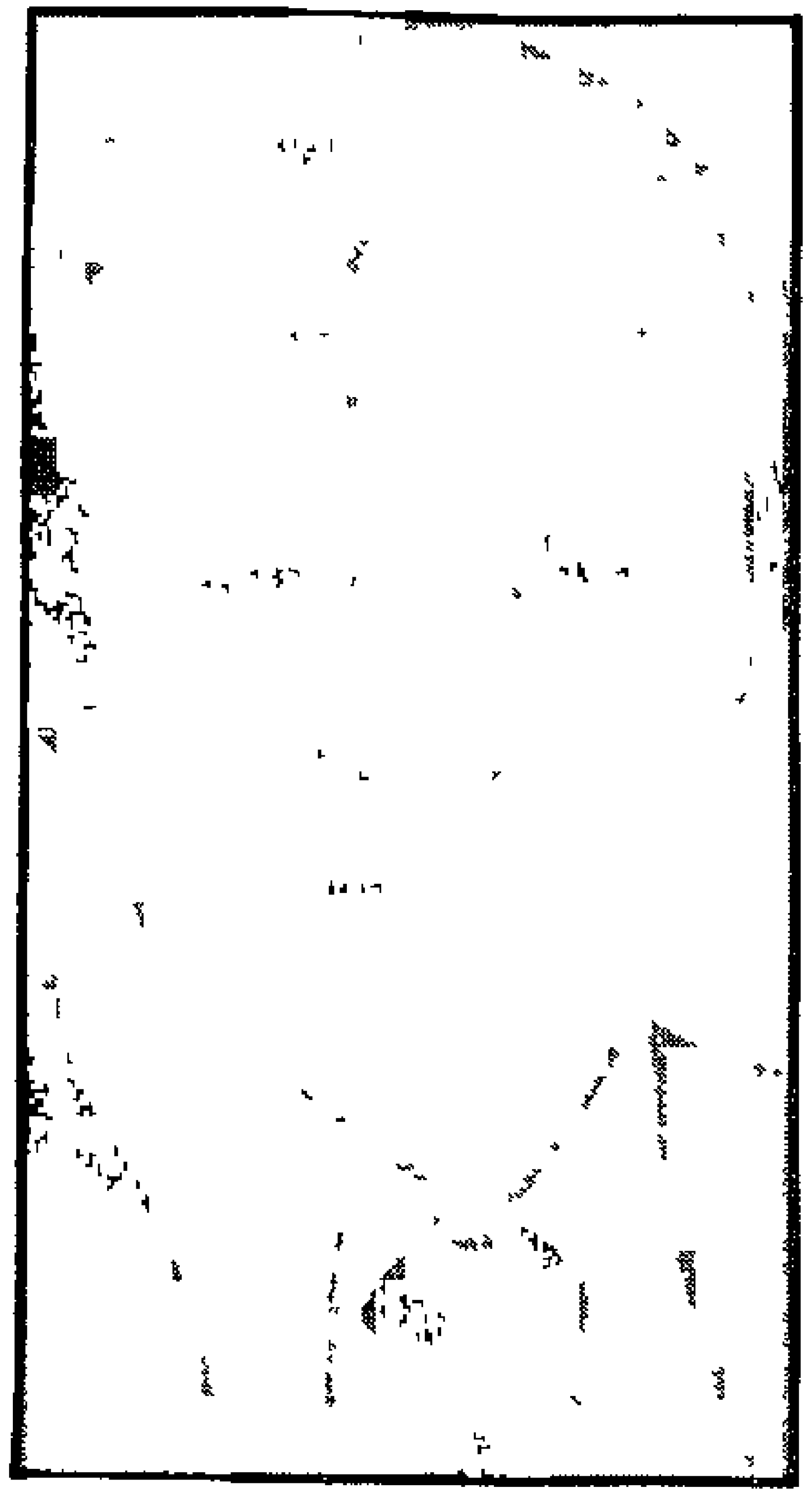
A prerequisite for the necessary leap in jewellery demand depended on the world economy pulling out of recession, but once that happened — perhaps by year-end — there was "a long way to go before the gold jewellery market was saturated", Sunter said.

The industry would then have to stoke demand by astute marketing and merchandising of gold jewellery The former was constrained by the industry's current unprofitability, but the World Gold Council needed to be provided with a larger budget De Beers said it spent more than $15m on marketing last year Large manufacturers of consumer products spend about 5% of their revenue on marketing Sunter said the gold industry currently spends less than 1% on marketing.

As for merchandising, he said "there was a need to address the high retail margins" on gold jewellery On a recent trip to Cape Town he found a R1 900 mark-up on a 15g piece of 18 carat jewellery with a bullion value of R400, whereas in Hong Kong jewellers incorporated manufacturing and retail costs into a mere 15% mark-up on the bullion price for rings and bracelets

Sunter said the industry risked the advent of higher gold production if the gold price soared Analysts have said SA's current problems go back to the gold boom of the late 1970s and early 1980s As the price climbed to $800 an ounce, SA producers embarked on expansion programmes which present prices have reduced to marginal status, while the price triggered rapid overseas expansion leading to over-production. Australian and American producers found large low grade reserves, exploitable at low cost, which they are still mining profitably

Sunter was, however, confident there was no longer the same potential for such expansion in the 1990s



☐ SUNTER

LETTERS

Failed Modder B's assets up for sale

MATTHEW CURTIN (214)

GOLDEN Dumps' ill-fated gold mine, Modder B, will have changed hands by June if the liquidators, Transvaal Board of Trustees and Highveld Trust and Management, receive an acceptable offer for the mine's assets BDay 6/5/91

Anyone interested in buying Modder B, which is in provisional liquidation, has until May 17 to tender offers for the company's mineral rights, surface rights and movable assets

Transvaal Board of Trustees director Trevor Giddey said at the weekend there had been "a number of calls from interested parties" All offers would be binding on the liquidators for two weeks after the May 17 closing date, when they would decide which offer to accept

Giddey said sale notices were advertised last week after the liquidators completed their evaluation of Modder B's assets and had established with creditors how they would dispose of them These assets included 82 ha of freehold, 7 685 claims, surface rights permits, and plant

Highveld Trust director Selwyn Trakman said the liquidators were waiting to be notified by Modder B's attorneys, Liebmann Behrmann, of the date of the company's final liquidation The provisional winding up order was granted by the Rand Supreme Court on February 12

Modder B has been under contract by Modder Management Services since May 1988 after the mine failed to gets its new ore processing plant to work, forcing it to have its ore treated by Golden Dumps' Consolidated Modderfontein

Despite optimistic forecasts by its directors, Modder B fell into the red in the September and December quarters

Australian contract a fillip for De Beers

BDay 8/5/91 (214)

ANDREW GILL

SPECULATION that De Beers was losing its grip on the diamond sales market was scuttled yesterday with the announcement of the renewal of the Central Selling Organisation's high-volume contract with Australia's Argyle Diamonds mine.

De Beers, Argyle owner CRA and Ashton Mining had signed heads of agreement for a renewal of their marketing agreement for a five-year period, worth about $1,5bn, De Beers spokesman Andrew Lamont said yesterday.

Although not yet finalised, De Beers was confident that the "outstanding matters would be resolved relatively quickly", Lamont said.

The existing contract, in operation for eight years, had been extended until finalisation.

Argyle, owned by CRA (56,8%) and Ashton (38,2%), accounts for about 35-million carats of the world's annual 100-million carat production.

Significantly, the new agreement allows for marketing of Western Australian Diamond Trust's 5% claim on Argyle's gems. Thus the CSO will market 100% of Argyle's gem content and 75% of cheap gem and industrial content.

The Western Australian Diamond Trust will market the remaining 25% of cheap gem and industrial content.

Secured

Argyle produces almost all of Australia's diamonds with other concerns producing about 200 000 carats a year. Argyle's 35-million carats compares with SA's 9-million carats.

The CSO markets about 80% of the world's rough diamond market.

The renewal follows various other contracts being secured worldwide, including the $5bn deal with Soviet selling organisation Glavalmazzaloto and the $100m agreement signed with Angola's state-owned company Endiama.

Execution of a formal contract is subject to government and Western Australian Diamond Trust approval. It was mostly "rubber stamping", Lamont said.

Eersteling mine goes into provisional liquidation

214

B Day 8/5/91

MATTHEW CURTIN

EERSTELING, one of the two gold mines managed by Severin Mining and Development (SMD), is to go into liquidation, a victim of the low gold price, rising costs and inadequate development of the mine's ore reserves

MD Steen Severin said yesterday the mine was in provisional liquidation with effect from Monday

Eersteling's share price plunged more than 70% to 2c (11c) a share on the news, but closed 3c higher at 5c as interest grew in the break-up value of the mine, which has a significant untouched ore body and a modern metallurgical processing plant The mine's stock peaked at 105c last May

Director Franka Severin said yesterday "what killed Eesterling" was the necessity for borrowing SMD had taken a calculated risk of banking on better gold prices when setting up Rand Leases and Eersteling.

She said nobody in 1986 expected the gold price to be as low as it was today Management at Eersteling had nevertheless made some mistakes, principally in inadequate early development of the mine, which curtailed its flexibility to deal with an unfavourable economic climate

Eersteling needed at least R3m to open up new underground areas to maintain the mine's viability However, after "an honest appraisal of the mine's chances", Severin said the board could not advise shareholders to put more money into the operation. Analysts said yesterday that Eersteling's demise confirmed the heady days of the independent gold mining entrepreneurs were over

The mine's closure, likely to be followed shortly by stablemate Rand Leases, followed a halt to underground operations at Consolidated Mining Corporation's (CMC) sub-Nigel gold mine and the liquidation of Golden Dump's Modder B mine Underground operations at CMC's Nigel and West Wits mines and Golden Dump's Consolidated Modderfontein would struggle to maintain working profits at the current gold price.

The latest news suggested the Severins were cutting their losses from their foray into gold mining

Eersteling's demise was not unexpected. Its March quarter yield plummeted from 3,7g/t to 2,3g/t and pretax losses doubled to R839 000

East Dagga results only marginally worse

(214)

B/Day 8/5/91.

MATTHEW CURTIN

ONLY marginally weaker year-end results posted by investment holding company East Daggafontein Mines underlined the relative prosperity of gold recovery operations compared with underground mining, as rising costs and the weak gold price play havoc with the gold industry

The company declared a dividend of 100c (118c) for the year

East Dagga's earnings a share fell from 118c to 102c, as the lower gold price offset improved gold production of 3 780kg (3 655kg) knocking back after-tax income to R14,6m from R16,8m in 1989/90

A company spokesman said while margins were being squeezed, East Dagga enjoyed the benefits of the low-cost, low-risk nature of recycling surface material.

The company to some extent profited from the depressed conditions in the industry Large underground operations which were feeling the pinch were prepared to sell surface material which in more prosperous times they might keep

He said East Dagga had acquired, with Ergo, slimes dams from Gold Fields of SA (GFSA) which would significantly extend the life of the Daggafontein processing plant

The company also bought 24-million tons of slime material from Vlakfontein Gold Mining for an issue of 88 000 ordinary shares

Rights

Last year, East Dagga joined a consortium with Lydenburg Exploration and Potchefstroom Gold Areas to acquire slimes dams and dumps from Rand Mines's ailing ERPM mine.

The slimes dams acquired from GFSA were scheduled for treatment through the Daggafontein plant, the lowest cost gold producer in SA, within three years

Profits from the company's wholly owned subsidiary, Dumpco, which holds the rights to several East Rand slimes dams and owns the processing plant, were included in East Dagga's R19,4m pre-tax income in the year.

Rand Mines to fund upkeep of Barbrook

By Sven Lunsche (214)

Star 10/5/91

Rand Mines' Barbrook gold mine in the Eastern Transvaal will be re-opened if the rand gold price increases considerably, chairman Clive Knobbs writes in his annual statement.

Mr Knobbs also disclosed that Rand Mines would be providing funds to the mine "to preserve the company's assets as an integral production unit".

The funds, in the form of convertible variable rate unsecured A and B notes, would be used to continue to finance the care-and-maintenance programme and repay creditors and the company's bank loan

The amount of the planned funds was not disclosed in the annual report

Barbrook was placed on a care and maintenance basis in December last year after increased costs, coupled with the drop in the gold price, eliminated the 40 percent profit margin predicted in the prospectus

Mr Knobbs reported that Barbrook's mining, metallurgical and surface infrastructure have been completed at a cost of R126 million in line with previous estimates

GOLD INDEPENDENTS FM 10/5/91

HEAVY WEATHER 214

March quarter results for the independent gold producers underline the precarious situation facing several of them, with the industry trend of declining profitability compounded by their weak financial situations

Virtually all these mines should be selling forward part of their expected gold outputs but only one, **Primrose**, is doing so The independents are unable to raise the guarantees needed to take advantage of the Reserve Bank's stabilised contango scheme Primrose's management would like to sell even more gold forward, but finances will not allow it

Levels of debt are starting to bite hard into several mines which are making operating profits only to see this hard-earned cash eroded by interest payments Both **Primrose** and **Gazgold** are considering what can be done about their balance sheets

Also notable is the erratic operating performance at a number of producers, with unexplained sharp drops in grade when the mines can least afford them Part of the reason is insufficient development work to generate ore reserves

Worst offenders were **Eersteling** and **Rand Leases**, run by **SMD**, which both reported drops in grade, with Eersteling's yield falling by a horrific 39% to 2,26 g/t (December quarter — 3,71 g/t) The mine simply cannot allow this kind of operating melt-down, which occurred because of the limited mining flexibility in replacing unpay workings

Rand Leases made a working loss of R0,2m after the December quarter's paltry R7 000 profit, blamed by management on "abnormal" costs of relining the No 1 mill and development costs on the 11-shaft pillar Those costs would rank as "normal" operating expenditure on normal gold mines, where mill maintenance has to be budgeted for and development costs are an integral part of creating ore reserves

Both **South Roodepoort** and **Consolidated Modderfontein** performed poorly, with drops in recovery grade of 5,8% and 12,6% respectively South Roodepoort increased its net loss to R1,3m (R0,5m loss) while Cons Modder turned the December quarter's R4,2m net profit around to a R2,1m loss Cons Modder's debt is down to R6,9m (R10,5m), following the sale of dump material for R4,1m

Southgo's dump retreatment operations came through well, but **Nigel Gold Mining's** situation continued to worsen, as increasing losses from underground overwhelmed the profit from the Goldam dump retreatment project

Nigel has stopped all underground operations except for small tonnages from Droogebult The tribute agreement with **Wit Nigel** has been terminated, while the management agreement with **Sub Nigel** has been replaced with a tribute agreement No mining is taking place at Sub Nigel

Shareholders are entitled to question management on why the Southgo notices made no reference to the split with former MD Glenn Laing (*Fox* April 26) who left the group four days before the quarterlies were published His departure, which has major implications for the group, has still not been announced officially

Primrose sold forward 192 kg of gold in terms of the Reserve Bank's stabilised contango scheme, at a price of R35 468/kg The mine has raised its recovery grade to 5,37 g/t (4,25 g/t), largely due to cutting down on treating surface material, but management believes it can maintain a recovery grade of at least 5,25 g/t While Primrose is breaking even on its operations, it shows a loss after interest payments on its debts

Gazgold showed a working profit before capex of R1,7m for the year to March, but has warned shareholders that negotiations about a financial restructuring are under way The aim is to relieve the debt burden, as the mine is paying about R160 000 a month in interest charges

Lindum Reefs has ceased underground mining operations and will now treat only surface material The company is negotiating for a new deal on treating these dumps from Randfontein Estates, which owns them With losses of R3,1m for the nine months to March, management needs to resolve these negotiations as fast as possible *Brendan Ryan*

Boardroom casualty

Star 11/5/91 214

DEREK TOMMEY

THE difficult economic times the country is going through has produced another boardroom casualty

Mr Clive Knobbs, president of the Chamber of Mines and a director of Barlow-Rand and of Rand Mines, is to step down from these positions at the end of July

Mr Knobbs said last night that the last three years had been extremely difficult ones owing to developments over which he had no control He added that the parting was amicable but he was going with mixed feelings

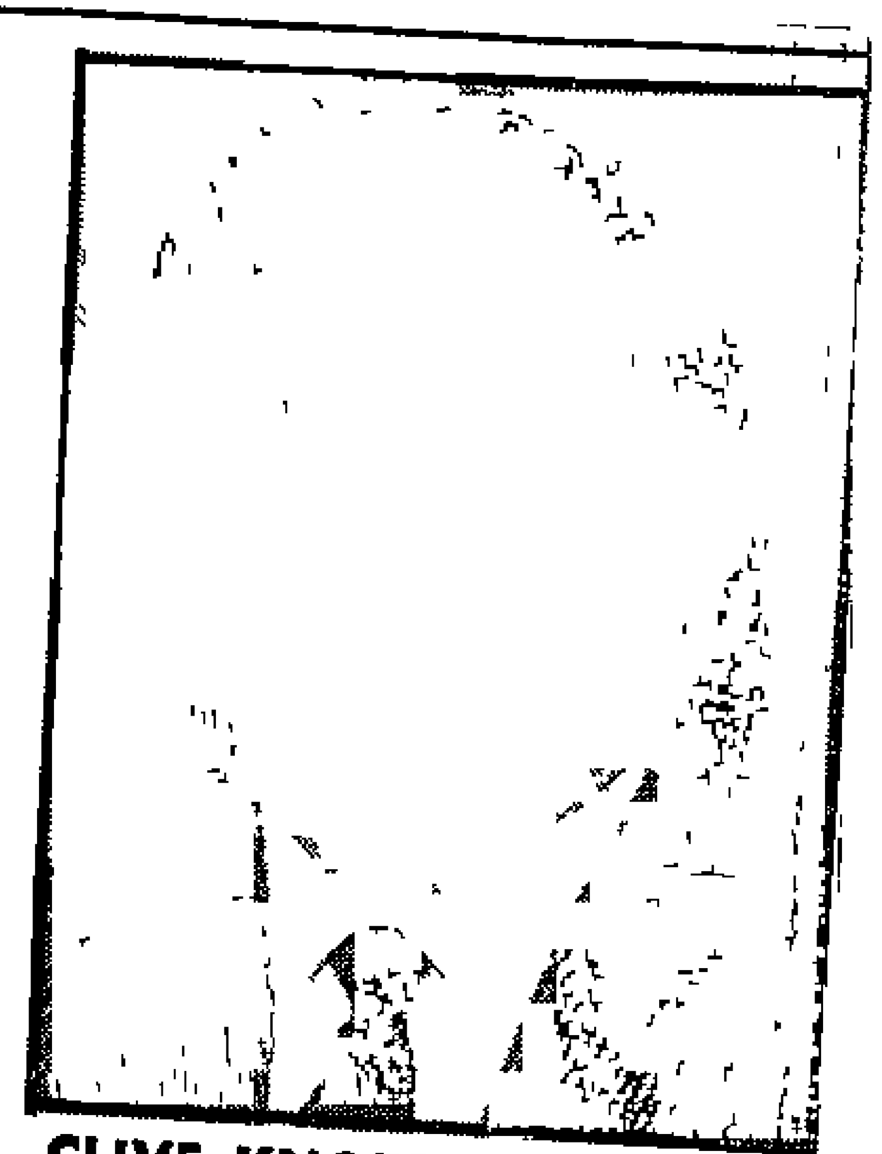
The past three years have been full of problems for Rand Mines and especially for the gold division headed by Mr Knobbs The lower gold price and rocketing inflation caused every one of the group's five gold mines to run into serious difficulties

Mr Knobbs has had to fight all the way to keep ERPM in operation He also had to overcome the lack of profitability at the group's Free State mine, Harmony, and at the Durban Deep and Blyvooruitzicht mines This led in some instances to huge redundancies

He has also had to put the group's developing gold mine, Barbrook, on a care and maintenance basis

At the same time the group's developing platinum producer, Barplats, is also facing a number of problems which have been aggravated by the slump in the platinum price

Mr Knobs will be succeeded by Mr John Turner, deputy chairman of Rand Mines' platinum division and chairman of the base metals division



CLIVE KNOBBS: Leaving with mixed feelings.

Even pay cuts fail to keep reborn Eersteling going

STimes 12/5/91 (Bus Times)

(214)

DIAGONAL STREET

By JULIE WALKER

EERSTELING gold mine will follow Modder B into provisional liquidation as the effects of high costs and low gold revenue sink SA's small mines

Eersteling was floated in 1987 on a market ready for anything The first gold mined in SA was recovered from the site in the last century

The latter-day Eersteling is managed by Severin Mining & Development (SMD), whose directors Steen and Franka Severin previously salvaged Rand Leases and successfully recapitalised it

FRANKA SEVERIN We tried everything we could

Both mines have hit hard times Rand Leases was bailed out last year by a rights offer and a switch of control at 7c a share to a foreign 20% shareholder in SMD, which itself had the lion's share of Rand Leases

Alas for Eersteling's workers and shareholders, a similar solution is not to be The results for the quarter to March, released on April 25, showed working costs of R43 000 a kilogram against gold revenue of R30 500

Lack of flexibility did not allow the mine to replace higher-grade faces and the grade fell from 3,7g/t to 2,3g/t

More development was called for, but work was curtailed because of the low gold price.

Borrowings for the nine months to March were R5,3-million, to be added to the shortfall of R1-million in the balance sheet at June 30, 1990 A rights offer at 80c in December 1989 raised R32-million to mop up the debt arising from capitalised development costs and operating losses

Last Tuesday, shareholders were told that the mine would be liquidated because of financial difficulties

"Nobody should be surprised," says Mrs Severin, after whom a shaft at the Potgietersrust mine was named High gold grades of 2 060 centimetre-grams a ton were reported from sampling in the Franka shaft in 1988

"We had only gold revenue to rely on, and costs have risen dramatically in the past year while the gold price has fallen"

The straw that broke the camel's back was the refusal by suppliers to grant deferments to the mine Eskom required a monthly payment on the power lines brought to the mine and would only defer them if Eersteling could furnish a R500 000 bank guarantee

"Where do you think a struggling gold mine can get that from?" asks Mrs Severin

"We have tried everything to keep the mine afloat The black workers, whom everyone is so quick to criticise, accepted a cut in pay to try to help matters

"They were fantastic, but now they will lose their jobs Three years ago I asked the Government for help and have tried again since, but no help comes

"I told the Minister of Finance that the mine pays plenty of indirect tax, such as GST, and that if it closes nobody gets anything I don't know what future SA has with this kind of policy

"The Government says it wants to make jobs, but entrepreneurs who try to provide employment get no encouragement It wants to stop violence, but if I were out of work I would kill for R20 to feed my children Who wouldn't?"

The future lies in the hands of the liquidators, who are working on solutions

The share price dived from 11c to 2c after the announcement The price later rallied to 5c After the 1987 listing it rose to R4 The original issue price was 100c

Prospects of a white knight are low Heavyweight mining houses who thought they could mine small and profitably have done as poorly as the little guys. Operations at Rand Mines' Barbrook and at JCI's Lindum Reefs have been curtailed and Gold Fields of SA quickly ditched the proposed reopening of Vlakfontein when a buyer surfaced

● Offers for Modder B's assets are invited by the liquidators The summarised assets comprise land, claims, surface right permits, plant and office equipment Offers must be lodged by Friday

Ivan Posniak leaves the FSI group

BRENT VON MELVILLE

AFTER 15 years with W & A, former FSI group operations director Ivan Posniak has left the group.

He said the parting with FSI was "very amicable" and that he had no immediate plans for the future other than a three-week vacation to the US.

Posniak, 53, is the last from the old W & A stable to leave. His exit follows the departure of FSI director Alan Chonowitz earlier this year.

Posniak spent 11 years with the hosiery division Burhose, after which he was put in charge of the Edworks turnaround.

Offers

Following Burhose's acquisition of Arwa earlier this year he was put back in charge of the merged hosiery interests.

"But enough is enough. I've had a long innings and it is time to put up my feet for a while," he said.

Posniak added that he had several offers on the table but it was still too early to make a decision.

Posniak was brief on the renewed change of strategy at the still struggling Edworks. "It is not for me to comment on the Edworks situation."

Exploration stocks hit by gold crisis

13/5/91

Bloom 13/5/91 (214)

MATTHEW CURTIN

SHARES in SA's mining exploration companies are floundering near record lows as they bear the brunt of the confidence crisis afflicting the gold mining industry.

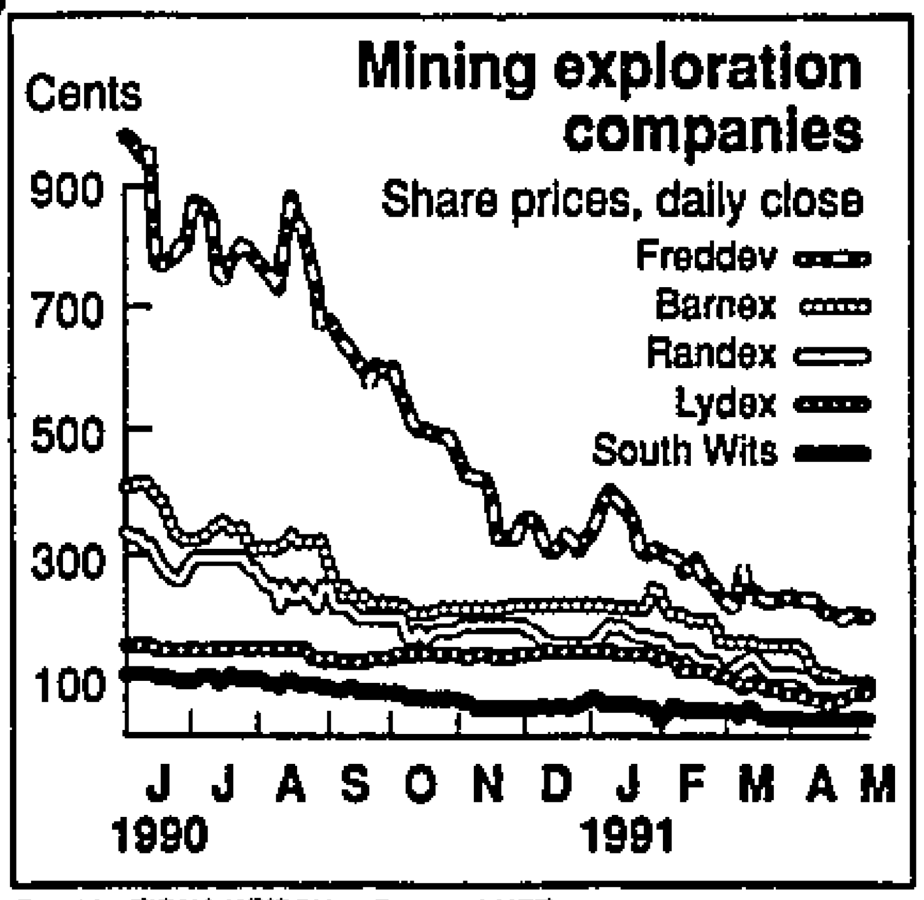
The share price of JCI's Barnato Exploration (Barnex) stood at 80c on Friday, 10c off a low of 70c reached at the end of April, and 430c down from a high of 510c a year ago. Barnex's market capitalisation of R19,6m is almost three times lower than the company's net asset value of R59,5m reported at year-end 1990.

Shares in South Wits Exploration, Randex, Lydenburg Exploration and Free State Development and Investment all closed a matter of cents off lows recorded last month.

Simpson McKie analyst Peter Bahneman said last week that with the depressed gold price "the market perceives the risk associated with mining exploration companies as having increased enormously".

He said a company like Barnex which was investigating deep-level gold targets, not viable as mining operations without a strong gold price, was particularly sensitive to the current bearish market perceptions of where the gold price was going to go. Barnex's joint venture with Randex and Anglo American Prospecting Services in the Fochville Prospect, south of Carletonville, has involved drilling to depths of at least 5 000m, at a cost of R66m by June last year.

Davis Borkum Hare analyst David Giese said the mining exploration sector was always volatile, with exaggerated booms and slumps which reflected the high risk nature of the business.



Graphic: FIONA KRISCH Source: I NET

An exploration company's chances of adding value to its mineral rights, or "bringing its assets to account", receded into the longer term future the more the gold price fell.

He said the companies's share prices were determined entirely by market perceptions. Even if the gold price moved slowly upwards, exploration stock would begin to perform only if investors were confident the metal would be at the right price once the mine shafts were sunk.

With the price wallowing near the $350 mark, all mining companies were cutting back on exploration — "putting geologists and prospectors out of work" — as part of a general drive to keep costs down.

Last month Anglo American announced it was bringing exploration to a halt in the northern part of the Potchefstroom Gap, the gold field which contains estimated gold reserves equal to 20% of all known SA production to date.

Bahneman said "for high-risk lovers, the shares of the mining exploration companies have huge potential".

Knobbs quits an ailing mining empire

Bloom 13/5/91 (214)

ANDREW GILL

TWENTY-seven years after joining one of the world's largest mining houses Clive Graham Knobbs, 49, leaves behind an ailing empire.

The troubled Rand Mines group sits with five marginal gold operations in Harmony, Blyvooruitzicht, Durban Deep, ERPM and Barbrook.

Only Durban Deep was in the black in the last quarter with a R2,6m net profit. This compares to Harmony's net loss of R21m and ERPM's R12m.

ERPM has had various capital injections to keep its head above water, Barbrook is to receive R70m to cover debts, Harmony has undergone a 20% production cut, Durban Deep has been curtailed and Blyvooruitzicht's days are apparently numbered.

In the heydays those gold mines were money-spinners and represented a major part of the group's income. Now they seldom sparkle and apparently have only a few years left.

Low returns have resulted in the gold division's contribution to profits reportedly crumbling to between 2% and 3% compared with a 27% contribution five years ago.

Analysts said the demise of the Rand Mines gold stable had occurred because it had fallen into the trap of not replacing its gold interests. They said poor management and lack of foresight decades ago, when current managers were still working underground, caused the failure.

Only one new operation has come on stream in recent years — Barbrook. It stopped production within a year because among other things, said management, it was subject to crippling industrial action. The mine will not return to production until there has been a sustained and substantial increase in the gold price.

The little gamble cost R126m.

Rand Mines chairman Dammy Watt was quoted in the Financial Times as saying an exchange rate forecast could have cost R90m in profit. The R2,90 rand/dollar forecast was a mile from the figure of R2,50 to R2,60 when it mattered.

Whether Knobbs can be blamed for the current state of the gold division is a question that will only be answered once his replacement as chairman, John Turner, has come to grips with the position.

One analyst suggested Knobbs had inherited the problems and could do very little to stop the rot.

He has been with Rand Mines since he graduated. His career started in 1964 at Durban Roodepoort Deep where he became an underground manager before he moved on to Harmony, ERPM, and then to Duvha Colliery as GM.

He was transferred to Rand Mines head office as chrome division MD.

In 1981 he became MD of Harmony and then deputy chairman of the gold and uranium division. He was appointed a director of Barlows in 1985 and was until Friday chairman of the group's gold division.

Eersteling shares suspended

BDay 15/5/91. (214)

MATTHEW CURTIN

THE JSE yesterday suspended the listing of Eersteling, the gold mining company managed by Severin Mining Development (SMD), which was placed in provisional liquidation last week

At the time of the suspension, Eersteling's shares stood at 4c, down 91c from a high of 95c in May last year The mine's market value was R3,2m — but borrowings at end-March were R5,3m

SMD directors Steen and Franka Severin could not be contacted for comment yesterday

Frankel Kruger Max Pollak analyst Rob Gillan said Eersteling was valueless Not only did the mine's debt exceed its market capitalisation, but it had no break-up value Although the mine had a modern gold recovery plant, which some suggested was worth about R20m, in today's depressed conditions in the gold mining industry there were unlikely to be buyers

He said the mine had important but worthless gold reserves, as Eersteling's working costs were so high it needed a gold price of R43 000/kg to break even The current gold price was about R32 000/kg, and there was no sign the dollar price of gold was going to reach the necessary $450 mark in the near future

The company's other options were to swap its debt for equity, or to sell the mine off, although conditions in the industry

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Eersteling

BDay 15/5/91 (214)

militated against a barely lucrative deal being struck. SMD sold its 81% controlling stake in its second gold operation, Rand Leases, in December.

Severin said last week Eersteling was no longer able to borrow the money it needed for essential development work. Without this the mine lacked the flexibility to fight the low gold price and rising costs

New development work needed about R3m Severin said she could not advise shareholders to sanction this after an appraisal of Eersteling's position

Analysts said the mine had been overcapitalised, crucial development work had been neglected when the mine began operations, and directors had banked on overoptimistic expectations of the gold price.

Gold shares pick up speed

(214)

By Jabulani Sikhakhane Star 16/5/91

The value of gold shares rose by about nine percent yesterday before profit-taking trimmed the gains to six percent.

Gold shares were boosted by sharp gains in the gold price, which was fixed at $360,25 in London in the morning. But it eased back to an afternoon fixing of $359,85.

Dealers reported that gold was on a technical rally on the basis of a weaker dollar.

After failing to drive gold below $350, there were reports Middle East investors were back on the market as buyers.

Also, India was reported to buying some gold, while the USSR had stopped selling gold.

The gold index closed 67 points up at 1161.

After taking a breather, quality industrials rose again and the index gained 20 points to 3490.

On the gold board, AMGOLD made the highest real gain of R11 to R200. VAAL REEFS was up R10,50 at R198.

WESTERN DEEP rose 815c to R108 and SOUTH VAAL closed 550c higher at R86.

KLOOF rose 125c to R29,50 on R5,48 million worth of shares traded.

Mining financials were also higher, with ANGLOS up 200c to R103,50

Among industrials, SAB firmed with R4,85 million worth of shares trading 135c higher at R48,50

The shares attracted good demand after the announcement of results yesterday afternoon.

Tightly held softdrink bottler SUNCRUSH rose R10 to R380 and M—NET rose 20c to a high of 405c

INTELES traded 547 200 shares at an unchanged 260c. Old Mutual is reported to have been the net buyer of the stock since the begining of the year.

Pharmaceutical group ADCOCK added 300c to R55 and banking share SBIC rose 250c to R50 on R2,67 million worth of shares traded.

SAAMBOU featured, falling 6c to 162c before recovering slightly to close at 165c. The Fedsure deal was approved yesterday.

Highest percentage gainer was HLH nil-paid letters, which rose 66,7 percent to 10c

Engineering group TITACO fell 10c to 50c, despite reporting good results.

● Gold-related shares were firmer in late London trading, as world bullion prices found support from stronger silver prices and a weaker dollar, dealers said.

They added, however, that investors' apprehension over the long-term political situation in South Africa restrained the upward pressure.

AMGOLD rose $6 to $61, WEST DEEP $2,75 to $32,63, VAAL REEFS $5,25 to $60,75 and OFSIL $2 to $15,75. Among financials, ANGLOS put on 94c to $31,32 and GFSA $1,37 to $21,87. — Sapa-Reuter.

Failure of Knights deal knocks Waverley

B Day 17/5/91 (214)

MATTHEW CURTIN

THE deal signed last year by Waverley Gold Mines in which the company allowed Knights, one of the gold recovery operations owned by Consolidated Mining Corporation (CMC), to treat its slimes has fallen through.

The development not only dents Waverley's forecast earnings but the two sides disagree over the reasons for the cancellation of the agreement

Waverley's directors have advised shareholders that in terms of the agreement Knights undertook to treat Waverley's combined sand and sub-soil containing gold and the company's slimes The agreement was cancelled because of "Knights' inability" to treat the two sorts of material simultaneously.

Knights would continue to treat slimes in one dump contained in the original agreement, and future agreements concerning the treatment of the sand and sub-soil might be signed.

The directors said the company's earnings from dumps would be restricted in the year to end-June to about R1m or 11c a share, against projected earnings assuming the agreement was in place of 18c a share, or R40m over six years.

CMC director Hennie Buitendag said yesterday Waverley's version of events was "totally untrue"

Substitute

He said the original agreement provided for Knights to treat Waverley's slimes only Waverley then approached Knights to treat the sand and sub-soil

This would require Knights to substitute its own material which it was milling for the Waverley material The Waverley sand and sub-soil was too low-grade and Knights was not prepared to put outside material through its own mills

Waverley, which undertook a restructuring programme last year, saw its after-tax loss in the December quarter rise to R922 000 (R749 000)

RAND MINES FM 17/5/91 (214)

DISMEMBERMENT LOOMS

The future for Rand Mines has become a bit clearer over the past week, and it looks bleak Heavy lay-offs are under way at head office, where the gold division has been decapitated, while a dismemberment of assets is about to take place

Gencor is set to take over platinum producer Barmine (*Fox* May 3) while Chromecorp Technology chairman John Vorster confirms he and various partners are negotiating to buy the Vansa Vanadium mine and plant Vorster declines to provide details at this stage but stresses he is only interested in buying the vanadium assets and is not after the stakes in Barplat/Barmine or Winterveld Chrome

Market speculation is Winterveld Chrome will be taken over by Barlow Rand subsidiary Middelburg Steel & Alloys, to which it supplies chrome ore

With these interests gone Rand Mines is left with its coal assets, the RMP property and dump retreatment operation and five marginal gold mines Dump operations are sound enough but outlook for all the gold mines is dicey It's not impossible most could be forced into closure in the next 18 months, if the gold price stays where it is

Rand Mines has nothing new on the cards and could be reduced to a holding company in subsidiary Witbank Colliery It's against this outlook that lay-offs should be seen, with about 115 of Rand Mines' head office staff of 500 losing their jobs

Almost the entire top management of the gold and uranium division is leaving, including chairman Clive Knobbs (49), his deputy Paul Forbes (55) and managers Mike Watson (47) and Hugh Stoyell (47)

Knobbs, president of the Chamber of Mines until mid-June, says he has resigned in an amicable separation He leaves at the end of July

Major shareholder Barlow Rand is wielding the axe but how blame should be apportioned for the demise of Rand Mines, once our leading mining house, is a complex issue

Dammy Watt (62), chairman since 1984 and head of the gold division from 1978-1983, must be held accountable for a share of the responsibility, but the problems are deeper rooted, going back more than 30 years The directors of controlling shareholder Barlow Rand also cannot escape blame

Essentially, Rand Mines stopped spending money on the large-scale exploration work crucial to finding the new projects required to ensure the long-term growth of a mining business, which lives off wasting assets

Industrial conglomerate Thos Barlow did little or nothing to change this when it took over in the early Seventies Whether the Barlow Rand board was unreceptive or the Rand Mines board failed to put its case across forcibly enough is not clear

Chairman Watt *not without responsibility*

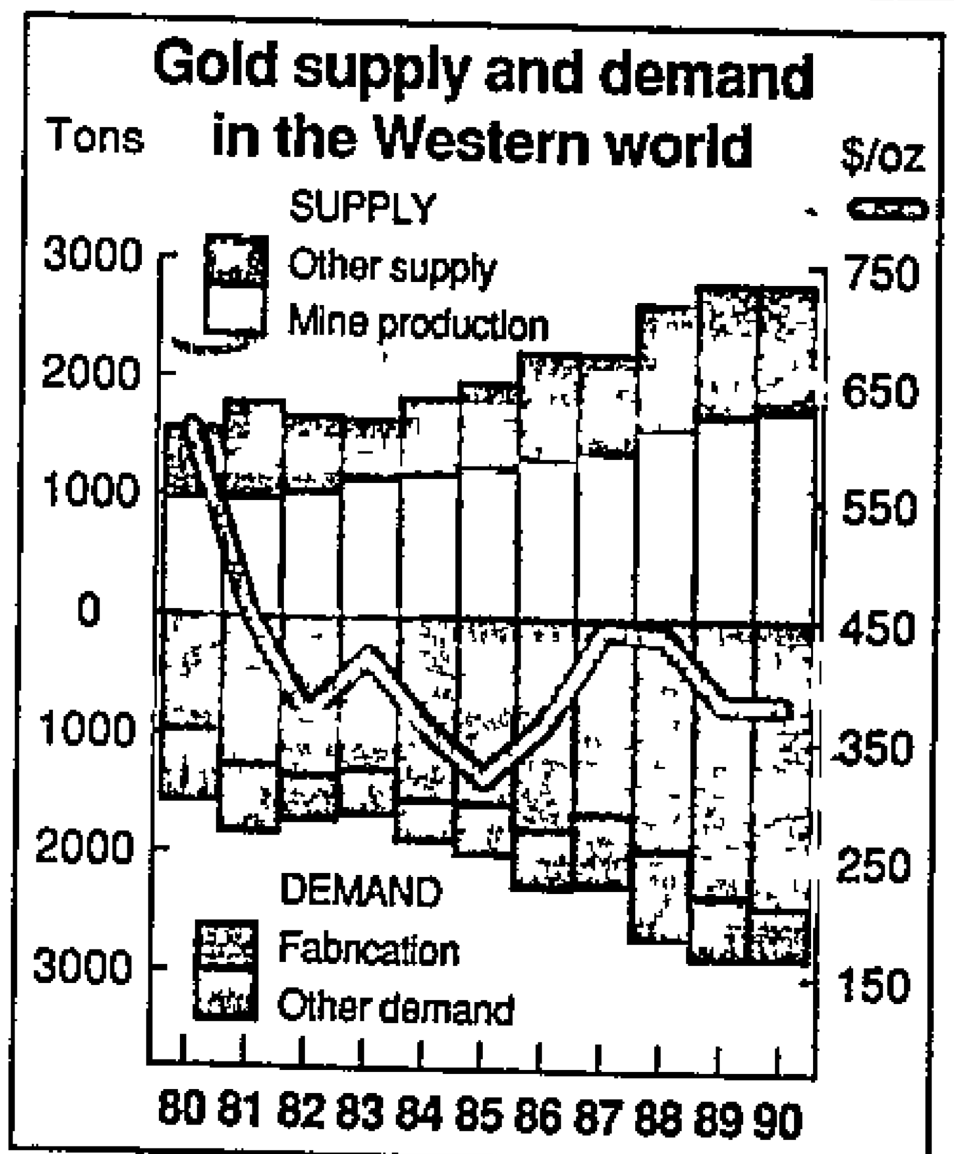
There was a short-lived exploration revival in the mid-Eighties, but it was a case of too little, too late The dive into platinum, particularly the acquisition of Lefkochrysos, with hindsight appears to have been too hasty and insufficiently researched

The other major mistake was the assumption the rand would always continue to depreciate to compensate for any weakness in the dollar gold price That policy would presumably have been approved by Barlow Rand which, while its directors may be able to claim ignorance on the finer details of mining, must have had their own expert opinions on exchange rate movements

Harmony's expansion and ERPM's FEVS project flowed from that assumption, which proved horribly wrong It's worth recalling Rand Mines also nearly went ahead with a deep-level shaft system for Durban Deep

Exploration expenditure has now been cut right back, which again holds out little future for the house

Against this, the decision to commit about R64m to a capital restructuring of mothballed Barbrook gold mine instead of putting it into liquidation seems odd, given the house is not exactly flush with cash The decision, based on the house's view of the future gold price, will be reviewed yearly *Brendan Ryan*



Graphic F KRISCH Source GOLD FIELDS MINERAL SERVICES

Forward sales hit outlook for gold

(214)

ANDREW GILL and JOHN CAVILL

THE near-term outlook for the gold price remains clouded by the threat of accelerated supply from producers selling forward on any significant price rise, Gold Fields Mineral Services (GFMS) says in its Gold 1991 survey BDay 22/5/91.

It said 1990 was another year producers and traders of gold might prefer to forget, at least in terms of price

"The growing awareness around the globe that producers may collectively cap the price has had a strong psychological effect upon the market"

GFMS estimated that forward sales last year, especially when the bullion price rose above $400 an ounce after Iraq invaded Kuwait, shot up by 269% to a record 240 tons, putting pressure on supplies swollen by a 36% increase in recycled jewellery and a 28,4% jump in exports from the Soviet Union, China and North Korea

Robin Plumbridge, chairman of Gold Fields of SA (the chief shareholder in GFMS), yesterday blamed "a negative mindset" which overtook the mining industry during 1990 for the forward sales

According to GFMS about 200 tons were sold forward in August and September last year and SA producers, who had been out of the market previously, disposed of 15% of 1990 output or nearly 91 tons SA was expected to increase the proportion although scope for more forward sales would narrow if the price weakened

In the longer term the survey was less

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Gold

BDay 22/5/91.

bearish about fundamentals

Growth in mine production had slowed dramatically and output was likely to peak in the next year or so The Gold 1991 survey also said low gold prices had led to a reduction in exploration, implying that mine production would respond with a significant lag to any future increase in the gold price

Growth in fabrication was expected to show little increase in 1991, assuming continued weakness in consumer spending

Fabrication in the Far East was likely to be maintained by growing demand from China This, combined with continued bar hoarding in the Far East, should provide a floor for the price

Not all sectors were surrounded by gloom in 1990 For the third year in a row, growth in fabrication demand exceeded the increase in mine production

Gold fabrication demand climbed 6% to

(214)

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2 380 tons despite predictions of a decline after the tremendous growth of the previous two years

On the supply side of the market, Western world mine production increased by only 3%, the lowest increase since 1981, with SA production maintained despite ore production cutbacks as mines concentrated on mining higher grade ore

SA continued as the world's largest producer with 605,4 tons in 1990 but the US pipped the Soviet Union with 295 tons. The Soviet Union fell to third place with a 25-ton drop to 260 tons because of production problems

With the growing deficit of supply relative to fabrication demand, the survey said investors might perceive the price as a buying opportunity at some point, although it might require a further period of lower prices for the metal's outlook to improve.

● See Page 4

Rand Mines to sell portfolio

ANDREW GILL

RAND Mines would sell off its listed investment portfolio, worth almost R100m, on a staggered basis, chairman Dammy Watt said yesterday

He said the group would be selling off its non-performing assets, ones that were not part of the core business, and its investment portfolio

The sale does not include its five managed gold holdings or its unlisted investments but included sizeable gold, platinum and other holdings

At end-September 1990, the balance sheet reflected holdings in Impala Platinum (R25m), a R12m holding in Rustenburg Platinum, a R29m holding in De Beers, a R15,3m holding in Palamin and a R5m holding in Sasol

It would sell its widespread investments in 21 gold mines, according to the annual report

He said the sales would be made on the market in the best interests of Rand Mines "as and when we see fit" so as to get value for the investments and not to depress the market

There was no time limit on when the holdings should be sold, he said

There was always an option to sell some coal interests but no decision of that kind had been taken at this stage and it was not in line with the move to sell non-core and underperforming assets

BD 22/5/91

(214)

Supply, demand 'to dictate gold price'

(214)

BDay 22/5/91

MATTHEW CURTIN

PRODUCERS and traders in gold may do their best to forget the metal's poor performance in 1990, but Gold Fields Mineral Services' (GFMS') 1991 gold survey, released yesterday, suggests that 1990 may turn out to be the year when gold demand began inexorably to overhaul supply.

Gold analysts agree, supported by industry leaders and Anglo American gold division chairman Clem Sunter, that now as never before the laws of supply and demand will dictate the price of gold and the health of SA's high-cost mining industry

The survey said that the momentum of the increases in gold production in the last decade, which analysts have blamed for the demise in the gold price, looked set to continue for years, at first sight

Gold mine production in the US and Australia rose by 11% and 19% in 1990 to reach record levels of 295 tons and 241 tons respectively Gold sales from the communist bloc — up by almost a third from Soviet, Chinese and North Korean sources — and the supply from old gold scrap reached their highest levels for five years

However, figures suggested that although western mine production had reached record levels, it was levelling off

In SA, some mines had successfully rationalised operations, but "the scope for further improvement is limited" Stilfontein's closure was the first deep level Witwatersrand gold mine to be shut down by a major mining group for years Prospects for future expansion were poor given that in the last two years capital expenditure had fallen 30% in real terms

"It therefore remains to be seen how much of the industry will emerge unscathed, and how far output will fall"

Against the sustained drop in the gold price in real terms, SA gold mines showed the highest cost increases in 1990, with Rand Mines' ERPM coming in as the highest cost major gold mine with cash costs of US$462 an ounce, against Papua New Guinea's Porgera project with costs of $87 an ounce

Whereas supply was subsiding, the survey said fabrication demand for gold — 85% of total demand for gold — reached a new high in 1990

Carat jewellery accounted for 83% of fabrication demand The survey said that 1990, in defiance of the worsening economic climate and the Gulf War, was "an excellent year" for the European jewellery industry, while demand in the Middle East climbed more than 20%

Investment

Observers were confident that in North America the upswing expected in 1992 and low stocks of finished items would fuel demand in the future Also larger amounts of new gold rather than scrap were being used in world jewellery production

The survey said that the 144 tons of "implied investment" in gold in 1990 — the informal offtake of the metal for investment purposes — "may be a positive development", in the face of the sustained weakness of the gold price.

"It suggests that contrary to conventional wisdom (that gold is losing its appeal as a store of investment), European and North American investors may now be beginning to purchase on price lows"

Lebowa Bakeries thrives in tough year

BDay 22/5/91

MARCIA KLEIN

LEBOWA Bakeries, which recently announced that Sasko had taken a 45,2% stake in the company for R14,7m and would be making a similar offer to minorities, increased its earnings by 10,2% to R5,76m (R5,23m) in the year to end-March

Turnover increased by 23,9% to R91,1m (R73,6m) and operating income was 12% up at R12,1m (R10,8m) Directors said the decrease in operating margins was due to increases in depreciation and initial costs of Tubatse Bakery which came on stream during the year

They said despite a difficult year due to irregular school attendances, strikes, stayaways and general consumer boycotts which affected sales, turnover was still up by 23,9% and earnings by 10,2% to 23c (20,9c) a share

Net income before minorities was 15,4% up at R6,35m (R5,5m), but bottom line earnings were 10,2% up after an amount of R591 000 (R275 000) attributable to outside shareholders

A final dividend of 6,25c a share was declared, bringing the full-year dividend up by 19,4% to 9,25c (7,75c) a share

Capex of R7,1m has been approved for building a head office, refurbishing plant, a new bakery and vehicles

Healthy hike in profits for Clinic Holdings

BDay 22/5/91.

SEAN VAN ZYL

SURGICAL and private hospital group Clinic Holdings achieved a real return for its shareholders by disclosing a 24% rise in attributable profits to R12,2m for the six months ended March

The growth in earnings equated to 12,3c (10c) a share from which a 17% higher dividend of 5,2c (4,5c) a share has been declared The dividend cover has increased to 2,3 times

Financial director Stan Berger said last night that "we previously forecast growth exceeding the rate of inflation, and the increase in profit for the past six months is satisfactory"

Clinic Holdings, regarded as the largest private hospital group, has clinics like the Garden City Clinic, Park Lane Clinic and Milpark Hospital in its fold Berger said the group had just completed a major capital expansion programme "We now plan to enter a period of consolidation, without any additional expansion plans in the pipeline"

Clinic Holdings has not disclosed turnover for the period However, a supplement index showed a 34% growth on the previous period Berger said long-term liabilities remained at R25m

He conceded, however, that operating margin had come under slight pressure, due to tight trading conditions, but that "the margins are quite acceptable in relation to the rest of the clinic industry"

He said the group's clinics had achieved a satisfactory growth in occupancy levels during the six months

More gold mines face closure

CT 24/5/91 Financial Editor (214)

IN spite of the recent improvement in the local gold price from R900 to R980 an ounce, several SA gold mines are still facing closure, according to the latest issue of the London-based Mining Journal

These mines include two from the Gengold stable (Grootvlei and WR Cons) and three from GFSA (Venters, Doorns and Libanon) "These, and other mines, have required skilful surgery but survival cannot be guaranteed

"Some 80,000 jobs have already been lost in the SA gold industry, and analysts warn that a further 40 000 jobs will go this year

"At the end of 1990 over 40% of the industry workforce of 450 000 were employed on currently unprofitable mines "

Profit margins on the gold mines have fallen from the 40% to 60% range typical of the 1980's (discounting the shortlived high of almost 80% of revenue avhieved in 1980) to an average of around 20% last year

This declining profit in SA's gold industry is a result of annual cost increases of 14% for the past few years, with no offsetting rise in the received gold price

In the 1980's the exchange rate came to the industry's rescue — the commercial rand/dollar exchange rate rising from 80c to R2,60 last year This helped the local gold price to more than double from R480 an ounce over the decade

With the government's stricter financial policy this crutch is no longer available to the industry

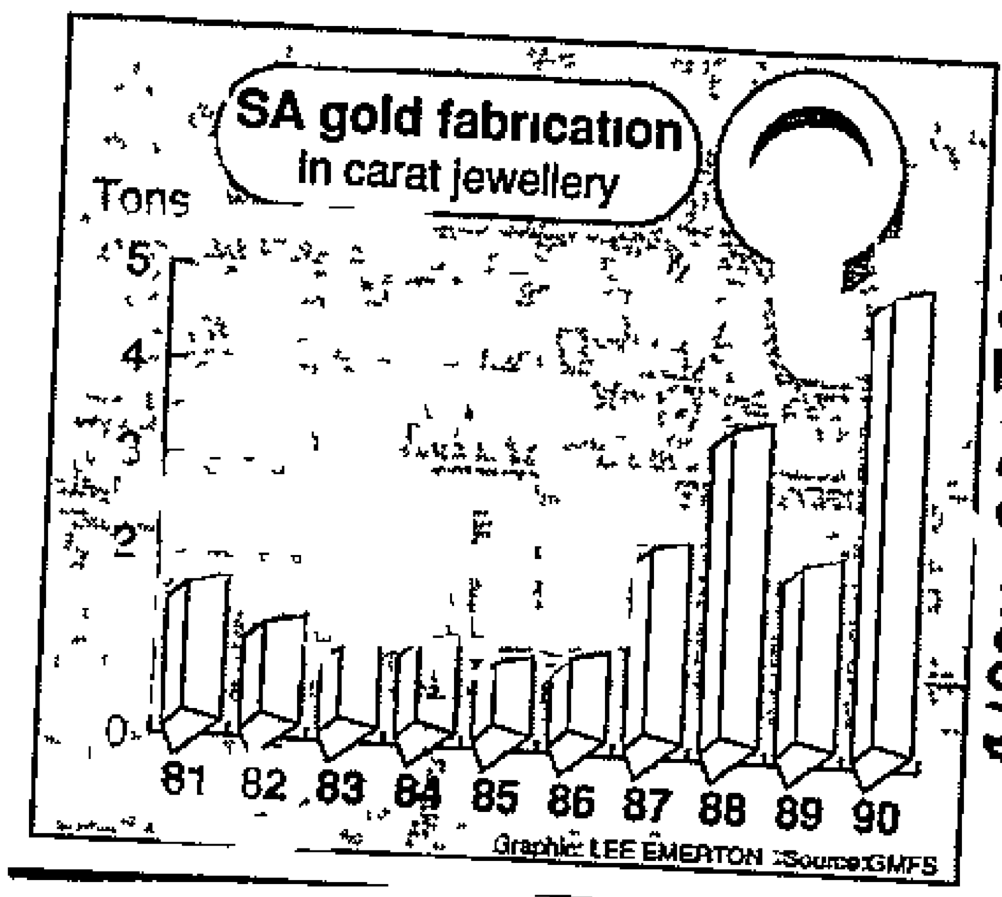
Stockbroking company McIntosh Martin & Co believes that the outlook for the gold mines remain poor. Dividend prospects are "not encouraging" and those mines still capable of paying dividends "offer little value"

Gold jewellery industry blossoms

(214) (79)

ANDREW GILL

SA's gold jewellery industry blossomed in 1990, according to Gold Fields Mineral Services (GFMS), apparently because of government moves to give the industry and exports a boost



BDay 23/5/91

According to GFMS's Gold 1991 survey, gold fabrication in carat jewellery in SA soared 138% to five tons

Finance Minister Barend du Plessis scrapped the 20% ad valorem duty in his 1990 Budget speech, a move lauded by jewellery manufacturers as one that would unshackle the industry

SA is still a minor player in the market, with only 0,25% of world carat jewellery fabrication (including scrap) at five tons out of 1 985,6 tons.

This compares with SA's share of the Western world's newly mined production of 34,9% in 1990 (605,4 tons out of 1 734 tons)

Jewellery Council executive director Michael Goch said the industry showed

☐ To Page 2

Jewellery

BDay 23/5/91

(214) (80)

☐ From Page 1

enormous growth in 1990 as a result of the scrapping of the duty

He said the local market was reaching saturation point which was 10 tons at the most and moves to export would have to be made in the next year or two

The value-added component of sales ranged from as low as 15% to between 150% and 200%, he said, with an industry average of about 35% to 40%

One of the industry's major problems was the lack of skilled labour However, specialised training programmes were in operation and this problem should be overcome in time

Another sector which showed strong growth, albeit from a relatively low base, was official coin fabrication It almost doubled to 12,7 tons from 6,5 tons GFMS said the announced removal of the ban on EC imports of the Krugerrand might herald a resurgence in interest for the coin in the international market

A spokesman for mining reasearch company Mintek said many in the jewellery industry were looking at markets in the US, Australia and the Far East

Mintek president Aidan Edwards has spoken recently of 100 tons of jewellery fabrication in the country by the year 2000, an easily attainable goal at the current rate of increase

Laing makes gold mining comeback

(214)

MATTHEW CURTIN

GLENN Laing, a founder and former MD of Consolidated Mining (CMC), is back in the gold mining business

Laing, who — since his resignation from CMC last month — has started the company Revere Resources, is on the verge of taking control of South Witswatersrand Exploration's gold mining subsidiary South Murchison *BDay 23/5/91*

Analysts said yesterday the deal would presage the rebuilding of Laing's mining group In 1988 Laing's Southgo, with which he pioneered gold dump reclamation, joined forces with Joe Berado's ill-fated Johannesburg Mining & Investment, restructured and renamed it CMC.

Standard Merchant Bank announced today that Laing has reached agreement in principle with South Murch in a R1,2m deal leaving him in control of the company Laing will sell 12-million CMC shares for 30-million new South Murch shares, two-thirds of the new company's stock

South Wits MD Nic Stavrakis said yesterday South Murch's majority shareholders had agreed to the deal and the same offer would be extended to minorities

He said Laing would bring entrepeneurial flair and experience in dealing with small mining ventures and dump retreatment to South Murch

South Murch has been treating surface material, unable to raise funds to proceed with its underground reserves Analysts said Laing was preparing to jack up South Murch and use it as a vehicle to regain access to some of Southgo's operations and dumps from Rand Mines' ERPM mine

Laing sets up new mining company

Star (214)

By Derek Tommey 23/5/91.

Glenn Laing has acquired control of South Murchison Consolidated Mines and is assessing several gold dump retreatment opportunities on the Witwatersrand.

Mr Laing surprised the mining world just over a month ago by resigning as managing director of Consolidated Mining Corporation, the company he had done much to build up

He said last night he had formed a new mining vehicle — Revere Resources SA Limited — and that this would be reversed into South Murchison He would be chairman of the new company.

An agreement in principle has been reached for Mr Laing to sell 12 million ordinary shares in Consolidated Mining Corporation to South Murchison in exchange for 30 million new South Murchison ordinary shares.

This will give Mr Laing a 67,3 percent stake in South Murchison.

Shareholders holding 89,5 percent of South Murchison's ordinary shares have undertaken to approve the transaction at a general meeting to be called shortly.

South Murchison operates a small gold recovery operation at Gravelotte in the Northern Transvaal, treating slimes and sand dumps on the property.

Mr Laing said that Revere would focus its activities on surface dump retreatment and opencast mining operations

SA gold jewellery industry blossoming

(214)

Own Correspondent

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Jewellery Council executive director Micheal Gogh said the industry showed enormous growth in 1990 as a result of the scrapping of the duty

He said the local market was reaching saturation point and many manufacturers would soon be looking to exports to increase their volumes

Saturation point locally was 10 tons at the most, he said, and moves to export would have to be made in the next year or two

The value-added component of sales ranged from as low as 15% to between 150% and 200%, he said, with an industry average of about 35% to 40%

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CT 23/5/91

New mining firm to control South Murch

(2.14) CT 23/5/91

Own Correspondent

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Laing will sell 12m CMC shares for 30m new South Murch shares, two-thirds of the new company's stock

South Wits MD Nic Stavrakis said yesterday South Murch's majority shareholders had agreed to the deal and the same offer would be extended to minorities

He said he welcomed the move because Laing would bring "entrepreneurial flair" and proven experience in dealing with small mining ventures and dump retreatment to South Murch

He did not rule out further deals between South Wits and Laing

South Murch has been treating surface material, unable to raise funds to proceed with its underground reserves

Analysts said Laing was preparing to jack up South Murch and use it as a vehicle to regain access to some of Southgo's operations and dumps from Rand Mines' ERPM gold mine

Industry dismisses call to conserve SA's uranium

B Day 24/5/91 (214)

MATTHEW CURTIN and ZILLA EFRAT

A GOLD and uranium industry source has dismissed a call from the Atomic Energy Corporation (AEC) for gold mining companies to conserve SA's uranium resources The industry source, who was reluctant to be named, was responding to a cautionary speech by AEC director Jacob de Villiers on Wednesday

De Villiers warned that SA's uranium resource could be sterilised by mine closures and the backfilling of mine workings with tailings Uranium is produced as a by-product of gold from tailings or residues left after gold has been extracted

At present demand for uranium is particularly weak and several mines, which rode high during the energy crises of the seventies, have stopped producing the nuclear material in recent years Many mines have been pumping residues back underground as backfill, an efficient and cost-effective means of supporting worked-out areas

De Villiers was concerned "If uranium exports continue at a rate of 3 000 tons a year, and some uranium in lower value gold reefs remains unmined, and tailing losses are not curtailed, the maximum nuclear generating capacity (in SA) would be reduced by 23% by the year 2000"

Total estimated uranium resources in SA, recoverable at less than R130/kg, stood at 432 500 tons Incentives should be introduced "to conserve this important resource for future use"

The industry source said yesterday that "there are more than adequate uranium reserves in the country to supply Koeberg, and any other nuclear power stations to follow" for at least 100 years

De Villiers' figure of existing reserves represented more than 1 000 years of Koeberg's requirements

There was no cause for concern over a shortage of uranium because there was an oversupply of uranium worldwide, with substantial capacity and reserves in a number of countries, Australia and Canada in particular

Oversupply was likely to continue through the 1990s

Oryx shareholders to contribute R900m

(214)

BDay 24/5/91

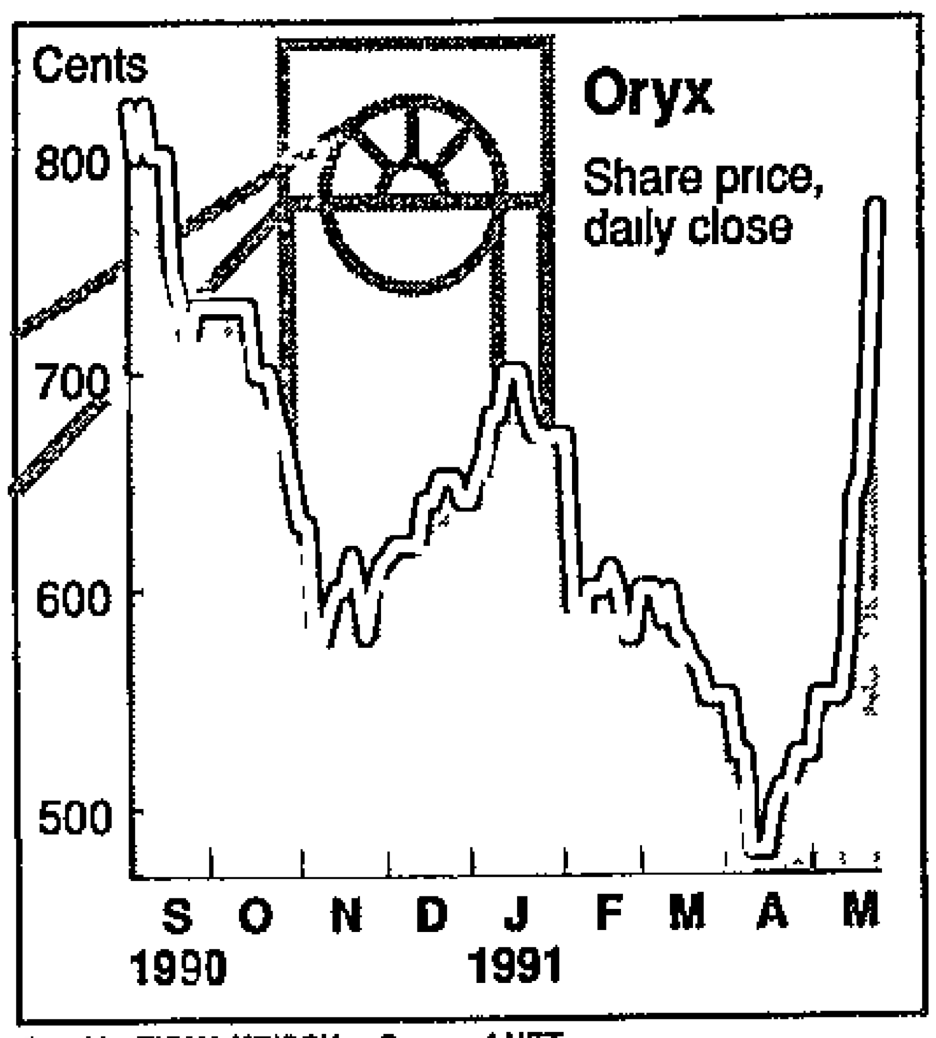
MATTHEW CURTIN

THE major shareholders in Oryx, Gengold's developing gold mine, have agreed to provide R900m in bridging finance to complete the first phase of the mine's development Adverse market conditions precluded the launch of a rights issue to raise the money, and the low gold price has knocked the St Helena mine's tax base contribution to the funding of Oryx

Oryx is the converted Beisa uranium mine situated in the Free State

Analysts predicted a year ago Genmin was considering a R600m rights issue for Oryx, but noted the gold price was denting St Helena's tax shield for the mine

A Gengold spokesman said yesterday the shareholders — Genmin, Sanlam, Genbel and Anglo American who own 98% of Oryx's shares — agreed to provide the finance interest free Gengold would launch a rights issue to redeem the funds "as soon as market conditions have improved" so it can be justified"



Graphic FIONA KRISCH Source I-NET

He said the R550m in bank loans raised in October 1988 and R200m of previously raised equity would run out next week.

An extra R120m in capital costs and revisions to plans to sink Oryx's shafts, caused by difficult ground conditions, major water intersections and new information on the ore body, would not set back original plans of achieving 100 000 tons production by April 1994

However, the mine's ventilation shaft would be sunk 130m deeper, initial production would start four months late, and the full phase one production rate would be raised to 120 000 tons a month

Gengold MD Gary Maude has said a fully operating Oryx would be the third lowest cost producer in SA, and analysts have said the mine would be the 10th largest in the country by the end of the decade

Oryx's share price has put on almost 300c in six weeks, leading a revival in gold mining stock on the JSE in the last two months Its shares closed nearly 8% or 50c up yesterday at 775c, from a year low of 480c on April 12

Fm 24/5/91 (214)

COMPANIES

Activities: *Investment holding company with large interests in the major SA gold mines and a 20% stake in Anglo American Corp's exploration programme*
Control: *Anglo American Corp 50,5%*
Chairman: *N F Oppenheimer*
Capital structure: *24,2m ords Market capitalisation R4,7bn*
Share market: *Price R195 Yields 3,7% on dividend, 3,7% on earnings, p e ratio, 26,8, cover, 1,0 12-month high, R380, low, R178 Trading volume last quarter, 305 000 shares*

Year to February	'88	'89	'90	*'91
Net income (Rm)	341,3	330,3	308,5	178,2
Earnings (c)	1 555	1 505	1 405	788
Dividends (c)	1 425	1 350	1 250	775
Market value of investments (Rm)	5 099	6 064	8 455	4 465

* 13 months to March

The 5% cut in the import surcharge is also welcome and Oppenheimer is happy with the accelerated introduction of the new formula tax He says the increased amounts that some marginal mines may have to pay under the new system are "minimal"

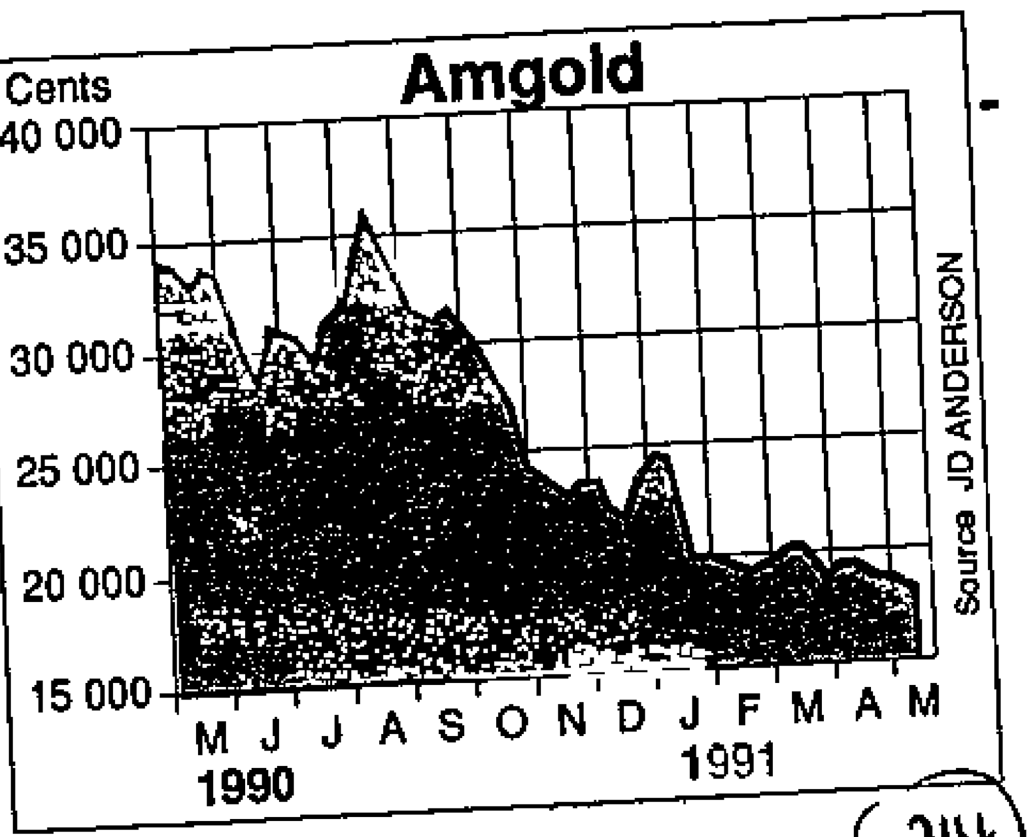
Oppenheimer also points out that the proposed extension of "safe haven" provisions on tax-free sales of share holdings to listed shares obtained through exchanges under section 24A of the Income Tax Act will give Amgold more leeway on selling mature investments to raise money for new projects

That's the kind of thing gold mining needs In present business conditions, it's a case of all contributions being gratefully received But Oppenheimer is disappointed that ring-fencing has not been removed entirely He says this would mean little extra loss of tax revenue because of the big drop in real income tax paid by gold mines in recent years

That's in large part the result of the profitability crunch of the past three years, which has brought it to what Chamber of Mines president Clive Knobbs describes as its worst-ever crisis

Earnings have, inevitably, suffered but Amgold has come through relatively unscathed because of the weighting of its investments in the best, low-cost mines The group's pride is damaged more than its balance sheet. The R20m provision against the

Amgold's Oppenheimer *tax is the only consolation*



(214)

8% holding in Barbrook is a pinprick

The lukewarm reception accorded last year's rights issue, only 82,9% subscribed, led to Amgold becoming a subsidiary of Anglo American Corp, which underwrote it

The share price has recovered from the 12-month low of R178 to around R195 Despite the low prices and poor outlook, life in the gold industry goes on Anglo remains optimistic on the long-term future of gold and Amgold is investing accordingly It followed rights in both JCI's South Deep Exploration listing and Anglovaal's Target Exploration

If you believe in gold, and have the wherewithal to buy the share, Amgold remains a cornerstone equity for your portfolio, but expect a further drop in earnings this year

Brendan Ryan

AMGOLD Fm 24/5/91

GILDED CAGE (214)

As goes the gold industry so goes Amgold, because of its range of holdings in all the SA mines worth having a stake in, like Driefontein (11% of its equity), Vaal Reefs (16,8%) and Kloof (8%) It is widely known that the industry is in the pits and Amgold's earnings are trapped along with it, but chairman Nicky Oppenheimer has some good news on tax.

Changes in the 1991 Budget will help the mines though, inevitably, not as much as they would like. Oppenheimer points out the full-credit VAT system will help greatly because it removes the indirect tax paid at present through sales tax on capital expenditure and part of working costs

Continue →

GOLD 1991 FM 24/5/91

PRICE CAPPED

(214)

Nobody needs to be reminded of how depressing 1990 was for gold It saw the end of the mini-bull market, compounded by the three bear raids of the syndicate operating through the National Commercial Bank in Jeddah and, finally, the Gulf crisis which did noth-

Continue →

FOX FM 24/5/91 (214)

ing more than *increase* the supply of bullion from producers into a dour investment climate

And it may be some time — at least the rest of 1991 — before the gloom is dispelled That is the nub of the *Gold 1991* survey from Gold Fields Mineral Services (GFMS) — whose shareholders are GFSA, Newmont Mining of the US and Renison Goldfields of Australia — published in London this week

Wrapping up the launch, GFSA chairman, Robin Plumbridge said 1990 had created "a negative mind set" in the gold mining industry that resulted in producers almost quadrupling forward selling to a record net 240 t This was especially among the South Africans who missed the boat when last year's price peaked at $425/oz in February

Plumbridge asked analysts in the audience to consider the following. Given the price elasticity of demand for gold, what would have happened to the price had the effect of forward sales been neutral? It certainly begged the question of whether the producers, having been greedy during the 1989-1990 bull run and then rushed to lock into prices above $400/oz after Iraq invaded Kuwait, had shot themselves in the foot or acted in their best commercial interests by putting a cap on the price.

According to GFMS, producer forward selling totalled 200 t in August-September last year, largely because SA mines hedged an estimated 15% of their output

The Gulf crisis saw a 63% increase, to 137 t, in sales of scrap jewellery from the Middle East, which was compounded by a 126% jump, to 116 t, in the Far East, where the Bank of Japan mopped up 66 t in repurchases of Hirohito gold coins In all, scrap supply was up 36%, at 441 t, the highest since the oil price collapse of 1986 produced heavy Middle East sales

More predictably, given the known economic plight of the Soviet Union, communist country sales climbed 28% to 380 t USSR, 285 t, China, 80 t, and North Korea, 15 t This again mirrored 1986 Then it was oil prices, this time it was the USSR's falling exports of crude

Communist production

For the first time, GFMS essays estimates of communist production for last year. the USSR, at 260 t (down from 285 t), falls to third place behind the US on 295 t (up from 265,5 t), China 95 t (86 t) and North Korea 15 t So the USSR sold from reserves, which are put in a range of 1 500 t-2 500 t by GFMS analyst Philip Klapwijk

Hence the point of Plumbridge's question Had producer forward selling stayed at 1989's 65 t total, last year's supply would have fallen instead of being marginally higher at 2 799 t, despite mine output gaining 3% (against 8%) to 1 734 t Central bank selling of 225 t turned to a net purchase of 40 t, as the Bank of Japan's coin repurchase plus another 40 t for the new Emperor Akihito issue added up to 106 t, offsetting disposals of 66 t from other official sources

On the fabrication demand side, jewellery offtake growth slowed to 6% at 1 986 t, against the cumulative 57% gallop of 1988-1989 Despite gains in the use of gold in electronics, other industrial usage was down a little, to leave the total up 4%, at 2 380 t

The investment picture is cloudy GFMS says bar hoarding dropped 54% to 236 t, the lowest since 1986

This leaves an "investment" figure for North America and Europe of 144 t, which suggests some revival of investor interest as gold's inflation-adjusted price hit its lowest levels since 1976 in Swiss francs, since 1977 in US dollars and since 1978 in Deutschemarks In 1988-1989 cumulative disinvestment was 366 t GFMS is fairly confident that some net "cheap buying" has taken place

The outlook is mixed GFMS detects growing demand in China and India (via Dubai), but in the short term Soviet sales are expected to remain substantial, central banks will again be on the supply side this year and there is "the threat of further accelerated supply from producers selling forward on any significant upward price movement The growing awareness around the globe that producers may collectively cap the price has had a strong psychological effect "

GFMS says SA forward selling will likely increase but ultimately there will be an adjustment in the market as world production peaks "in the next year or so," and jewellery demand responds to economic recovery Short term, little gold price movement is expected outside its recent trading range

John Cavill

Forward gold sales, dishoarding culprits

214

S Times (Bus Times) 26/5/91.

GOLD fabrication demand grew at a faster rate than mine production for the third year in succession in 1990.

But forward selling by producers and dishoarding in the Middle East depressed the price.

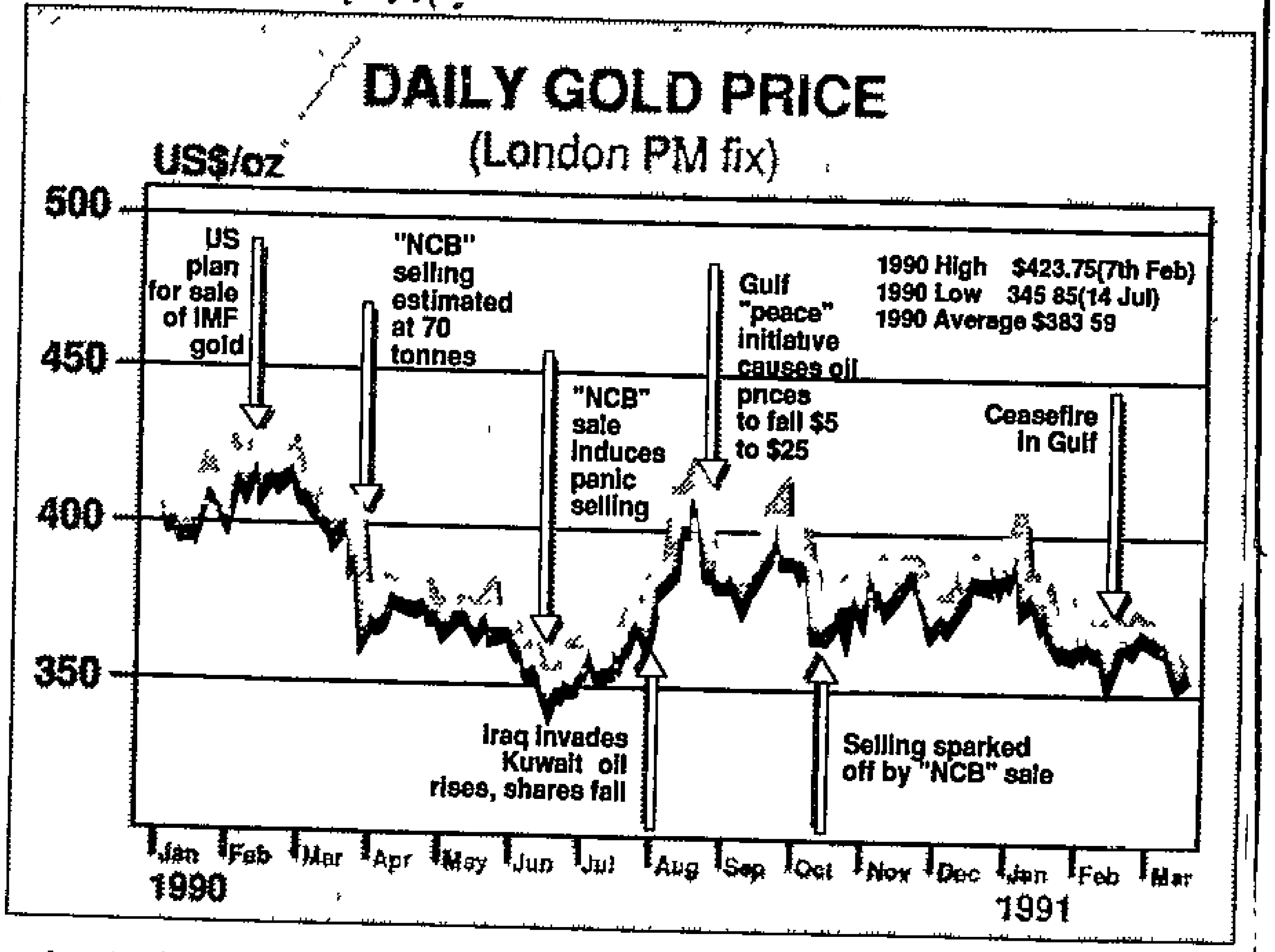
Gold 1991, produced by Gold Fields Mineral Services, is the authoritative work on gold

It says that last year was one gold producers and traders will want to forget

Producers in particular had to cope with the price falling in real terms for the third successive year

Traders did not see the resumption of long-term investor interest in gold

In dollars, the average price of $383 an ounce in 1990 was slightly higher than 1989's But in other currencies it was generally lower — 13% in marks and Swiss francs and an 18-year low in yen



One of the biggest villains of the piece was the National Commercial Bank in Jeddah, which made some well-publicised disposals of tons of gold at a time

Newly mined gold rose only 3% globally SA's production held up well, America and Australia increased theirs by more than 10%, but Brazil's fell by almost a quarter

Soviet and Chinese sales to the West were also higher

Although the market did not have to absorb the large central bank sales of 1989, it did not see the return of the offical sector to being a net buyer

Jewellery fabrication rose by 6% to almost 2 000 tons on a combination of lower prices and growth in prosperity in many countries

Demand for gold teeth bucked up a little, but coin sales fell after a loss of interest in the Far East

There were some investor purchases in North America and parts of Europe, but they were offset by German and Swiss selling

Gold 1991 says the outlook remains clouded by the threat of accelerated forward selling on any significant upward price movement.

"The growing awareness around the globe that producers may collectively cap the price has had a strong psychological effect upon the market."

But, as the point at which producers sell forward is well below the marginal cost of production, the scope for additional forward sales will narrow on price weakness

Growth in mine production is lower and could peak next year Low revenue has led to reduced exploration, implying that mine production will respond only late to to any future increase in the gold price

Crisis in the Soviet Union seems bound to keep sales high But heavy offloading is not expected from the official sector

Some buying is probable from the increasing number of central banks actively trading in gold

Gold jewellery demand could stall, but is likely to grow in the Far East and China This, combined with continued bar hoarding in that region, should provide a floor for the gold price

But with a growing deficit of mine supply relative to fabrication demand, investors at some point may see the price as a buying opportunity

In all, Gold 1991 expects gold to remain about current levels for most of this year

Events influencing the gold price in the 15 months to March this year are shown on the graph

Fears about the dollar and shares helped to lift the price to $423 in January 1990 The Soviet Union raised the price of jewellery by 50%

But the filing for Chapter 11 liquidation by New York commission house Drexel Burnham Lambert and Nelson Mandela's nationalisation speech on his release from jail failed to buoy the gold price.

The market even shrugged off the idea that the International Monetary Fund should sell 3-million ounces to pay off 10 members' arrears.

But rising interests in Japan late in February last year gave the Nikkei Dow and gold a hiding

Fears of high Soviet sales and lower Far Eastern demand because of the rapid run-up in the price hurt prospects

Brazil's central bank began to sell in March last year The National Commercial Bank of Saudi Arabia sold a position of 70 tons in a single day in March, followed by the disposal of 15 tons in May

Iraq's invasion of Kuwait pushed the price towards $400, but a peace initiative hit the price The next bout of selling was started in October by rumours of yet more NCB sales

The Persian Gulf war, which dominated the first quarter of 1991, induced volatility to the gold price, but the trend was always down The ceasefire helped the price to firm, but it has since traded in a tight band between $355 and $365

Glen Laing gets South Murch

STimes Bus Times 26/5/91

GLEN LAING, who co-founded the Southgo group and merged it with Joe Berardo's Johannesburg Mining & Finance to form Cons Mining, is to take control of South Murch (2.14)

Mr Laing left Cons Mining a few weeks ago

Small gold mine South Murch was floated out of SouthWits, which was established by Nick Stavrakis Mr Laing will sell 12-million Cons Mining shares of 10c to South Murch in return for 30-million 4c shares in South Murch.

South Murch was bid at 4c and offered at 10c, but Cons Mining shed a cent to 9c

Working costs gobble up 75% of gold mine income

BDay 27/5/91 (214)

MATTHEW CURTIN

THE sluggish gold price and inflation have squeezed margins on SA's gold mines to such an extent that working costs swallowed more than 75% of total revenue in the industry in 1990.

Figures compiled by Anglo American group tax consultant Marius van Blerck from Chamber of Mines statistics show that, as a percentage of revenue, working costs were higher in 1991 than in any of the previous 40 years

Van Blerck said the figures demonstrated that the future of the industry depended on "its ability not merely to contain working costs, but to reduce them substantially", as well as an improvement in the rand gold price.

Alarming

He said the trend was most alarming in the last six years when the working costs ratio soared from 46,1% of revenue from the chamber's gold mines in 1985 to 76% in 1990

"A long-term commitment by mines, employees, and their suppliers to managing costs is essential for the survival of the industry," he said

In nominal terms, while total revenue fell for the first time in 10 years to R18,8bn, working costs rose to their highest level of R14,3bn last year.

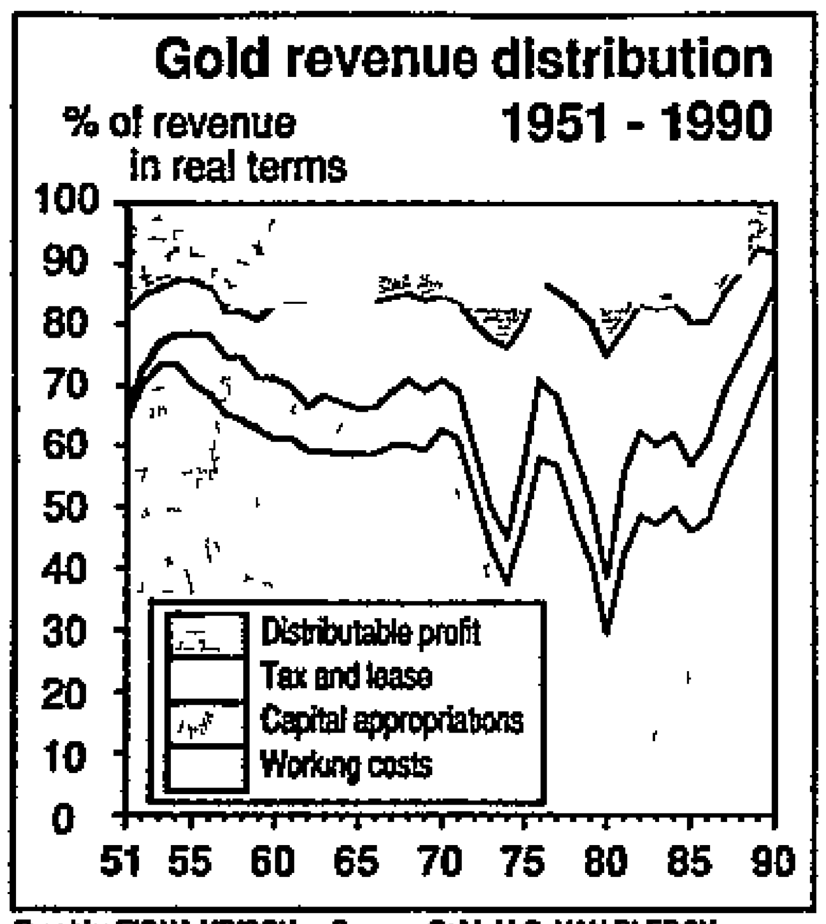
Capital expenditure absorbed 11,4% of mine revenue in 1990, well below the past decade's average. The capital spending ratio was far lower from the start of the 1950s through to the mid-1970s, but according to Van Blerck the present higher percentages represent a real decline in operating terms because the gold mines are far deeper now than they were 30 or 40 years ago.

Gold mining profits after working costs and capital expenditure had plummeted since 1985, from 42,6% of total revenue to 12,7% last year.

Van Blerck said investors had been partially protected by these adverse trends because of the disproportionate fall in the tax rate.

"In the past, the gold tax formula ensured that in times of high profitability government received a disproportionate increase in tax — rising from 13,6% to 36,9% between 1970 and 1980 — and the current situation reflects the other side of the coin," he said Gold mines paid only 4,8% of revenue in tax last year, against an average rate of 16,1% since 1951.

Van Blerck said "It is only fair



Graphic: FIONA KRISCH Source: CoM/ M.C VAN BLERCK

that mines which paid super-profit taxes in the past should be afforded some relief when the going gets tough." Profits attributable to shareholders rose against the trend last year, although at 7,9% of total revenue they were well below the 40-year average of 16,1%

However, "the effect of maintaining investor confidence in the gold sector cannot be underestimated"

Van Blerck said the gold mines could look forward to a measure of short-term relief on the cost squeeze they faced, through the introduction of VAT.

Gold mines' misfortunes rub off on Clyde

ANDREW GILL

THE difficult times being experienced by the gold mining industry were having an adverse effect on Clyde Industrial Corporation's profitability, and would continue to affect it in this way, chairman and group MD Gordon Wilson said

In his chairman's statement Wilson said the effect of the poor times would be felt despite Clyde's diversification from the industry

BDay 29/5/91

This would be countered by supplying good quality second-hand material to marginal mines

The overall outlook for the coming year was positive and management expected last year's results to be maintained

The year ended February saw Clyde increase attributable earnings 43% to R1,84m

(214)

Wilson said the considerable reduction in capital expansion projects on the mines meant there were limited prospects for growth in that area

The decision to discontinue lines operating at unacceptably low profit margins coupled with a policy of diversification in order to reduce dependency on the gold mining industry had enabled the company to achieve "acceptable profits"

CT 29/5/91

Gold surges

(214)

NEW YORK. — Gold prices rallied yesterday, closing at $363,10/$363,60 against Friday's close of $356,15.

In London, gold touched a high of $361,50 in late afternoon trade — its highest level since April 18 — as market talk of Mid-East buying sparked heavy short-covering on Comex, dealers said

Gold closed at $359/$359,50 an ounce, well above its afternoon fix of $355,65 and Friday's $355,80/$356,20 close

Closing prices

(In $ an ounce)

LONDON:
359,00/359,50
Fixing am: 356,30
Fixing pm: 355,65

ZURICH:
355,00/358,00

NEW YORK:
363,10/363,60

— Reuter

Conditions in London and the rest of Europe remained reasonably calm with the main volume moving through a hectic New York market.

"No one is sure of the buyer, but it looks to be a Middle East bank," said a dealer

"The picture looks rather confused but it seems the price fell below support of $355 early in the afternoon before rumours of Middle East buying prompted the short-covering

"The easier dollar, which fell to test Dm1,70, also added fuel to the fire," the dealer added

Gold's sudden surge after featureless morning and early afternoon trade took many operators by surprise

"The heavy buying dragged the shorts out into the open in a matter of around forty minutes," another dealer said

Silver surged to its highest level since early March supported by gold's gains, dealers said

Silver closed at $4,17/$4,18 an ounce, against Friday's $4,0650/$4,0750 close

Most of the silver action took place in New York, while conditions in London were described as moderate, said dealers

Platinum ended quietly higher at $391,50/$392,50 an ounce, against Friday's $390/$391 close — Reuter

Lydex cuts spending on exploration

Bday 30/5/91 (214)

MATTHEW CURTIN

EXPLORATION expenditure at Lydenburg Exploration (Lydex), SA's second largest listed gold exploration company, has more than halved in the six months to end-March, falling by R1,4m to R915 000

The decline took place despite Lydex's acquisition of Potchefstroom Gold Areas (PGA) three months ago, which added R300 000 to the enlarged company's exploration expenditure

But a Lydex spokesman said yesterday the company was not scaling down exploration

He said the drop reflected the completion of a project which had moved to the mine evaluation stage, requiring less capital commitment from Lydex

A second project was now fully capitalised and would appear on the company's balance sheet through its loan account, rather than on the income statement

Lydex, through the purchase of PGA, has acquired interests in the Vyfhoek and Mooirivier ventures with Anglo American in the Potchefstroom Gap — a large area between the Klerksdorp and West Wits Line gold fields believed to contain 12% of the world's unmined gold reserves

The Lydex spokesman said the company's exploration was continuing in these areas In April Anglo stopped exploration in the northern area of the Potch Gap

He said a feasibility study on exploiting slimes dams, sand dumps and freehold property in which Lydex had acquired an 85,5% interest from Rand Mines' ailing ERPM was near completion

Rationalisation helps to keep Ergo profitable

B/Day 30/5/91 (214)

ANDREW GILL

RATIONALISATION and the acquisition of slimes dams at Anglo American's East Rand Gold and Uranium Company (Ergo) would allow it to remain profitable as a gold recovery operation and prolong its life, Clem Sunter said in his chairman's statement released today

Rationalisation measures announced in December last year were under way and management had identified further cost-containment measures, he said

The expected retrenchment of 600 people as a result of the rationalisation had not yet materialised Only 159 people had been retrenched to date

The rationalisation had resulted in a 52% slide in uranium production to 72 tons and 13% fall in sulphuric acid production to 426 000 tons Despite increased tonnages, gold production fell 3% to 11 395kg as grades fell at Ergo and Simmergro

Slimes operations were bought from Gold Fields Property in September last year and resulted in additional reserves of about 39-million tons of slimes

Sunter warned that "the days of accepting price increases equal to or in excess of inflation are over" because mines could not survive if the large price increases of the past continued

The introduction of VAT at end-September and the reduction of import surcharges on capital goods to 5% from 10% would "assist greatly in the effort to contain costs"

Costs were contained below inflation at all three operations, with Ergo increasing by 3,7% to R9,83 per ton, Simmergro by 6,1% to R18,15 and Daggafontein by 10,4% to R4,34 per ton

Speaking on the outlook for the gold price, Sunter said the most important element in the future health of the gold market would be jewellery consumption and effective promotion through the World Gold Council would remain critical

Mines' final dividends hit by high costs

BiDay 30/5/91

MATTHEW CURTIN

LOWER average rand gold prices and rising costs knocked the final dividends from three of Anglovaal's gold mines and investment company Zandpan by as much as 30%, the group's directors said yesterday

Hartebeestfontein declared a final dividend of 50c a share (final 1990 65c) bringing the total dividend for the year to 100c (130c) Zandpan, whose principal source of earnings and main investment is a 19,6% stake in Hartebeestfontein, saw its final dividend fall to 16,5c a share (22c) 214

Eastern Transvaal Consolidated's final dividend was 7c (10c), with a total dividend of 14c (20c) declared for the year

Village Main Reef posted a final payment of 16c (23c), worth 29c (37c) for the whole year

The group's directors estimated that interim after-tax profits would tumble almost 25% to R21,5m (R28,6m)

Gold mines cut dividends

By Derek Tommey (214)

The Anglovaal group gold mines have cut their year-end dividend payments by between 23 percent and 30 percent

Hartebeestfontein is paying 50c, which is 23,1 percent down on the 65c paid last year Total payment for the year is 100c, which is also down 23,1 pecent on last year's 130c.

Zandpan is paying a final of 8,25c, down 28,3 percent on the year ago payment of 11,5c Total payment of 16,5c for the year is down 25 percent on last year's 22c

Star 30/5/91

ET Cons is paying 7c, a drop of 30 percent from last year's 10c Total payments for the year at 14c are also down 30 percent on last year's 20c

Village Main Reef is paying 16c, a drop of 30,4 percent from the 23c paid a year ago The mine is paying a total of 29c for the year, down 21 percent on last year's 37c

Oryx snubs minorities

S/Times (Buss Times) 214

2/6/91.

ORYX Gold Holdings, the Gengold-managed developing mine in the Free State, needs almost R1-billion in escalated terms to complete phase 1.

Gengold says phase 1 is progressing satisfactorily. The main sub-vertical shaft has reached 1 905 metres and the ventilation shaft 2 007 metres. The refrigeration plant has been commissioned and the metallurgical plant is under construction.

All this is in spite of difficult ground conditions and major water intersections. Gengold says more precise knowledge of the reef position has necessitated revisions of shaft planning.

The ventilation shaft will need to be 130 metres deeper and production will start four months later than planned. The project has been rescheduled so that the target of 100 000 tons a month will be reached on time in April 1994.

Planned full production on phase 1 will be 20 000 tons higher at 120 000 a month thanks to the changes. They add R120-million to the escalated capital cost.

"Current market conditions are not conducive to the raising of these funds in the equity market," says Gengold.

So four major shareholders, who own 97% of the equity, are to provide interest-free loans to Oryx.

Two points come to mind. The first is the principle of interest-free loans. In the real world, somebody pays for everything. In this case, the members of the four philanthropists channelling free money to Oryx will pay in terms of lost opportunity on that cash.

Second, the scheme seems designed to ensure that minorities will pay through the nose when the stock market is full of froth. Minorities will then get the right to subscribe for Oryx shares at a much higher price than today's.

If Oryx is as good as the major shareholders believe, why are minorities denied the opportunity to take part at a good price?

The market should be given a chance to decide on Oryx's merits.

Anglo's strength shines through the recession

(~~210~~) (214)

By Derek Tommey Star 4/6/91

Steadily falling gold mining profits and SA's longest post-war economic slowdown managed only to dampen slightly the profits of Anglo American in the year to March

Despite adverse factors, the group was able to limit the drop in its attributable earnings to seven percent — from R1,5 billion, equal to 651c a share in 1989-90 — to R1,4 billion, equal to 604c a share in 199-91

The dividend is unchanged

Anglo American chairman Julian Ogilive Thompson says the corporation's broad spread of investments helped cushion poor performances in mining and industry, an indication of the group's resilience

The maintained dividend indicates a strong balance sheet and confidence in a recovery in the group's fortunes

At a press briefing yesterday Mr Ogilvie Thompson reported that

- He was optimistic about the future of the gold price,
- Anglo American planned to encourage gold producers to spend more on advertising gold jewellery;
- Negotiations were taking place with the Government about establishing, together with Gencor, the multi-billion Columbus stainless steel project,
- The Government was investigating ways of encouraging South African companies to embark on new ventures,
- Anglo American believed that "unbundling" would not be in its interests

In money terms, gold, uranium, mining finance, diamonds, platinum, base metals, other mining and the industrial and commercial sector had all made smaller contributions to group profits than last year, he said

But financial services, property and coal had increased their contributions

Looking ahead, he hoped to see a pick-up in world economic activity from which SA would benefit

"We hope to get back into the International Monetary Fund (IMF)," he said.

This would facilitate bank credit and help the economy

He said a return to the IMF would be more likely if there were a reduction in violence and further progress in constitutional matters

Anglo American had reduced head office staff by a few hundred — about 10 percent.

When the gold industry was in a phase where there was less capital expenditure, fewer services, draughtsmen, architects and head office staff were needed

The target of gold mines was to hold unchanged for the next year the cost of producing a kilogram of gold

This would partly involve mining higher grades and keeping down costs, wherever possible

He hoped that wage increases this year would be much lower than those of last year and accompanied by higher productivity than in the past

Mr Ogilvie Thompson thought the gold price could be near the bottom of its downward cycle and getting better

In his experience whenever anyone thought the gold price was down and out, something happened and it rose

The fact that Anglo American was continuing to prospect for gold showed that it remained entirely confident about a reasonable future for the metal

There was great scope for the World Gold Council to increase its advertising programme

This would involve persuading other producers to be more active and contribute more

But with South Africa coming in from the cold, it might be easier to encourage the Gold Council to do a bit more, he said

Increased advertising could boost demand and increase the jewellery offtake above the rise in production

The sudden and large increase in the gold price in the early 1980s had led to a great rise in gold production

But he did not think such a rise would occur in the 1990s, even if the gold price were to rise another $50 or $100

Anglo American was looking at a number of ventures

Together with Gencor it was investigating the multi-billion rand Columbus stainless steel project and was holding discussions with the Government

"We are not asking for subsidies, we are asking for a level playing field with international groups"

If the Government could do this, Anglo American had several projects that could go ahead

Mr Ogilive Thompson said because of many factors, the margins which South African firms required to make a project viable were amazingly high, compared with those of European firms, and were nearly twice the margins needed in the Far East

Graham Boustred, deputy chairman of Anglo American, said the Columbus venture would be dependent on the final lifting of sanctions

It was important that Columbus have complete access to overseas markets

The move by the opposition group in the Danish parliament to overturn the government's decision to lift European Community sanctions was holding back the project.

Columbus was also investigating acquiring an overseas partner in the finishing of stainless steel and was looking for a partner to assist in marketing the steel

Technically, the project was ready to go

Mr Boustred said that Am coal's contract with Eskom woulc not necessarily be affected by Eskom's inability to generate ful capacity in all of its new stations

He said Anglo American dic not believe that the capacity of the Richard's Bay Terminal was a constraint on increased coal ex ports

More than R300 million hac just been spent on refurbishing the terminal, which brought its rated capacity to 53 million tons of coal a year

"In the right circumstances, we could ship substantially more than that through the terminal," he said

"But we are conscious that if South African producers offer toc much coal to the market, this would affect the price

"We are going to grow in the increasing international market maintaining SA market share at plus or minus 28 percent to 30 percent," he said

Anglo's strength shines through the recession

(214)

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A national plan is needed to avert a mining disaster

BDay 5/6/91. 214

The National Union of Mineworkers on Monday presented its vision of the future of the mining industry to the tripartite summit held in Johannesburg.

THE PROPOSAL for a summit on the mining industry between mine owners, trade unions and government arises out of the major changes in the gold mining industry These changes involve massive retrenchments of workers, a reduction in output and the closure of mines They cannot be characterised as anything other than serious structural changes

The restructuring is now being undertaken on a piecemeal basis by the major mining houses Yet these are issues of national importance About 200 000 jobs could be lost on the mines alone by 1995 When the knock-on effects of mine closures are carried through to mine suppliers and others, we are clearly facing nothing less than a national catastrophe

The government, we believe, has not appreciated the extent of the crisis in the mining industry It is turning a blind eye to the thousands of jobs that are being lost, it is insensitive to the terrible effects unemployment has on mineworkers, the areas where they come from, and the areas where the mines are located

The Marais Committee restated state policy of limiting assistance to marginal mines to particular cases and of requiring that aid be "in the national interest" and of a short-term nature only

The committee believed that gold mines should not be singled out for special assistance but should operate in the context of an overall economic policy that promotes development Such a policy would be focused on macro-economic variables, specifically interest rates, the exchange rate, general wage levels and tax rates But no specific recommendations were made In short, the committee had no vision of how the people and the sophisticated infrastructure of the mining areas that may be abandoned over the next five years could be put to alternative, productive use

The Chamber of Mines has proved incapable of imposing any sort of national vision on its members There is no co-ordination of mine down-scaling across the groups The chamber cannot adopt a national view, we are told, because it is simply representing individual mining companies, each of which works to satisfy individual commercial goals

This short-sighted approach by the chamber is well illustrated by the closure this year of three of its training colleges The country is crying out for skilled workers, the chamber has excellent facilities, but it closes them because of the reduced requirements of individual members

The mines are retrenching workers and cutting costs, all of us are hoping for a rise in the gold price but meanwhile the fabric of our industry is being actively destroyed We need to find another, bolder, way forward

We seek to find ways in which the closure of mines and the down-scaling of operations can be properly co-ordinated in the interest of all the major stake-holders, to find common ground on how the lives of mines and mining operations can be prolonged as far as possible, to reach agreement on the protection of agreed conditions of employment, and how acceptable standards of health, welfare and safety can be maintained, and to find ways of training, retraining and assisting retrenched miners

The NUM is making short-, medium- and long-term proposals towards the achievement of these objectives

In the short term we propose firstly direct state subsidies to marginal mines to allow them to keep operating during an adjustment period During this period, the mines would retrain workers repair environmental damage and investigate alternative industrial production using the mine infrastructure

This proposal can be explained in terms of tax pay-backs to the mines Marginal mines pay little direct tax to the government But if a mine closes or scales down, this has elaborate "knock-on" effects through the whole economy The government loses GST, company and personal tax through this whole chain as a result of the retrenchments on the gold mines Our proposal is that part, or all, of this stream of potential tax losses is made available to marginal mines during an adjustment period

Secondly, we propose an urgent review of the new tax formula for gold mines which adversely affects less profitable mines and alleviates the tax burden on rich mines

Thirdly, retrenchments should be exercised with a human face This includes a national guaranteed basic severance package, elimination of taxation on severance pay, retraining for retrenched workers, and income-generating projects for affected workers

Fourthly, these ideas will need further investigation, and we propose that a permanent body be established to oversee the whole process of change in the mining industry

Fifthly, the complete removal of racial discrimination is a great priority as its continued practice is a drawback to the progress of the industry Finally,the industrial relations environment needs to be set on a firmer foundation on all mines with the adoption of progressive and modern policies The recognition of Full-Time Shaft Stewards and the appointment of worker directors on the boards of mining companies should go a long way to normalising industrial relations

In the medium term the mines need, firstly, to develop a far broader commitment to skills training for black workers An industry-wide training and retraining scheme that will provide retrenched workers with the opportunity to develop their skills should be established

Secondly, the industry must develop together with the trade unions a plan for building a more productive mining industry that can pay higher wages This should go hand in hand with literacy training and skills upgrading schemes

Thirdly, any programme of reorganising the industry must include a full review of mine health and safety

Fourthly, the living conditions of black mineworkers will remain a major issue until the problems of housing and migrant labour are attended to effectively

Fifthly, the hours of work for mineworkers in SA need to be brought in line with those of their European counterparts

In the longer term we propose, firstly, that mining houses should promote the manufacture of jewellery in SA Value added to SA gold in places like Italy and Japan amounted to R11bn in 1988 — some two thirds of the total revenue earned by the gold mining industry!

Secondly, aid measures for labour-supplying rural areas hit by mine closures is essential Effective rural development programmes need to be considered And aid measures for towns affected by mine closures should be considered and be linked to regional development plans

Finally, each mining house must produce a detailed down-scaling programme covering the next five years This should include full information on the likely effects of mine closures or cutbacks on employment, dividends, gold output and stores consumption

In conclusion, while the crisis is now focused on the gold industry, the NUM believes that every branch of the mining industry also needs to be restructured Most mines have just copied the work processes and procedures of the gold mines

Our union adopted a new theme for its seventh national congress in 1991 — "Restructure the mining industry for a democratic SA" We believe that the severe crisis in the industry is going to force us all to find a way of abandoning the apartheid practices that have so scarred this sector of our economy The summit meeting, we hope, will be the start of a process to restructure our industry so that it can play a prominent and leading role in the development of a new society

☐ **This is an edited version of the NUM's presentation**

Gold mines in VAT debate

B/Day 5/6/91

MATTHEW CURTIN

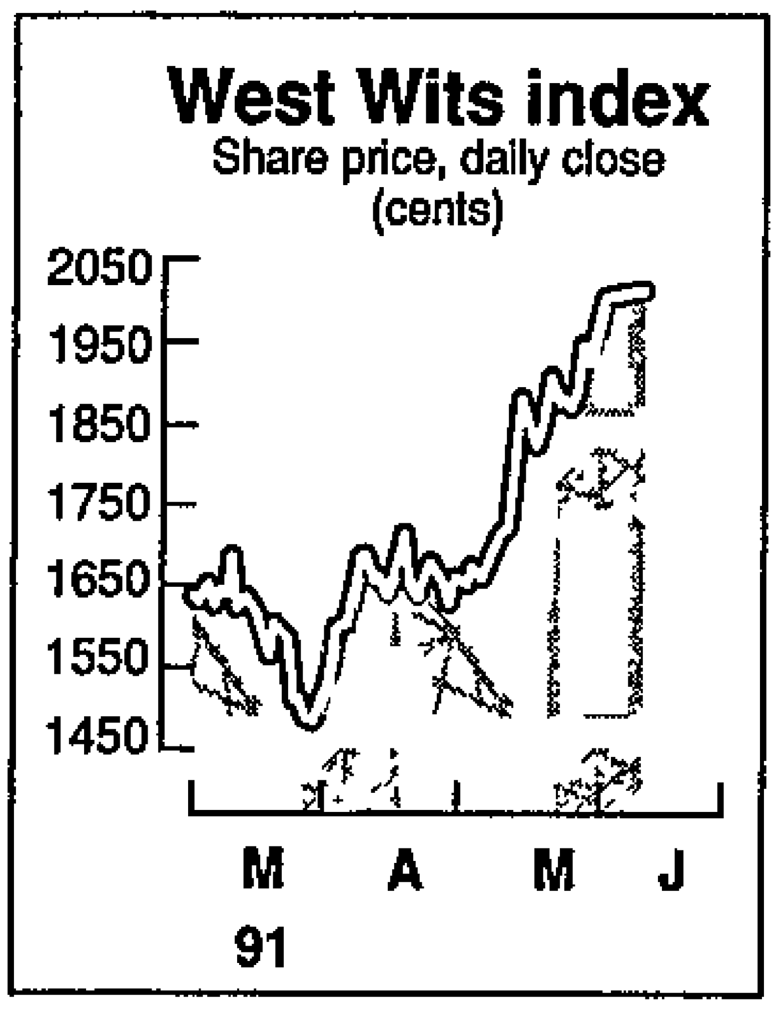
MARKET sources disagreed yesterday over whether 'the improving rand gold price and the introduction of VAT were enough to start pulling the gold mining industry out of its current depression

Both factors were no more than "straws in the wind", Gengold MD Gary Maude said

While he was more confident about the industry's future than he was a year ago, the fundamental conditions responsible for the trough the gold mines were in had not changed

It was crucial that confidence was restored so that projects, currently on the shelf, could be given the go-ahead to secure the prosperity of the gold mines in 10 years time However, the gold price would have to leap by $100 before boards of directors would agree to such projects'.

He said the industry was in a transition period before the much hoped-for recovery took hold It was too early to say if the improved rand gold price could be sustained Yesterday the gold price traded around $362 an ounce, equivalent to R1 014 an ounce, or about R32 600/kg, about



Graphic LEE EMERTON Source INET

R2 000/kg from the ruling price in the first two quarters of the year

Maude said the introduction of VAT was a step in the right direction, but the benefits derived by Gengold's mines would be less than the 4% cut in costs some observers had forecast (214)

Rice ~~Rinaldi analyst~~ Mike Worth said the effect VAT would have on gold mining costs was filtering through to the market, fuelling increasingly bullish sentiment

Market sentiment was also helped by what he saw as trend towards a stronger dollar gold price

Chamber of Mines economist Ivor Liebowitz said the introduction of VAT would provide a once-off boon for the industry Thereafter, costs would continue to escalate, albeit from a lower base

He said "As with reductions in the rate in mining tax, VAT will benefit profitable rather than marginal gold mines the most"

Frankel Kruger Max Pollak analyst Rob Gillan said although VAT might contribute to the industry's cost cutting measures, forward selling was still capping the market, containing the gold price's volatility

"There will be no real investment opportunity in gold shares until 1992," he said

BUSINESS

Sights shift to second-tier mining

214 ~~210~~

B Day 5/6/91.

MATTHEW CURTIN

GLENN Laing, MD of Revere Resources which acquired South Witwatersrand's South Murchison gold operation last week, is down in the dumps and exuberantly so.

Interviewed last week, he said there was extensive "overseas and institutional interest in the development of second-tier mining in SA"

Laing has pioneered the retreatment of gold dumps in SA, and joined forces with Consolidated Mining Company (CMC) in 1988 to run the group's successful gold division, Southgo Laing resigned as CMC MD recently over differences of opinion over the group's expansion plans

Laing said that a gulf separated the size of mineral deposits which mining houses and the smallest private prospectors — "the rats and mice" — were able to exploit To make viable the mining of intermediate deposits, too small to justify mining house expenditure and too large for the lone operator, a mining entrepreneur needed "drive", support of the investment community and government assistance

Laing said his track record with Southgo not only proved his entrepreneurial ability but had won him the confidence of investors If government moved beyond its current tinkering with mineral rights legislation and unlocked SA's mineral resources, it would provide an extra fillip for the second tier mining sector

Laing's optimism as a small independent gold producer is at first hard to fathom in the context of the sector's record in the past nine months Modder B, managed by Golden Dumps, and Severin Mining Development's Eersteling have gone into final and provisional liquidation in the period Shareholders in Gazankulu Gold await news after the company's cautionary announcement last month, likely to presage the financial restructuring and diversification of the company's interests. The enthusiasm of the mid-1980s when Loucas Pouroulis, Joe Berardo and Franka and Steen Severins consolidated their gold mining operations has evaporated

The mining houses have also suffered in the vice of the deteriorating gold price and inflation Lindum Reefs suspended operations in the March quarter and Rand Mines halted operations at its newest and smallest mine Barbrook in December last year pending a sustained revival in the gold price

Analysts agree it is only a matter of time before other mines follow suit, with Primrose and the Severin's Rand Leases most vulnerable Senekal Mouton Kitshoft analyst Hilton Ashton said that in general investors were disillusioned with the independent sector.

He said entrepreneurs had been caught up in the gold mining euphoria of the early 1980s Then the gold price performed contrary to their predictions and those of their investors, government did not allow the rand to slip against the dollar, militant trade union activity disrupted production, and higher wage demands fuelled inflation, factors which "proved to be a recipe for disaster"

● LAING

Gazgold MD Hugh Newman said last week that while the independents were in dire straits, they were in good company as the case of Barbrook showed. He was optimistic the gold price would improve and government would relinquish its control over the selling of gold, boosting the industry's prospects in the long term

He said that in the short term, without government assistance forthcoming, the containment of costs was crucial However, small producers were unable to put pressure on suppliers to absorb cost increases in the way the mining houses were. If gold held up at R29 000/kg, independent producers could hold on The rand price of gold peaked at R34 000 at the start of the Gulf War and then fell to R29 700 by the end of the December quarter It has only recently improved with the rand's slight depreciation against the dollar in May

Analysts admit the only independent gold mining stock they follow closely is that of Southgo's Benoni Gold and Knights, Laing's legacy

Laing described his gold dump recovery operations as "the rich pickings of SA's mining history" Using the technology he developed to retrieve the gold from slimes, sands and dumps at half the cost of the mining houses's attempts, his surface operations were low risk and low cost, providing excellent margins

He said independent producers were "make or break operations" dependent on a single deposit over which they were bound to be over-optimistic When a weak gold price exacerbated the gap between expectations and capital resources, they reached breaking point Mining houses had the reserves to cover up failures

But he had no such doubts over the future of Revere Resources. He said he intended to repeat his success with Southgo, using a single profitable dump reclamation project — South Murch at first — to provide the cash flow and assets with which to build up a mining group. He said he was negotiating with CMC about acquiring its Knights gold operation

Revere would diversify into recycling all mineral dumps — from chrome, manganese to coal — throughout southern Africa, as well as open cast gold mining Johannesburg was the natural technical base for a sub-continental operation

Mines need labour's co-operation, not state patronage

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CLIVE KNOBBS B Day 6/6/91

THE CRISIS faced by the mining industry cannot be laid at any one party's door There are some contributory factors over which we have little or no control, like persistently declining ore grades over the last 11 years, the increasing depth of ore reserves and, of course, the price of gold

There are some contributory factors over which the industry has a little more control, for example, the price of stores and services received as well as the mining tax regime Then there are contributory factors over which the industry has a lot of control like production, planning, industrial relations, labour costs and marketing strategy

The mining industry believes that its long-term future can be secured only through growth and its capacity to produce wealth Growth by other means mooted such as through state aid and patterns of state or public ownership are not sustainable in the long run What we are embarking on today is a quest for the key to growth and wealth creation through participation — participation that secures for each participant a fair return for his or her investment and labour

The 1980s was a particularly turbulent decade in industrial relations on mines Workplace disruptions led to the loss of some 36,5-million man hours since 1986

The dedication of all concerned to basic premises of good industrial relations would go far to setting the scene for the new roles and relationships that we need The industry needs to construct a new workplace order Already there are discussions in a variety of forums — on violence, on race discrimination, on interracial tension — we need to give these fresh impetus

Labour also has responsibilities, including letting go of restrictive practices, rigid job demarcation and various racial prescriptions that are still clung to

The industry is proud of the record of persistent improvements in wages and conditions of employment over the years But these improvements have not been matched by corresponding improvements in productivity and performance Management trusts that over the next decade the kind of partnership with labour can be forged that will meet the shared concern of ensuring the survival of the enterprise and reasonable returns for its various participants

A sound investment climate also is crucial for growth The industry believes in a democratically elected, non-racial, unitary political system with universal franchise supported by the constitutional balances found in most modern democratic states

But no investor is going to commit himself to a project if it stands even the slightest chance of being confiscated Moreover, no serious overseas investor can or will invest while the call for sanctions is still widely echoed by, among others, the largest trade union in the mining industry

In the tax field, a hindrance to the development of new mines is the ring fencing provisions During 1990, there was a partial relaxation of ring fencing This relaxation, however, has proved ineffective, and the mining industry would like to see ring fencing abolished Import surcharges and RSC levies also inhibit growth

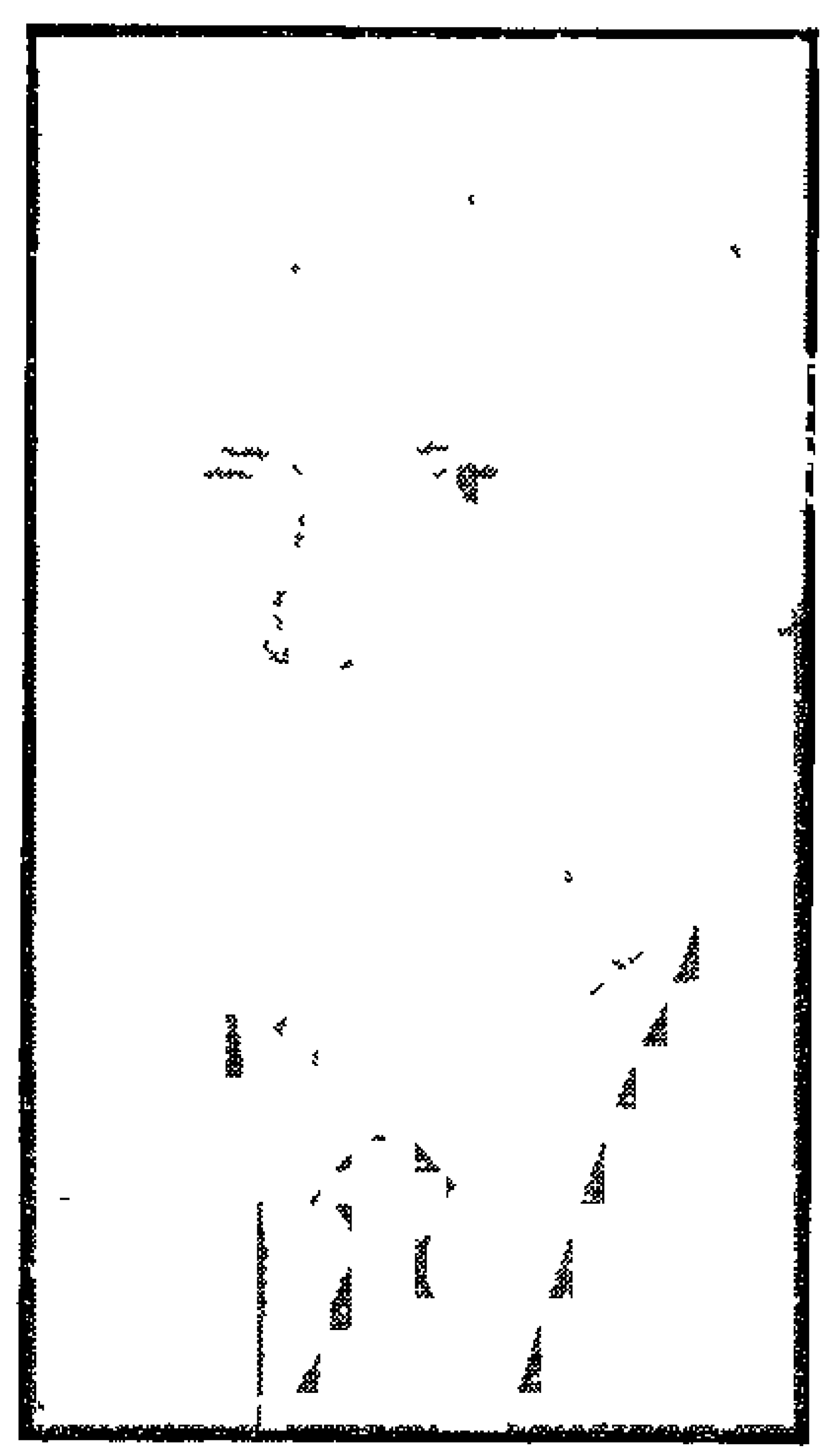
The VAT system is to be welcomed However, VAT on Krugerrands could do severe damage in international markets

I now come to the main topics on the formal agenda

Firstly, regarding "co-ordination of closures and cutbacks", if this means some form of command structure from which permission would be obtained before a mine could close or curtail its operations, it would be rejected by management

The industry is made up of 1 098 mining companies and quarries These companies are in direct commercial competition with each other They would not agree to collaborate on such strategic and competitive interests as the closure or curtailment of mining operations

Having said this, the industry believes that there exists proper responsibility on a mine closing or curtailing its operations to give full and reasonable notice, to employees in particular, of this decision and to enter into dealings with employees as to how their interests may best be served in these circumstances



□ KNOBBS

Secondly, on the protection of conditions of employment and the maintenance of standards, the industry is justly proud of its achievements in securing continuous improvements However, while standards and conditions of employment can be agreed from time to time, they cannot be guaranteed in perpetuity without regard to operational circumstances

The choices facing a marginal undertaking are not usual business choices Tough decisions need to be made Are standards and conditions of employment protected or are employment levels protected? What is cut in order to ensure survival?

The decision to lower employment conditions and/or employment levels is considered only as the very last resort These tough decisions are properly not those of management alone These are debates that must be held with employees and their representatives

I must restate that there is a clear correlation between growth in the wealth of the industry, employment levels and employment-related costs No amount of jiggery-pokery alters this fundamental equation

The road ahead lies in partnerships with the labour which fully recognise the needs of both parties rather than patronage by government, partnerships of a kind which are sufficiently flexible to produce wealth in place of patronage which ultimately consumes it

Third, management is delighted to debate with trade unions the training requirements of the industry In respect of training generally there are long-standing arrangements with the Council of Mining Unions and the officials' associations with regard to industry-wide training and certification programmes for miners, operatives, artisans and winding engine drivers No such arrangements exist at industry level in respect of unskilled and semi-skilled employees

While unskilled and semi-skilled training does not necessarily lend itself to the same kind of regulation, management would certainly invite the NUM to a comprehensive exchange of views with regard to what is being done (and what can be done)

With regard to the circumstances of the retrenching mines, we recognise the hardship that this must cause employees, their dependants and the communities from which they are drawn Where employment cannot be defended further without putting additional jobs at risk, the mines have endeavoured to secure the best possible circumstances that can both be afforded and practically achieved for employees

We cannot say, however, that no more can be done Retrenching mineswelcome the opportunity to share views with trade unions on what is and can be done to assist retrenchees within the obvious constraints

In conclusion, I think we must agree to put the 1980s behind us We have learnt much from that decade It was characterised by often bitter exchanges which left us all the poorer and no better equipped to deal with present operational adversities If we are to survive this period of hardship, and to prosper, we are going to need to work together

We extend the offer that we stand ready to participate with all those who are willing to assist in the search for sustainable solutions I would finally like to suggest that representatives of labour, government and the mining industry continue these talks, if necessary in forums agreed specifically for that purpose, in order to ensure that our very profitable discussions we anticipate today do not lose momentum and can be translated into a process which meets the very special concerns we all share

□ This is an edited version of the address by Chamber of Mines president Knobbs to Monday's mining summit

Large deals help to buoy Diagonal Street

(214)

MERVYN HARRIS

SEVERAL large deals buoyed Diagonal Street in an otherwise lethargic session of trading yesterday

Heading the most active value list were mining shares GFSA and Vaal Reefs with a combined total of shares worth more than R37m changing hands The GFSA bookover involved 264 000 shares at R74,50 each, worth nearly R21m, while the Vaal Reefs deal saw 63 500 shares booked over at R210 a share, worth about R16m

Dealers said the deals probably represented a fund or institution liquidating or realising its assets An analyst said they could be related to the tax law regarding the sale of assets held for 10 years

Specialty Stores, the operating company for Storeco, topped the most active volume list on a parcel of 1,6-million shares worth R9,8m changing hands at 600c a share, 50c below the ruling price The transaction is believed to concern the recent buyout of control by the two joint MDs from Board of Executors BDay 6/6/91

Other large deals involved textile group Da Gama's more than 1-million shares worth R7m, traded in four deals at the ruling price of 700c, and 1,1-million Cenprop shares worth R3,7m

Demand for quality shares lifted the JSE industrial index nine points to a new closing high of 3 654

Govt attends union summit

Sowk 6/6-12/6/91

THE National Union of Mineworkers (NUM) established a steering committee to deal with the crisis in the gold mining industry at its historic one-day summit in Johannesburg on Monday. 214

The summit was attended by a broad range of bodies, including the Chamber of Mines, a government delegation headed by the Minister of Mineral and Energy Affairs Mr George Bartlett, major mining employers, and other trade unions and associations, said NUM researcher Mr Martin Nicol on Wednesday.

The eight-member committee includes representatives of the Chamber of Mines, NUM and the Department of Mineral and Energy Affairs. It will meet for the first time within the next two weeks.

NUM emphasised the need for the committee to look at a concerted programme that would deal with the increasing retrenchments in the gold mining industry.

Ergo chairman Sunter welcomes VAT

WILLIAM GILFILLAN

THE VAT system will help curb the cost of new investments and operations in the mining industry, says Ergo chairman Clem Sunter in his Chairman's Review released this week

In one step the significant sales tax burden borne by mines on such costs will be eliminated, he says

This, together with the reduction in the import surcharge to 5% from 10%, will contribute significantly to efforts to contain costs in the gold mining industry

Citizen 6/6/91

Sunter also states that closer communication links are being forged with Ergo's suppliers in order to make clear to them the gravity of the situation in the gold mining industry

214 329

In the interests of the SA gold mining industry's long-term future co-operation by all parties, whether suppliers, unions or government, is vitally important

FM 7/6/91.

ANGLO AMERICAN

LESS FROM GOLD (214)

Demand has been falling in most of the sectors in which Anglo American Corp has investments, so it was probably inevitable the group's earnings would weaken The 1991 results — with attributable earnings down by 7% and the equity accounted earnings down by 17% — bring to an end eight years of uninterrupted growth

Considering the strength of Anglo's balance sheet and its underlying assets, it was probably equally inevitable that the dividend would at least be maintained, it has not been cut in the past 21 years The decline in the "hard" earnings at attributable level was relatively small, so it took only a small cut in the cover — from 2,0 to 1,86 — to hold the payout at 325c per share

Chairman Julian Ogilvie Thompson says management is "rather pleased" with the performance, particularly in view of comparisons with other international mining groups He notes, for example, that in their 1990 financial years, RTZ's earnings were down by 16%, CRA by 24%, Amax by 37%, Alcan by 35% and Miranda by 72% — though Western Mining was up

Gold mining remains an important part of Anglo's interests, but its contribution to investment income continues to fall Five years ago, dividend income from gold interests accounted for as much as 40% of investment earnings By the 1990 financial year the percentage had dropped to 23,5%, and in the 1991 year it fell to only 17,8% As a percentage of equity accounted earnings, gold's contribution dropped to only 8,8%

Contributions from most of the other interests also weakened Among the better performers was Amcoal (one of Anglo's few

continue

FM 7/6/91 (214)

major subsidiaries), whose contribution to equity earnings rose from R132m to R143m Ogilvie Thompson says that with former international markets for SA coal opening to exporters, the group is confident Amcoal will again produce "satisfactory" results this year

Financial services and property also did better Thanks particularly to First National and Southern Life, the sector's equity accounted earnings rose from last year's R180m to R197m

But, though Anglo has diversified its portfolio, gold mining remains a core part of its operations Ogilvie Thompson notes that cost-cutting programmes have been pursued both at the mines and at head office At the mines, greater efficiencies are expected during the current financial year, and the objective is to maintain costs in R/kg At head office, staff will have been reduced by several hundred, or about 10%

Ogilvie Thompson believes it's encouraging that demand for gold from the jewellery fabrication sector over the past two years has exceeded the total Western production in that period He believes jewellery consumption could be stimulated by advertising, and that the buoyancy of this sector could eventually have favourable effects on invesment demand

Expenditure on exploration will be reduced this year, with cuts focused on the gold sector Priority will be given to areas where Anglo does not own the mineral rights, and may have to give up options fairly soon

Asked whether Anglo had considered an "unbundling" of its shareholdings — as was mooted for Gencor by its chairman, Derek Keys — Ogilvie Thompson said it was felt this would not be appropriate for Anglo "Mining houses originated because of the shortage of skills, and that situation remains just as true today," he said

There is no point expecting any significant growth in earnings this year, so it's almost certain the 1992 dividend will again be 325c, giving a forward yield of 3% The NAV per share was R131,86 at March 31, and is now about R138 At R108, the share price discounts NAV by about 22% In view of the recovery potential, and the limited exposure that the earnings now have to gold, the share does not look expensive

Andrew McNulty

Low offer for gold miners

WMail 7/6/1-13/6/91

By DREW FORREST

THE Chamber of Mines offered a four percent wage rise for 400 000 black gold miners in the opening round of annual pay talks with the National Union of Mineworkers this week.

Chamber spokesman Peter Bunkell would only say that further talks were due today, but the offer of four percent on the goldmines, and a range of increases of less than 10 percent on the coalmines, was confirmed by an unimpeachable source.

The NUM has demanded rises of not less than 20 percent and the narrowing of wage gaps in gold, but has shifted its focus to non-wage issues and industry restructuring in response to the sector's crisis. In coal, which it says is faring much better, it has demanded an average 55 percent rise

In further evidence of the woes of South African mining, De Beers last week offered a 3,5 percent increase at the bottom in the second round of talks with the NUM.

The union is currently demanding 24 percent across the board for the 8 000 workers employed at De Beers' five diamond mines

Call on gold mines to change strategy

GT 7/6/91. (214)

Own Correspondent

JOHANNESBURG — SA's gold industry would withstand the most difficult period in its history, and emerge from the current crisis stronger than ever, Gengold MD Gary Maude said in the US yesterday

In an address to the Boston Gold Conference, Maude said the industry's future health depended on a change in strategy

Maude said mining companies should spend money on maximising production flexibility, the ability to mine ore at grades which would ensure the greatest profits at any given gold price

To do this mines had to spend money on expensive but vital development work underground to gain access to available ore at varying grades

SA producers had in the past paid the best dividends possible in good years by doing minimum development work.

"A better policy might be to concentrate on strategic development in good years, so that production levels can be maintained under higher pay-limit conditions

"I think in times to come the present depressed market will be seen as the best thing that could have happened

"Not only did it force us to study and take action on the fundamentals of gold mining, but it also caused the industry to be in better shape for any upward trend in the price of gold "

The industry's stamina was of crucial importance for SA and the southern African region Gold mining still accounted for 52% of SA's mining exports, which in turn contributed 44% of SA's total exports

Maude said SA's reliance on gold was such that a $10 dip in the average annual gold price would cost nearly R560m a year in foreign exchange earnings, if output was unchanged

As R1,4bn was paid out in wages to migrant workers in 1990 from neighbouring countries, it was "essential for the whole region that SA gold mining remains profitable"

Maude said the crucial factor facing the industry was the cost of production

Maude optimistic about gold industry

B/Day 7/6/91 (214)

MATTHEW CURTIN

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Maude said the crucial factor facing the industry was the cost of production

In the gold boom of the past 10 years in which world production rose 75%, SA had lost its competitive edge regarding costs as wage levels rose consistently In the battle against rising costs — labour contributed 50% of those costs in SA — mechanisation was not a panacea

He said the best solution was to increase workers' flexibility through multiple-task training

Gold picks up (214)

Finance Staff Star 7/6/91

The fortunes of the gold mining industry are starting to look up. The gold price in rands — which is what the mines get for their production — rose to R1035,6 an ounce yesterday.

This is a gain of R126 or 14 percent since the R909 the mines were receiving in early February and the highest rand price since the beginning of January.

The higher rand price is the result of a firmer dollar gold price and a recent drop in the rand against the dollar. If this higher rand gold price is maintained, the gold mining industry's June quarterly reports could show improved profits on the previous quarter figures.

Gold was fixed at $364,85 in London yesterday afternoon, a dollar up on Wednesday's close.

However, it fell back slightly to a close of $364,25 as investors became wary of the recent weakness in the precious metal markets.

The rand closed yesterday at R2,838 to the US dollar, a cent down on the previous day's close.

However, the financial rand dipped by 6c to a day's low of R3,38

SA gold, forex reserves rise

9 Times 8/6/91. (214) (3A)

By ARI JACOBSON

SA's total gold and foreign reserves rose by R195,8m in May against expectations of a further decline after shedding R294m in April.

Sanlam's chief economist Johan Louw said the government's bank had them worried earlier in the week with talk of "leads and lags" creating a large capital outflow in the period under review

Louw said this came about because of a weakening rand encouraging importers to stall payments and exporters to rush the settling of bills

However, considering the pessimistic expectations the performance was not bad at all, he said

"Also the weakening rand does not completely account for the rise in reserves because even in dollar terms the forex position rose by $40m"

Louw said this could be because of an improved trade position, a solid inflow of capital or a combination of the two elements

Old Mutual's Ursula Maritz said the good all-round performance was supported by higher gold volumes for the month of May (0,6%) and a higher gold valuation at R904 an ounce as opposed to R899 an ounce for April

Maritz pointed out that uptick in reserves has improved the cover position on imports Imports now have almost two months cover via reserves from March's ratio of 1,6

Total gold and foreign assets held by the country increased to R7,2bn, up from R6,98bn in March

Total gold holdings increased to R4,4bn, a slight improvement of R95m from March

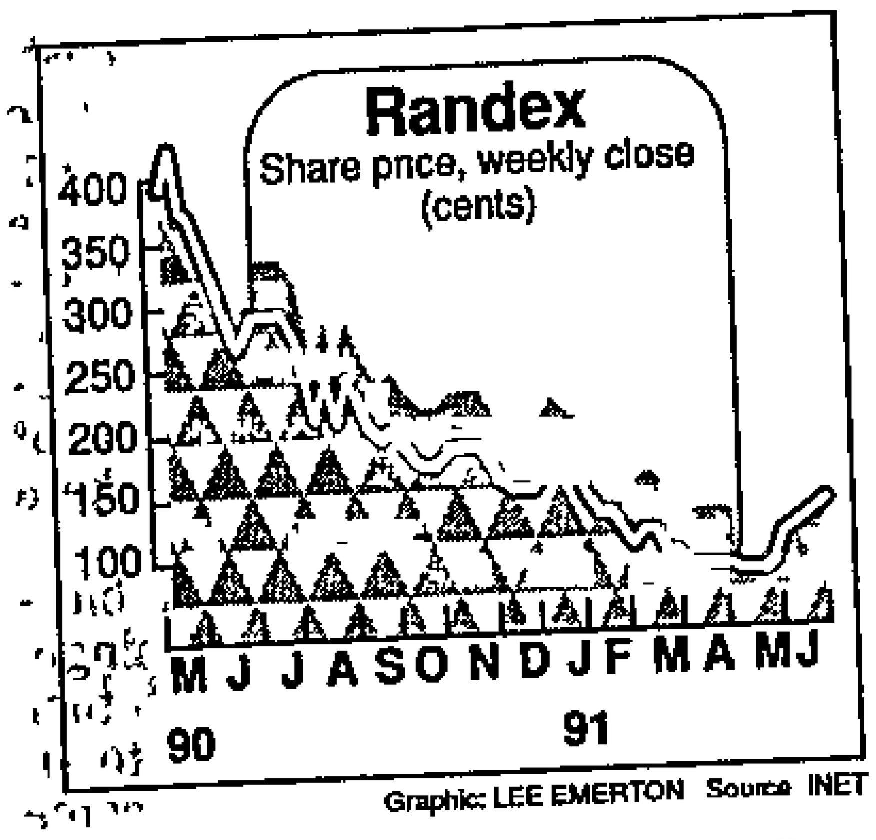
Total foreign assets grew by R100,8m to R2,7bn from April's figure of R2,6bn

Gold holdings were valued at R904,53 a fine ounce from R889,27 the previous month, an improvement of R15,26

Physical gold holdings in May increased by 22 733 fine ounces to 4,91m fine ounces from 4,89m fine ounces

Stockbrokers Frankal, Max Pollak, Vinderine's economist Mike Brown is optimistic in his forecast that net forex will grow sharply by R3,5bn this year and by R4,6bn in 1992

"This will consist of capital inflows of R600m in 1991 and R1,5bn next year, with the current account surplus registering R2,9bn for the year and R3,1bn next year"



Graphic: LEE EMERTON Source INET

Talk of a find boosts Randex

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MATTHEW CURTIN

SHARES in mining exploration company Randex burst into action on Friday with a 40c or 36% rise as speculation mounted that the company was on the verge of announcing a large lead and zinc discovery

Shares closed at 150c, 80c up from a year low of 70c two months ago, in unusually heavy trading in which nearly 7 000 shares changed hands

Analysts said the base metal deposit was most likely to be in Natal or the north western Cape, and could be similar to the Black Mountain operation which Gold Fields SA manages

B Day 10/6/91.

However, Randex MD Mike Saner was quick to pour cold water on the speculation which he dismissed as "traditional mining exploration rumour mongering"

Randex had no significant news to report Saner said the sector was "notoriously volatile" Randex shares traded at more than 500c in the middle of last year

In Randex's annual report, the company mentioned only one base metal exploration project, a joint venture with Rand Mines at Tsongoari in Namibia which was at the stage of asset evaluation after a year of "erratic" operations

Saner said the area in question was a 83 000ha site in a barren part of the country It was accessible only by helicopter and workable in winter Rand Mines were currently responsible for funding the exploration work

New mine hit by low gold price

ARG 11/6/91

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From DEREK TOMMEY

JOHANNESBURG — Weltevreden, Gengold's developing mine about 8km south of Orkney in the Transvaal, has fallen victim to the low gold price

Gengold announced last night that it was curtailing development at the mine until such time as the gold price recovers to an "appropriate and sustainable level"

Mr Alan Field, Gengold's consulting geologist for the Western Transvaal, said that it had been necessary to reconsider the project in the light of the persistently weak rand price of gold

He said the gold price today was 25 percent lower in real terms than in 1989 when the decision was taken to proceed with Phase 1 of the mine This would have led to the production of 30000 tons of ore a month at a capital cost of R210million in escalated terms

Mr Field said that at the current gold price the project's costs would exceed its revenue However, the mine will complete current contracts and continue with a programme of limited underground development to improve knowledge of the orebody

This will ensure that the mine will be well-placed to build-up production at short notice and also that most of the workforce will continue to have jobs

So far the mine has cost R55million This has been funded by Gengold (76,6 percent), Lydenburg Exploration (10 percent), Vaal Reefs (8 percent) and Randex (5,4 percent) A further R20million will be spent by the end of the year to complete current contracts, including much of the metallurgical plant

Gencor puts its new mine on hold

(214)

BDay 11/6/91.

MATTHEW CURTIN

WELTEVREDEN, the Gencor group's new gold mine, has essentially been put on hold until gold emerges decisively from its present trough

Management says production of the mine's first gold will be delayed, that underground development has been slowed and that exploration at the mine has been cut back

Plans to develop Weltevreden were announced with something of a fanfare in December 1989 — it was to be one of the country's first new mines in years Originally gold production was scheduled to start in mid-1992 at an initial cost of R210m A further R250m was planned to raise the mine to full production by 1995

Alan Field, Gengold's consulting engineer for the western Transvaal, said yesterday the persistently weak rand gold price had forced management to curtail operations. The real price of gold was about 25% lower than when Weltevreden's development was given the green light

"Weltevreden will not bring in any profits in the foreseeable future at the current gold price," he said

Plans to start production at a rate of 30 000 tons a month by the end of next year had been postponed Some development work would continue, but at a reduced rate

Field said the mine's development had been on schedule and that the R55m spent so far was within budget About two-thirds of the 88 jobs on the mine would go, but Gengold hoped to keep retrenchments to a minimum by relocating staff wherever possible The mine was originally planned to have a workforce of about 1 400 when it reached full production of 90 000 tons a month by mid-1995

The company will not delay completion of the mine's metallurgical plant even though ore milling is to be delayed

The 3 448ha Weltevreden lease area is in the Free State, 8km south of Orkney, and separated from Anglo American's Vaal Reefs gold mine by the Vaal River The mine's ore is far shallower than at other mines in the Klerksdorp field and this

☐ To Page 2

Gencor mine

BDay 11/6/91.

(214) ☐ From Page 1

meant it could be developed cheaply as a comparatively small-scale operation

Analysts expressed astonishment at the news yesterday Weltevreden is the shallowest virgin gold mine in SA and was planned as a low-cost gold mine well equipped to cope with the weak gold price and soaring costs currently affecting the industry Mining operations at Weltevreden would exploit the Ventersdorp Contact Reef at a depth of between 100m and 1 100m Field said two eight degree inclines — designed for the installation of a trackless haulage system — had been sunk to a first mining level of 115m

At the official opening of the mine in October last year, Genmin chairman Brian Gilbertson said the mine could break even at "well below R25 000/kg in today's money" The rand gold price then was about R30 300/kg, but today with the rand's recent slide against the dollar it stands near the R34 000/kg mark

Analysts said that the decision to curtail operations could have been taken either because Gengold had a pessimistic outlook on the gold price, or because underground grades had not come up to expectations

Weltevreden's richest ore was at the deeper levels, and while the average in situ grade was 5g/t, the grade expected in the first phase of production was only 4g/t Rice Rinaldi analyst Dean Cunningham said that if in situ grades had proved to be worse than expected, then the final grade from the mine might be very low indeed

He believed that Gengold's policy of not operating mines at a loss prompted yesterday's decision

Cutbacks at Weltevreden were not good for employment in the industry However, as a sign of falling worldwide gold production which would cut supply, it augured well for a better gold price in the longer term, Cunningham said

Anglovaal figures 'reflect uncertainty'

(214)

BDay 12/6/91.

MATTHEW CURTIN

UNCHANGED final and year-end dividends declared at Anglovaal and its investment finance exploration company Middle Witwatersrand (Mid Wits) reflected the uncertain future facing SA's mining industry, the group's directors said yesterday

However, they said interest earnings from Anglovaal's 1990 rights issue and share dealing profits more than offset lower returns from gold, base mineral and industrial investments

Year-end ordinary share dividends of 92c, 6c and 7,32c were declared at Anglovaal, Mid Wits, and holding company Anglovaal Holdings respectively for fiscal 1990 Estimated consolidated earnings at Mid Wits jumped 77% to R46,5m (R26,3m previously), while earnings at Anglovaal rose 15% to R267m (R238m)

Estimated earnings a share rose 34% to 14,5c (10,8c) at Mid Wits and fell 15% at Anglovaal to 450c (530c) against the 39% increase in the company's share capital through the rights issue

Anglovaal spokesman Ray Moore said yesterday the group's practice of declaring final dividends before year-end was the reason behind the publication of estimated consolidated earnings at the same time Given the diversification and expansion of the group's interests, it was difficult to produce accurate estimates Consequently the figures were conservative From 1992, Anglovaal would announce final dividend and year-end results in September.

In the March quarter, falling gold recovery grades reduced gold production and squeezed working profits at Anglovaal's gold mines, Hartbeesfontein, ET Cons and Loraine Loraine slipped deeper into the red — after-tax and capex losses rose from R1m to R6,2m — prompting further staff and production cutbacks

Final dividends at Hartbeesfontein, ET Cons, Village Main Reef and investment company Zandpan were down by as much as 30% because of the lower average rand gold prices and rising costs

Anglovaal Industries reported a 5% rise in earnings at the end-December interim stage Improved earnings at its rubber, packaging, foods and beverage divisions offset a poorer showing from the construction, textile and electronics sectors

Mixed bag from GFSA

214
47
12/6/91

THE gold mines in the Gold Fields of SA stable yesterday announced a mixed bag of final dividends for the year ending June 30, 1991

Deelkraal Gold Mining lowered its final dividend from 35c to 10c a share making a total dividend of 20c against 60c per share the previous year

However, Driefontein Consolidated increased its final dividend from 80c to 95c giving a total dividend for the year of 155c against the previous year's 145c per share.

Kloof Gold Mining increased its final dividend from 45c to 50c The total dividend for the year, however, came to 90c against the previous year's 105c per share

Libanon Gold Mining passed its final dividend making no payment for the year against 10c per share the year before

Doornfontein Gold Mining, Venterspost Gold Mining and Vlakfontein Gold Mining passed their final dividends, making no payments for the current year or previous year — Reuter

Anglovaal divs reflect shaky future

214

C Times 12/6/91.

Own Correspondent

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GOLD — 1 FM 14/6/91

SILVER SISTER (214)

So far, so good. The silver-led rally, which has added 30% to the grey metal since its 17-year low of US350c/oz in February, with 9% in the past five trading days alone, is holding gold up at US$372,75/oz as the *FM* goes to press Silver itself eased a touch to US455c, after failing to hurdle US460c, on profit-taking in New York Gold is behaving more warily, with London waiting for the next bout of forward selling from those producers afflicted by what GFSA's Robin Plumbridge has called "negative mindset "

Up a mere 5,5% on its 1991 April low, gold has crawled behind what is, after all, primarily an industrial metal (only 15% of silver goes into jewellery or silverware) But it would seem that a residual "precious metals" linkage lingers

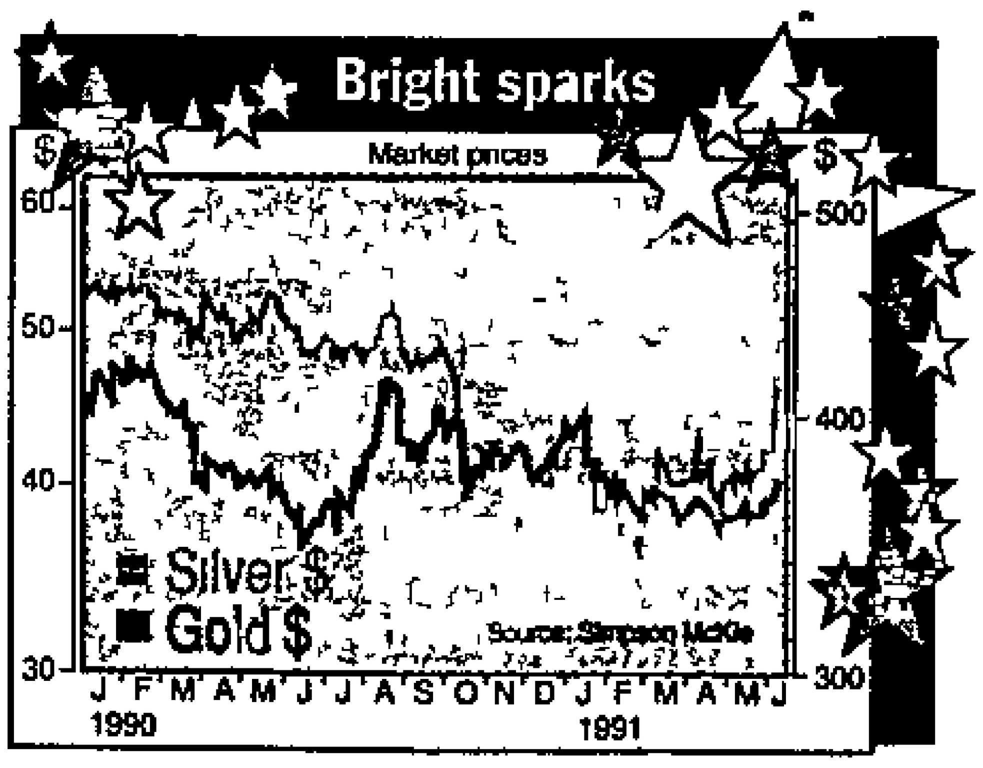
Silver's run does have some short-term fundamentals going for it. The Silver Institute in the US last week reported a 2,7% drop in total supply in 1990 and the first deficit for 12 years as demand of 500m oz outran offerings by 24,4m oz The shortfall was entirely due to a drop in scrap recovery, which was deterred by low prices New mine output was up 4% at 362,6m oz

But the institute forecasts a deficit of 32m oz this year as high-cost primary producers — the average is over US425c/oz — close This will not affect by-product silver, which is equivalent to 70% of mined output But a 2% dip to 356m oz is projected and production plans for 74m oz, due to come on stream over the next three years, have been dropped.

Industrial demand, up 6,6% in 1991, is projected 2,3% higher this year, with photography (40% of consumption) gaining 4%

Where does that leave gold, which has no similar set of fundamentals?

Silver's bottoming in February owed much



continue →

FM 14/6/91 (214)

to the ratio play With gold more than 100 times the price of silver — at the 1980 hysteria peak the ratio was 17 1 — speculators moved into the lesser metal

The same factor, in reverse, has been helping gold At $360 the gold silver ratio was 90 1 This week it narrowed to 82 1, against the 1990 average of 79 1

On top of that, short-term chart indicators are favourable

Gold's 20-day moving average has moved up through the 60-day line Speculators who followed that signal in the past 18 months — on both the up- and downside — would have caught the bulk of gold's movements

As London stockbroker James Capel points out "This is an event which has happened only three times in the past two years and has been followed by rises of $50, $50 and $30, respectively " Conversely, anyone who went short when the 20-day crossed the 60-day line going down, and covered when the reverse happened last year between February and July, would have made $50/oz

Technically, a bull market needs the spot price to go above the 200-day moving average and stay there for three months as shorter-term indicators join it But that means waiting for $390 — and missing out

It remains to be seen what happens next

Stuart Murray, head of Gold Fields Mineral Services in London, tells the *FM* he has not detected any producer selling into the latest rally "For them the top end of the range looks like $385 and they may hang on a bit longer But it is to be expected," he said

Yet Capel notes that the Swiss franc price is already achieving longer-term targets, with the 100-day moving average crossing through an already rising 200-day moving average

It also describes fundamentals as "interesting" — imports into South East Asia and the Middle East were 27% up during the first two months to an annualised 920 t, against 718 t last year In addition the Middle East jewellery area is recovering quickly from the Gulf War, with Dubai taking 23 t in March, some 45% over the comparable 1990 figure

Meanwhile gold appears to be bucking a strong dollar and weakening oil prices in favour of a tenuous historical relationship with sister silver — as long as producers can refrain from knocking it on the head again ■

GOLD — 2 FM 14/6/91

MARKET PLAY

(214)

Supplies of gold remained at a high level in 1990, at over 2 200 t, finds a Bank for International Settlements (BIS) analysis

The BIS annual report says Western mine output rose for the 11th year running, by about 50 t to 1 735 t "This further growth in the face of continuing price weakness was largely a consequence of long lags in mining exploration and production High prices in the early Eighties, as well as the development of techniques for extracting gold profit-

FM 14/6/91 (214)

ably from low grades of ore, spurred companies to open mines in North America, Australia and several other regions "

The Soviet Union, though being overtaken by the US as the second largest producer, still supplies "significant amounts to world markets" and "China has increased its output substantially in recent years " Reliable information on their supplies is not available — BIS estimates they sold 350 t outright in 1990, the most since 1986

Outright disposals by official holders were not an important source of net additional supply in 1990 Official holdings, valued in US dollars, dropped by nearly 3% between end-1989 and end-1990 But physical stocks were almost unchanged and the decline was due almost entirely to the fall in price

In the year there was an increase in gold loans "even though the risks in such business were underlined by the default of Drexel Burnham Lambert, a financial conglomerate with large gold borrowings Interest rates on gold loans temporarily reached record levels of over 3%, presumably in response to the perceived increase in risk caused by this default and because of greater pessimism regarding the future of the gold price

"Altogether, the net new amount of gold coming on to the market through gold loans, without reducing reported official gold stocks, may be put at around 100 t "

Demand was dampened by incipient recession in several countries "Nonetheless, despite substantial purchases in earlier years and the prospect of low consumer demand, jewellery manufacturers continued to buy when prices dropped sharply " ■

Laing closes gold mine deal

B Day 14/6/91

MATTHEW CURTIN

REVERE Resources MD Glenn Laing has bought the Rand Leases gold mine from Severin Mining Development (SMD) for an undisclosed sum.

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The move marks the end of SMD's five year foray into gold mining Its Eersteling gold operation was placed in provisional liquidation and suspended from trading on the JSE last month.

Laing was unavailable for comment at the time of going to press. His acquisition of Rand Leases gold operation follows his purchase of a majority stake in South Witwatersrand Exploration's gold operation South Murchison at the end of last month

Laing resigned as MD from Consolidated Mining Corporation (CMC) in April and said recently he was working to rebuild his mining group. His first success based on the recycling of gold dumps led to the formation of Southgo which became the gold operating arm of CMC in 1988

SMD director Franka Severin said last night SMD would retain the non-mining interests at Rand Leases including property worth about R16m, more than half the company's current market value of R30m Rand Leases shares rose 13,6% or 3c to 25c on the JSE yesterday, against a year-low of 5c one month ago

She said Laing would examine the quality of the mine's ageing metallurgical plant which had forced cutbacks in gold production. He would also continue with the 11 Shaft pillar development where high grades of about 8g/t were expected

☐ To Page 2

Laing

B Day 14/6/91.

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☐ From Page 1

Severin said the company had not given up easily in its five year attempt to mine gold profitably, but SMD had suffered from its failure to diversify away from gold

Diversification would have enabled the company to have survived the recent years of soaring costs and the low gold price, but the stock market crash in 1987 had frustrated SMD's attempts to raise money to broaden its portfolio

SMD sold its controlling stake in Rand Leases for R7m to Swiss-based company Ossery in December last year Rand Leases and Eersteling turned in pre-tax losses of R231 00 and R839 000 respectively during the March quarter

Mining houses react warily

NUM styles new demands on Ergo deal

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B'Day 14/6/91

ALAN FINE

THE National Union of Mineworkers (NUM) will use its ground-breaking wage deal with Anglo American's Ergo as a model in its negotiations with the Chamber of Mines.

The chamber's external affairs manager Johann Liebenberg disclosed yesterday that the industry had received from the NUM a profit- and performance-linked wage proposal similar to that agreed between the union and Ergo on Monday

Liebenberg said the proposal, intended to apply to gold mines only, was made by the NUM at the fourth round of industry wage talks earlier this week.

● LIEBENBERG

He said gold-mining members of the chamber were considering the proposal. He would not comment further.

It appears the Ergo deal — especially unofficial indications from both sides that a chamber/NUM agreement for the gold-mining sector could be modelled on it — has caused tensions between some mine owners.

Yesterday afternoon the chamber's public affairs department issued a statement saying that to suggest the Ergo agreement was "likely to form the basis of possible agreement" between the chamber and the NUM created a misleading impression.

"These negotiations are ongoing, and bear no relation to wage negotiations conducted by companies outside" the chamber, the statement added.

It made no reference to Liebenberg's confirmation that the NUM's proposal had been received. It said the Ergo agreement had been noted with interest, but it would be "premature to comment . . . on the likely nature of any settlement reached".

Genmin management resources CE At du Plessis, whose company is party to the chamber negotiations, yesterday applauded the Ergo agreement.

"A deal such as the one between Ergo and the NUM is a very positive step. In hard times like this both employers and employees would benefit from it," he said.

JCI took a more cautious view. "Management is aware of current developments on negotiations in the industry. JCI management does not reject any proposals outright which are put to them. Should proposals similar to the Ergo agreement be put to management these would be considered also," a spokesman said.

Gold Fields spokesman Michael de Kock refused to comment at all on the matter. He also refused to comment on speculation that Gold Fields was the mining house taking the toughest line in the wage talks.

Rand Mines also declined to comment.

Meanwhile, Ergo manpower manager Fanie Ernst said yesterday his company was "very proud" of the agreement.

☐ To Page 2

NUM

B'Day 14/6/91 · 214

☐ From Page 1

"Our trust relationship with the union has grown strongly We came together to save the company There is a change in the climate between management and workers who all recognise we need to work together towards the new SA," Ernst said

He said the idea on which the agreement was based was initially put forward by Ergo management

Anglo American and Ergo spokesman James Duncan said "From the union's side it shows an understanding of the difficulties confronting Ergo and, from management's side, a willingness to conceive of and motivate an arrangement which rewards employees according to financial results for their contribution to productivity and profitability "

The agreement provides for a 5% across-the-board wage increase; and a new employee bonus scheme, based on financial results and operating performance, which can add a half-year bonus to each employee's wage up to a maximum 14,5% of employees' earnings

● Comment: Page 6

Rand crumbles as dollar goes wild

BDay 14/6/91 (214)

ANDREW GILL and MATHEW CURTIN

THE rand slumped to its weakest level against the dollar yesterday as the US currency went on the rampage on international foreign exchange markets

The bulls were given further ammunition with the release of unexpectedly strong US retail sales and producer price inflation data, which swept the dollar to recent highs against major currencies and a record high against the rand

The rand ended the day at R2,8847 to the dollar after crumbling to R2,89 earlier in the day.

It closed on Wednesday at R2,8623.

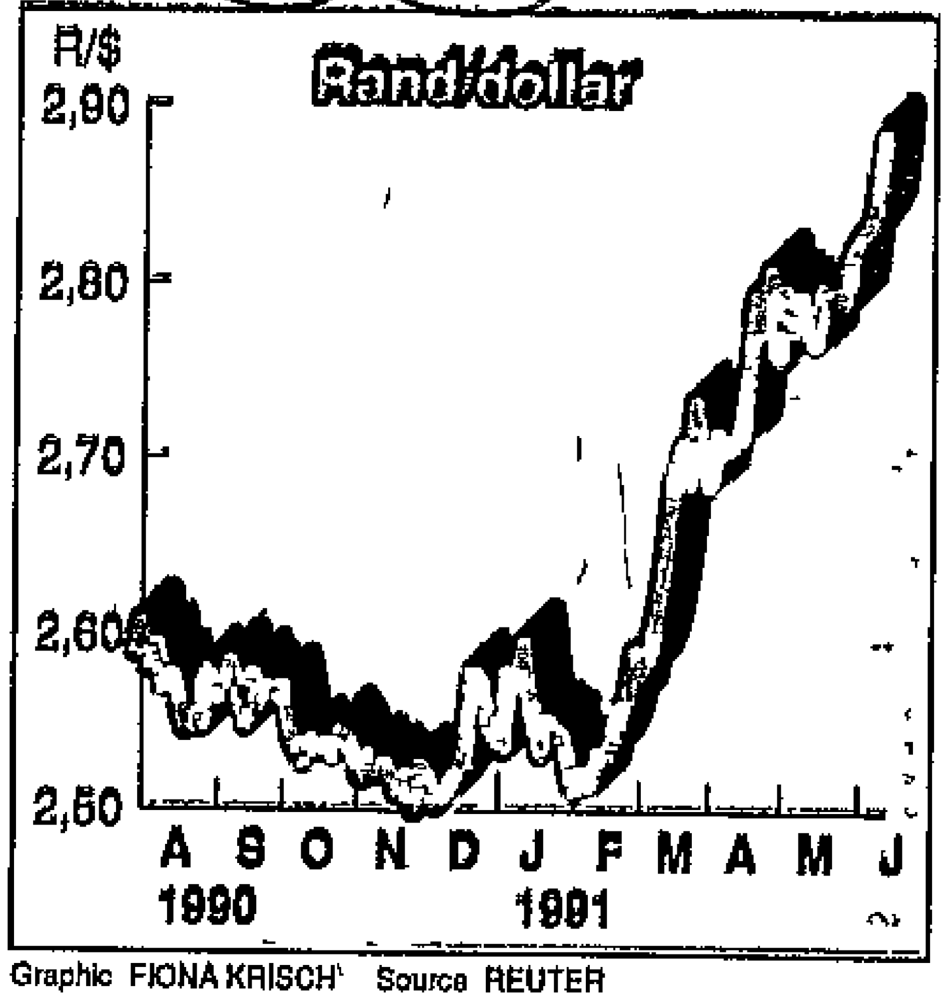
However, it held steady against the basket of currencies as other rates took an even bigger beating because of the US currency's improved fundamentals.

US consumer inflation and industrial production figures are due for release today. If positive, these could see the dollar clamber even higher.

Analysts said the solid gold price and the tumbling rand had given SA's gold mining industry a double boost which, if sustained, would drag several mines from their current marginal status.

Gold hit year highs yesterday of almost R1,070/oz or R34 350/kg.

Chamber of Mines economist Ivor



Graphic FIONA KRISCH Source REUTER

Liebowitz said chamber figures showed that with last year's average price of R31 976/kg, 11 mines were dangerously close or on the wrong side of the critical break-even mark.

However, the latest price, in the long term, would change the marginal status of the Libanon, West Rand Consolidated, Marievale, Harmony, Western Areas, and Doornfontein mines.

Still at risk would be Loraine, Grootvlei, Venterspost and ERPM, which needed a gold price of between R34 500/kg and R40 000/kg to break even.

Mine group strikes historic labour pact

S/Times 16/6/91. ~~214~~ (214)

EMPLOYERS are hailing the profit-sharing and productivity bargain struck between East Rand Gold and Uranium and the National Union of Mineworkers this week as a historic breakthrough in labour relations

Ergo and the NUM agreed on a five percent across-the-board pay increase topped up with bonuses of up to 15 percent, depending on profit levels and employee performance.

Said one of SA's most eminent industrial relations experts "The agreement is a monumental breakthrough It's the first time since the mid-70s that black trade unions have acknowledged economic reality I think this could be a first step towards healthy Japanese and Swedish-type pay practices"

Industrial relations observers regard the bargain as a breakthrough because of what they call its "win-win" nature

THE SUNDAY MORNING ASSESSMENT

by David Carte

In the age-old stand-off between labour and capital, the employer wants to maximise work and minimise wages. The union and its members want to maximise wages and minimise work

This means that one side always wins in negotiations and the other loses. Productivity bargaining and profit sharing enables both sides to win Mr Clem Sunter, chairman of Anglo's gold division, said he was delighted with the agreement

Mr At du Plessis, manpower director at Gencor, said the union's agreement on profit sharing was a welcome break from its oft-stated socialistic views

Neither the National Union of Mineworkers, nor the Congress of SA Trades Unions (Cosatu), the umbrella body to which it belongs, is prepared to make too much of the agreement They see it as "necessary in the straitened circumstances of SA gold mining"

Wages

The agreement was signed as the NUM and the chamber went into the fourth round of negotiations on pay levels on dozens of mines.

The chamber's chief negotiator, Mr Johann Liebenberg, said the NUM had asked the chamber for a similar deal on loss-making and marginally profitable gold mines

Mr Marcel Golding, assistant general secretary of the NUM, said the Ergo agreement had been signed "because wages at Ergo were higher than at other mines"

"The company was narrowly breaking even and it was considering retrenchments The deal was conditional on full disclosure and subject to review and scrutiny"

Mr Golding said he did not want to discuss negotiations with the chamber because the NUM's demands might change

Cosatu spokesman Neil Coleman said his organisation did not prescribe to member unions Nor did it negotiate There could thus be no suggestion of disagreement between Cosatu and the NUM over productivity bargaining

"This is a very particular crisis situation The productivity deal with Ergo and the similar proposal to the Chamber of Mines are limited to marginal gold mines This is not the beginning of a new trend

"In principle, Cosatu is against piecemeal bargains linking productivity and wages because they tend to keep the unions and workers in the corner they are in

"Guided by our affiliates, we have mapped out a macro approach towards restructuring the entire economy Productivity bargaining is not part of the plan"

Deals

But the NUM has set a precedent. If it has signed this deal and is prepared to sign other deals with gold mines in trouble, can it be long before it heeds the argument of Mr Liebenberg that coal mines are also stretched and require similar arrangements?

After that, how long will it be before other unions sign deals with industrial and commercial companies also under pressure? The steel and engineering industries are shedding thousands of workers every month

If Ergo employees have a good experience with this agreement, we can expect many more And there are quite good prospects

Thanks to the fall in the rand and a slight rise in the gold price in the past fortnight, the mines are receiving R100 an ounce more for their gold now than last financial year

The bottom line is that employed, unionised workers are already an elite of "insiders", conscious of the millions of unemployed "outsiders" ready to compete for their jobs

The outsiders are now the proletariat and the workers, with company-sponsored housing and medical aid, are already middle class They have a vested interest in "the system" and the last thing they want to do is be cast out among the outsiders as firms close down.

Chamber is urged to spend gold promotion cash in SA

SI Times 16/6/91 (214) (Bus Times)

By IAN ROBINSON

THE CHAMBER of Mines should cut its contribution to the World Gold Council and spend the money on promoting the South African jewellery manufacturing industry

The suggestion comes from Aidan Edwards, president of the Council for Mineral Technology (Mintek)

Dr Edwards says some of the money diverted from the council could be used to subsidise gold purchases by SA's jewellers

Chamber members contribute $2,50 an ounce of gold produced to the council At an assumed production of 600 tons in 1991, the council receives nearly R140-million from SA

Dr Edwards says the State should help the chamber to subsidise gold purchases through surrendering part of the additional tax received This would result in a closed circle beneficial to all three parties, funds flowing continuously from the State to the chamber, to the industry and back to the State

Rewards

It would provide SA jewellery manufacturers with the cheapest gold in the world Such a competitive advantage would attract foreigners to the industry and enable SA manufacturers to compete successfully in export markets

The potential rewards for supporting SA jewellery makers are high and would provide more direct benefits to the country than an increase in world gold demand which could be met from other sources

Dr Edwards envisages a future for the SA industry as a major world producer SA is a minor producer by world standards and in 1990 made only five tons of gold jewellery That was equivalent to 0,25% of world output of nearly 2 000 tons

SA should aim for 100 tons of gold jewellery by the end of the century It could earn up to R1-billion a year in foreign currency through the added value and create thousands of jobs However this would be possible only if the industry received a further boost to make it competitive

SA's production of gold jewellery more than doubled last year — from 2,1 to five tons — after the abolition of the ad valorem duty in the 1990 Budget

Executive director of the SA Jewellery Council Michael Goch predicts that production will continue to grow — at the expense of imports and the illegal trade — until it reaches the saturation point of domestic demand, which he estimates at 10 tons

Thereafter the industry must look to exports for growth

Although SA jewellery manufacturers are competitive with foreigners in the domestic market, they pay too much for gold to compete successfully abroad

Their higher prices result from interest charges which exceed those in other countries The Reserve Bank lends gold to commercial banks which in turn lend it to the manufacturers

Total interest on these loans amounts to about 8% compared with 2,5% Italian manufacturers pay on gold loans from Swiss banks

Mr Goch says the gold price is not the only constraint which limits export growth There is a severe shortage of skilled labour and SA's potential niche in the world gold jewellery industry must be identified SA produces high-quality jewellery, but manufacturers focus on the upper range of the market and not the bulk one where they would compete against countries like Hong Kong with low labour costs and Italy with its highly sophisticated chain industry

SA needs to develop a specific ethos which should be promoted initially through the tourist market

SA's gold industry has travelled a long way since 1988 At the time there were three major constraints

- An ad valorem tax of 35%
- The requirement of a minimum added value content of 25% before the item could be exported
- A restriction of maximum purchases of 125 grams gold a day (equivalent to only four Krugerrands) by manufacturing jewellers from the State

Marginal

After Mintek's representations, the Government reduced the ad valorem tax from 35% to 25%, but this had only a marginal effect on the industry because buyer resistance remained high

In 1990, the Government scrapped the ad valorem tax and cut the required added-value content to 15% (or 10% in certain circumstances) It removed the restriction on the quantity of gold which manufacturers are allowed to buy from the State

- JEWELLEX '91, at the World Trade Centre, Kempton Park, will be opened today by Chamber of Mines president Clive Knobbs

Wholesalers and manufacturing jewellers will exhibit designs so retailers can place Christmas orders.

The UK and Turkey will show their goods in SA for the first time in five years

AIDAN EDWARDS Help for jewellers Picture PIERRE OOSTHUYSEN

Gold's obituaries canned as its constellations shine brighter

S/Times (Bus Times)

214

16/6/91

DIAGONAL STREET

By JULIE WALKER

GOLD's obituary, prematurely written in the past few months, is quietly being dropped from the commentaries

The British Mining Journal even saw fit to publish a timely gold supplement at the end of May in which every article was cautiously bullish about prospects

The Mining Journal lifted an article from the American Precious Metals Advisors, written by Jeffrey Nichols Mr Nichols' view is of long-term optimism based on the fundamentals of supply and demand

His supply figures include mine production, scrap recovery, net sales by centrally planned economies and forward sales and gold loans, but not sales and purchases from the official sector

Central bank transactions are counted as changes in outstanding gold stocks

He believes mine production probably peaked last year New gold loans peaked in 1988 Repayments against gold loans are growing sharply as are deliveries of metal against forward sales These must be netted out against new forward sales

Jewellery fabrication demand has shown strong growth, but Mr Nichols expects central bank holdings to fall by 2-million ounces

But, he says, this year something interesting is happening to the market balance. Fewer than 10-million ounces will be available to satisfy investor demand, and most of it will be taken up by coinage

In 1990 13,1-million ounces were taken up — the lowest since 1985

Only 3,1-million ounces will be available to satisfy bar hoarding demand, which required 8,2-million ounces last year

Mr Nichols likens the lag between changing fundamentals and prices to pulling a rock with a rubber band At first only the slack is taken up, and even when the tension is high, the object might not budge But at some point, the object suddenly shoots forward

"The shrinking surplus of available gold indicates that the rubber band which connects market fundamentals with price is over-extended"

Does it mean prices are about to snap higher?

"Not necessarily, but it suggests that when investor sentiment turns positive, gold's response will surprise many of us"

Carr Kitcat & Aitken analysts Graham Roberts and Wiktor Bielski say the balance appears to be moving, albeit slowly, in gold's favour

"Both fundamental and technical evidence suggest that the gold price is close to completing the bottoming process which began in early 1989.

"Although we expect little change over the next two to three months with bullion likely to continue to trade sideways in its current $350-$380 range, a gradual improvement appears increasingly on the cards for the latter part of the year

"Furthermore, the long-term outlook continues to improve as the combination of lower real interest rates, strong Far Eastern demand, declining mine production and rising jewellery offtake should lead to renewed investor interest, and therefore, gold price appreciation"

London commodity broker UBS Phillips & Drew analyst Andrew Smith defines gold stars into three constellations A gold star is a class that invests in physical gold

Constellation I is buyers through tradition These include the Chinese, who buy gold for new year gifts, and Indians who give it as wedding presents at the 10-million or more annual unions

Mr Smith says both these nations are poor rural countries with underdeveloped banking systems, highish inflation and all the insecurities which fairly wide swings in real income can bring

"In these environments, gold retains the role of quasi-money, a medium of exchange and a store of value of first resort."

He says China and India will be there for the gold market in the 1990s, but as bedrock rather than fertile soil

Constellation II is made up of those who buy because of fear Countries with hyperinflation, currency devaluations, negative real interest rates and undermined faith in the banking system are a hothouse environment for gold

It is seen as more secure than paper money and as a safe haven He includes Brazil and Turkey in this bracket Even if financial prudence is sought in such economies, it will take years for faith in paper money to be restored

The third constellation holds those who buy through greed It has two stars — South-East Asia and the Middle East The first is growing rich through the use of human resources, the second has become rich through oil

South-East Asia's "growth miracle" was achieved generally without high inflation yet with respected banking systems and positive real interest rates So why gold?

Mr Smith says the Chinese connection is strong, Chinese controlling much of the gold business in the region

Political stability is still far away for many countries and fear often overlays greed buying He believes prospects of gold offtake in the 1990s in the Asian stars are bright

In the Middle East a trickle-down effect into gold buying came about in the 1970s through new-found wealth and not much to spend it on

The halving of the oil price in the 1980s led to a huge loss of wealth and the Persian Gulf war means a liquidity squeeze on many nations holding golden war chests

"The big imponderable for the 1990s is the extent to which the immediate disinterest in gold by large official and semi-official buyers will be offset by a gradual revival of trickle-down buying"

Mr Smith gives possible trajectory paths for his gold stars

He asks if there will be enough investor buying by poor and developing nations to offset offloading from the rich whose greed motivations might be better satisfied in paper markets

If not, jewellery demand from the rich might be the only means of providing physical support for gold

Newcomer on ice

S/Times (Bus Times) 16/6/91.

THE theme of the bullish gold comments is that supply will fall as mines are no longer able to produce at a profit. South African mines have been earmarked in this regard.

(214)

Gengold announced this week that operations at unlisted Weltevreden Mines had been curtailed "in the light of the persistently weak rand price of gold". S/Times

So far, R55-million has been spent, provided by Gengold, Vaal Reefs, Lydex, Randex and Freegold. Gengold chipped in 76,6%. Another R20-million will be spent this year to complete contracts

The mine was announced 18 months ago, phase 1 aiming for production of 30 000 tons a month.

Gengold says the gold price is 25% lower in real terms than it was when the go-ahead for Weltevreden was given and that future cash flows would be negative at the current price. The price is about R1 070 an ounce and has never exceeded R1 100

CT 19/6/91 (214)

More mines face closure

40 000 more jobs could be lost by the end of the year

Own Correspondent

JOHANNESBURG — More gold mines might be forced to close and there was every possibility that 40 000 more jobs would be lost by the end of the year, outgoing Chamber of Mines president Clive Knobbs said yesterday

Knobbs said the "period of misfortune" which had led to recent retrenchments was far from over About 50 000 jobs have been lost in the past year

Speaking at the chamber's AGM, Knobbs said the closure of the 10 gold mines that reported working losses in 1990 — while unlikely in the immediate future — would have an alarming impact on the economy

Those mines produced 80 tons of gold worth R2,6bn in 1990 (4,2% of SA's earnings from gold and merchandise exports in the year)

Their closure would mean SA's GDP would contract by R3,5bn and 88 000 jobs would be lost in mining and a further 48 000 in service or mining-related industries

Further job losses, he said, would swell a level of national unemployment that already exceeded the bounds of acceptability

Last year was one of the most critical in the history of SA's gold-mining industry, with chamber mines' pre-tax profits falling R1,2bn to R4,2bn and tax down 42%

A 6% drop in capital expenditure and a 32% drop in dividends were also reported

More optimistically, Knobbs said corrective measures adopted to ensure the continuing operation of mines had met with some success

Working costs per kilogram of gold produced had increased by only 10,3% in 1990 thanks to stringent remedial actions

These included the suspension of operations in unprofitable workplaces, an improvement in productivity and emphasis on higher grade areas The average grade rose to 5,05 g/t in 1990 from 4,99 g/t in 1989

The gold-mining industry would inevitably contract further, but it would continue to play a dominant role in the economy, both as a major employer and foreign exchange earner

Knobbs said there were signs that global real interest rates were beginning to ease while jewellery demand continued to grow and there were indications that supplies of newly mined gold would start to fall from 1991

"These events will not take place overnight, but when they do there will be an upward adjustment in the dollar price of gold, re-establishing the vigour and vitality of the SA gold mining industry "

The coal mining industry, he said, was going to be hard pressed to maintain satisfactory levels of profitablity unless there was a rapid increase in SA's growth rate or a significant reduction in the inflation rate.

There was a limit to which the industry could increase local prices to offset the effects of constantly rising working costs and short- to medium-term prospects for domestic market expansion were tenuous as they were "inextricably coupled to the state of the national economy"

Knobbs warned that the extremely competitive nature of the international coal-trading business had become even more testing with the emergence of low-cost suppliers like Colombia, Venezuela and Indonesia

40 000 are facing unemployment

More gold mines, jobs under threat

B/Day 19/6/91 (214)

ANDREW GILL

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Knobbs said the "period of misfortune" which had led to recent retrenchments was far from over. About 50 000 jobs have been lost in the past year

● KNOBBS

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□ To Page 2

Mines

BDay 19/6/91 (214)

□ From Page 1

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Knobbs warned that the extremely competitive nature of the international coal-trading business had become even more testing with the emergence of low-cost suppliers like Colombia, Venezuela and Indonesia.

Taking advantage of changed international circumstances would not be easy because SA's absence from some international markets had been rapidly and effectively exploited by competitive suppliers.

More mine closures threat to 40 000 jobs

(214) (325) Star 19/6/91

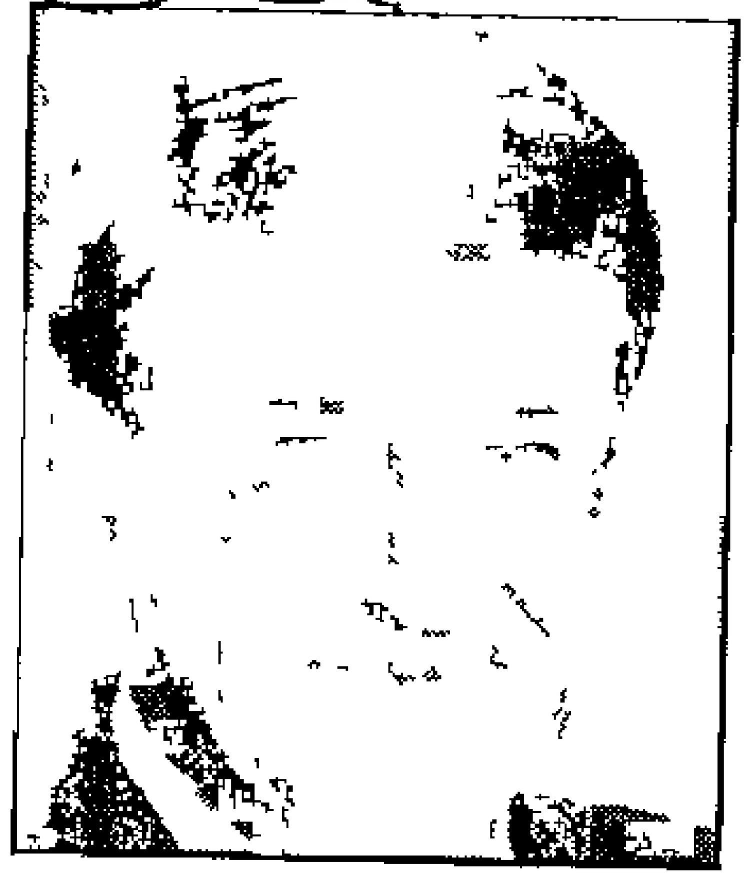
By Sven Lünsche (214)

Further mine closures and an additional 40 000 job losses in the mining industry until the end of the year are predicted by the outgoing president of the Chamber of Mines, Clive Knobbs

"The mine industry has been forced to reduce its labour complement by some 50 000 in the past year and it needs to be made clear that the period of misfortune which dictated those retrenchments is far from over," Mr Knobbs told the annual meeting of the chamber yesterday

The crisis demanded from the industry that it continued implementing of stringent remedial actions, "including the suspension of operations in unprofitable areas, an improvement in productivity and mining higher grade areas"

He warned that the closure of 10 mines, which produced gold at a loss last year, "while unlikely in the immediate future" would have an alarming impact on the economy



Taking over Naas Steenkamp, Gencor's executive director, corporate affairs, was elected president of the Chamber of Mines yesterday

"Their closure would mean that, apart from the loss of a substantial amount of foreign exchange, SA's gross domestic product would contract by an estimated R3,5 billion and 88 000 jobs would be lost in mining with a further 48 000 jobs likely to be lost in service or mining-related industries"

He directed an urgent appeal to the trade unions "to perceive the need for moderation in their demands for wage and salary increases", as labour costs make up over half of total working costs

Demands of wage increases in line with inflation have "reduced legitimacy in times of crisis

"Right now employees need to comprehend that there is considerable value in simply having a job"

Mr Knobbs said the industry's profits were at its lowest in real terms since the 1960s as a result of the high inflation rate and the low gold price

The pre-tax profits of the industry in 1990 amounted to R4,2 billion, down R1,2 billion on 1989 and almost R2,8 billion below the 1988 figure

Taxation and the state's share of profits was about 42 percent lower than in 1989, but there was a six percent reduction in capital expenditure and dividends were trimmed by a substantial 32 percent

"The virtual stagnation in the average rand price of gold over the past three years has meant that in real terms the price of gold in May this year showed a decline of about 33 percent when compared with three years ago"

However, stringent cost control measures ensured that working costs per kilogram increased by only 10,3 percent in 1990, while the emphasis placed on higher grades saw the average grade increase to 5,05 g/ton last year from 4 99 g/t in 1989

Mr Knobbs said, however, there were signs pointing to an upward adjustment in the dollar price of gold which would re-establish the industry's vigour and vitality

"Jewellery demand continues to grow and there is every indication that supplies of newly mined gold would start to fall"

The chamber had also decided to relaunch the Krugerrand on the international bullion coin market following the recent lifting of EC sanctions

Mr Knobbs is succeeded as president by Gencor executive director Naas Steenkamp Anglo American's Bobby Godsell, and Anglovaal's Junie Geldenhuys, were elected vice-presidents

Govt to guarantee Gazgold's debt (214)

ANDREW GILL

GAZANKULU Gold Holdings (Gazgold) is to be given state assistance in the form of guarantees for the independent gold mine's R8,5m in long-term loans.

Gazgold director Rory O'Donnel said yesterday an agreement had been reached in principle between government, Gazgold and a financial institution with the objective of ensuring the mine had adequate working capital. B/Day 20/6/91

Further details would be supplied when they had been agreed on by the parties.

The Mineral and Energy Affairs Department was unable to comment yesterday.

Management said in April it was looking at a financial restructuring of the company with a view to alleviating the pressure of high interest payments, which have been running at about R160 000 a month.

O'Donnel said the company had long-term liabilities of about R8,5m and was paying interest above the prime rate, a situation which could change if government guaranteed the debt.

Although profitable at the operating level, high capital expenditure and interest payments resulted in negative cash flows for Gazgold, he said.

The mine reported pre-tax profits of R109 000 in the March quarter, sharply down from the previous quarter's R639 000. However, capital expenditure accounted for most of the earnings with an outlay of R680 000 in the last quarter.

The aim was to fine tune its cost of capital as best as possible in the current climate, O'Donnel said.

The mine produced 312kg of gold from its mining and dump reclamation activities in the year ended March 1991.

● Comment: Page 6

Uranium market 'tough'

B/Day 20/6/91

ANGLO-American anticipated a tough uranium market into the next century, Anglo executive director and gold and uranium division chairman Clem Sunter said yesterday

He said only a revival of the nuclear power industry would pull uranium out of the doldrums (214)

The current ~~spot~~ price for uranium oxide was about $9/lb, he said

"We see in the next century a revival of the uranium market if scientific evidence during the 1990s clinches the connection between carbon dioxide and the greenhouse effect

"If that happens, then the world is going to move back into nuclear power stations and away from coal-burning and oil-burning power stations

"By that time, I think technology will be that much safer and hopefully the problem of disposing of the waste will be resolved"

Sunter said he could see a sort of second coming of the uranium market, but not in the near future There were surplus stocks in Eastern Europe — Sapa-Reuter

Ergo deal not a shift in policy

W/Mail 21/6-27/6/91

By DREW FORREST

THE National Union of Mineworkers' revised bargaining approach on the gold mines does not signal a watershed shift by labour to profit-related pay.

Reacting to the NUM's recent pay deal with the East Rand Gold and Uranium Company (Ergo) and compromise proposals in wage talks with the Chamber of Mines, some commentators have expressed the hope that the unions may be shifting towards profit-linked pay bargaining widely used in Europe. There is no real sign of this.

The Congress of South African Trade Unions' Neil Coleman is on record as saying that such bargaining does not form part of Cosatu proposals for economic reconstruction. Cosatu's platform for restructuring talks with the employer body Saccola in fact stresses the need to close pay gaps.

And NUM economist Martin Nicol this week emphasised that the union's revised bargaining stance was "a temporary adjustment to economic circumstances in the gold industry.

"There is no change in policy. Mineworkers continue to support our demands for a uniform rate for the job and a general rise in mine wages to levels in other sectors — and we have told the chamber this."

The Ergo deal and the NUM's proposals for marginal mines to the chamber embody a similar principle, but there are major and significant differences of detail, indicating that the Ergo package is not seen as a model. "We are looking for something drastically different on the gold mines," said NUM general secretary Cyril Ramaphosa.

NUM's Cyril Ramaphosa ...looking for something different

Ergo shop stewards are known to have applied pressure for settlement.

The Ergo agreement provides for a five percent across-the-board award and two further possible bonuses of four percent if the Ergo division makes at least R2-million operating profit per half year, and 5,5 percent depending on the performance of the company.

This means that workers can expect a maximum increase of 14,5 percent regardless of how well the company performs. "There's a cap on the profit-sharing scheme at below inflation, and that's not fair," said one unionist.

A further weakness, union commentators said, was that the second bonus was partly determined by a "performance index" calculated on additional gold and acid produced. "Proper profit-sharing should be based simply and clearly on declared profits," one said.

In talks with the chamber, the NUM has proposed a five percent increase and future profit-sharing in respect of chamber gold mines which it considers marginal. But Ramaphosa stressed that the union would reject any performance component or attempt to cap the distribution of profits.

COMPANIES

Ergo given dam rights on shared profits basis

B/Day 21/6/91 ANDREW GILL (214)

ANGLO American's East Rand Gold and Uranium company (Ergo) has acquired the right to treat slimes dams bought by a consortium of mines from ERPM last year.

The dams, bought by East Daggafontein, Lydenburg Exploration (Lydex), Potchefstroom Gold Areas (PGA) and Transvaal Sand Supply last August, contain an estimated 26,5-million tons of material with a weighted average gold grade of 0,53g/t.

Ergo will pay the consortium 50% of the processing profit (revenue less cost of treatment) derived from the dams.

Treatment of the material is expected to start in mid-1992 at a rate of about 600 000 tons a month.

Anglo said the extent of the benefit to Ergo depended largely on the level of the gold price in the future.

When ERPM sold a package of dams and rights to the consortium for R29m last year, 44 000 tons of material was said to have been viable at current gold price levels.

Lydex and PGA paid R13m each and East Daggafontein R3m. The Lydex Group, which includes PGA, will receive 85,5% of the consortium's share of the processing profits and East Daggafontein 9,5%.

Lydex, PGA and East Daggafontein director Chris von Christierson said the Lydex Group should derive considerable cash flow from the treatment of the slimes by Ergo and it would enhance growth prospects for the group.

40 000 miners may lose jobs

Sowetan 21/6/91

(214)

MORE than 40 000 miners, the majority of them black, may lose their jobs by the end of the year as more goldmines face closure.

About 50 000 mine jobs have already been lost in the past year, according to the outgoing president of the Chamber of Mines, Mr Clive Knobbs, who also said the "period of misfortune" which had led to retrenchments was not over

He said the implications of additional goldmine closures presented a "depressing picture".

Knobbs said apart from the damaging effect that would be wrought on the domestic economy, the wellbeing of several neighbouring states could be placed in jeopardy.

"Bearing in mind that the industry has been forced to reduce its labour force in the past year, further job losses will swell a level of national unemployment that has already exceeded the bounds of acceptability

"This will also contribute to extended poverty and a consequent decline in the quality of life - factors that have done much to fan the flames of political violence which has traumatised our country for far too long," he said.

While it was unlikely to happen in the immediate future the closure of 10 goldmines would have an "alarming impact on the economy".

Their closure would mean that, apart from the loss of a substantial amount of foreign exchange, South Africa's Gross Domestic Product would contract by about R3,5 billion and 88 000 jobs would be lost in mining with a further 48 000 likely to be lost in service or mining-related industries.

"It is statistics like these which make it imperative that the South African goldmining industry finds the means to withstand and overcome the current crisis.

"Combined with the coal mining sector it is, with the possible exception of agriculture, the country's biggest employer of unskilled and semi-skilled labour.

"The industry is extremely mindful of its responsibility as a provider of employment to hundreds of thousands of people throughout Southern Africa

"Retrenchments as a means of corrective action to offset the debilitating effects of the present crunch have been enforced only when other remedial steps have been thoroughly exhausted," Knobbs added.

manship of Judge Goldstone arbitrated during February 1990 that he was responsible for his own death

SABC rate for M-Net broadcasts

377 Mr L F STOFBERG asked the Minister of Home Affairs †

Whether the SABC undertakes the broadcasting of M-Net programmes, if so, what is the average cost per minute of broadcasting time paid to the SABC by M-Net for this service?

B970E

The MINISTER OF HOME AFFAIRS

The SABC does not undertake the broadcasting of M-Net programmes but has a transmission agreement with M-Net for the distribution of the M-Net broadcasting signal According to this M-Net rents the channel on a 24 hour basis irrespective whether the full 24 hours are used The rental fee is calculated on the full cost of the usage of the existing infrastructure, including rental, plus a profit margin There is no government involvement in the mutual bargaining of tariffs of this nature

Diamond and Gold unit budgeted cost

386 Adv M J ~~MENTZ~~ ~~asked the~~ Minister of Law and Order † 214

(1) What was the budgeted cost of the Diamond and Gold Unit in each of the latest specified five financial years for which information is available,

(2) whether there are any reasons why, in the framework of the free market policy of the Government this unit should continue to exist at the expense of the taxpayer, if so, what reasons,

(3) whether, in the light of the abovementioned framework, consideration is being given to assigning control of the smuggling of gold and diamonds from mines to the mine companies concerned, if not, why not, if so, what measures he envisages to secure the taxpayer against the costs involved in controlling the smuggling of gold and diamonds from mines?

B1018E

The MINISTER OF LAW AND ORDER

(1) The Diamond and Gold Unit, as a specialized unit of the Division Crime Combating and Investigation, forms an integral part of the South African Police The costs involved in the functioning of this unit are financed out of the global budget of the Police and is not accounted and recorded separately It is therefore not possible to furnish the bedgeted costs

(2) Yes, shortly after the discovery of uncut diamonds and other raw precious metals in South Africa, and the realization by the Government at that time, of the foreign exchange value which these products held for South Africa's economic prosperity, these products were controlled by legislation These products still play a very important role in the economic progress of the Republic, which at the same time ensures a great measure of prosperity for all the inhabitants of South Africa

It thus follows that these products must not come into circulation in the free market, since it would have an extremely negative influence on the economy of South Africa, which would also flow over to the tax-payers pocket Legislation is thus still necessary to control the possession and dealing in thse products and a transgression thereof naturally constitutes an offence

The functions of the South African Police, which also includes the Diamond and Gold Unit, is, inter ~~alia, the~~ following 214

— the investigation of any offence or alleged offence, and

— the prevention of crime

The illegal possession and dealing in these products thus falls within the ambit of the functions of the South African Police, and the Police will still continue to fulfil their responsibilities in this regard

(3) The smuggling of raw precious metals and uncut diamonds from mining premises is still being controlled by security officials in the service of the mining companies involved As soon as arrests are carried out by these officials, the suspect(s) and any exhibits, are handed over to the Diamond and Gold Unit, who are responsible for the pursuance of judicial proceedings, for further investigation which

214 may result therefrom No change of this procedure is envisaged

Squatters near Ventersdorp attacks by farmers

390 Mr D H M GIBSON asked the Minister of Law and Order

(1) Whether any incidents involving attacks by farmers on squatters near Ventersdorp were reported on or about 11 May 1991, if so, what were the circumstances surrounding these incidents,

(2) whether any squatters were injured during these incidents, if so, how many,

(3) whether any farmers have been (a) arrested and (b) charged in connection with these incidents, if not, why not, if so, (i) how many in each case and (ii) what is the nature of the charges,

(4) whether any property was damaged during these incidents, if so, what was the value of the property damaged?

B1030E

The MINISTER OF LAW AND ORDER

(1) As the furnishing of any answer to the question will be in anticipation of the outcome of the investigation and judicial action which may result therefrom, it would be inapt to react thereto at this stage, except to say that the South African Police view the events at Goedgevonden on the date in question in a very serious light

I, therefore, kindly request the hon member to abide by this, so that the judicial process can take its course

This matter is being investigated thoroughly and as a matter of urgency

(2) Yes, in Goedgevonden 7 persons were seriously injured and in Tshing 25

(3) (a) and (b) Yes

At this stage three white males have been arrested and charged with public violence at the Goedgevonden squatter camp As regards the events at the Tshing Black Residential Area no arrests have as yet been made

(4) Yes, the provisional estimate is that the damage in Goedgevonden amounts to R1 700,00 in respect of 4 structures, and amounts to R5 000,00 in Tshing in respect of 5 structures

Note

I wish to refer the hon member to column 8685 to 8700 and column 8701 to 8712 in Hansard when the matter was discussed in the House of Assembly and House of Representatives, respectively on 14 May 1991

I am content with what I said and the points of view I took during the two debates

Minister/chief executive directors' lawsuits/payouts

415 Mr M J ELLIS asked the Minister of National Health

(1) Whether any lawsuits were brought against (a) her in her capacity as Minister of National Health and/or (b) any specified chief executive director of provincial hospital services in 1990, if so, what (i) were the circumstances of each lawsuit and (ii) was the outcome in each case,

(2) whether (a) she and/or (b) any specified chief executive director of provincial hospital services paid out any money in 1990 (i) as a result of successful lawsuits brought against them and (ii) in out-of-court settlements, if so, what amount in respect of each case?

B1093E

The MINISTER OF NATIONAL HEALTH

(1) (a) Yes,

(i) 1 Application for the setting aside of the prohibition of the use of hydroquinone in cosmetics

2 Application for an order declaring that the Administrator of the Cape's proposed scheme concerning the repackaging and distribution of medicines be declared illegal

3 Damages for death due to incorrect preventative treatment for malaria and

(ii) 1 The application was dismissed with costs

Dumping threatens gold price

(214)

ARGUS 22/6/91

TOM HOOD

Business Editor

SOUTH Africa's embattled gold mines and the price of gold — now stagnating round $366 an ounce — face a new threat from the dumping of many tons of gold on the market.

The dumping is expected to be sparked by the imposition of value-added tax on sales of Krugerrands, which escaped general sales tax

Fears of dumping of "some of the many millions" of Krugers circulating throughout the world were voiced this week by Mr Clive Knobbs, outgoing president of the Chamber of Mines

Many countries with a VAT system exempted Krugerrands because they were legal tender in South Africa, a factor that added to their credibility and made them popular in international markets

But the introduction of VAT in South Africa could undermine the legal tender status of the coins and encourage other countries to apply VAT

And this, says Mr Knobbs, could prompt disinvestment of some of the many millions of coins in circulation

"This in turn would have an extremely negative effect on the gold price"

Sales of the coins collapsed in South Africa when the threat of VAT became known and the Chamber of Mines, the South African Numismatic Dealers' Association and Merchant Bankers' Association have asked the government to lift VAT from Krugerrands

Austria exempted its new Philharmonic gold coins from VAT — as high as 32 percent on other coins

But an Inland Revenue spokesman commented "If VAT is paid on food, how can you justify exempting gold coins?"

The tax could also upset plans by the Chamber of Mines to take the Krugerrand back to international markets following the lifting of the European Community's ban on the import of Krugerrands since 1985

About 45 million Krugerrands have been sold on world markets and account for 2 000 tons of gold, according to a Reuter estimate

The Krugerrand was once the world's most popular gold coin, forming 70 percent of gold coin sales between 1970 and 1989

Their sales hit a record 170 tons in 1978 and absorbed 24 percent of the 704 tons of gold mined in South Africa that year That effectively kept 24 percent of output mined in South Africa from the world bullion market and helped to push up gold prices

The gold used in coins fell from a peak of 338,4 tons in 1968 to 117,4 tons in 1990 as gold lost its attraction with investors and prices dropped

Big rise in use of gold for jewellery

Bday 24/6/91

BRENT VON MELVILLE

THE use of gold for local jewellery manufacture has more than doubled since the scrapping of the ad valorem tax and the reduction in the required added value content of jewellery last year

Last year, SA's level of gold fabrication was 15t Ten tons were used in electronics, dentistry, industrial coin manufacture and 5t in jewellery manufacture, a jump of 138% over the 2,1t used the previous year

But former Chamber of Mines president Clive Knobbs says that level is not nearly high enough

"On the world stage of gold jewellery fabrication SA remains a very small player, accounting for only 0,6% of total world usage of gold for jewellery," Knobbs said at the opening of the recent Jewellex '91 at Kempton Park

Knobbs said jewellery exports from SA to the western world were valued at R10m last year Local jewellery purchases by foreign tourists visiting SA was a massive R150m

The problem in SA was that jewellery was purchased mainly for adornment rather than as an investment He said there was considerable scope for expansion of the local market by promoting gold jewellery as investments

Council for Mineral Technology (Mintek) president Aidan Edwards has said SA should aim for 100t of gold jewellery by the end of the century That could earn up to R1bn a year in foreign currency and create thousands of jobs

Flexibility in medical benefits

DARIUS SANAI

PROPOSED changes to medical aid structures will mean patients will have to pay for treatment before being reimbursed and companies will be able to shape benefits privately Bday 24/6/91

These conclusions were presented over the weekend in an analysis of proposed changes to the Medical Schemes Act by Old Mutual's Employee Benefit Centre

"In the proposed new system, members of medical schemes may be made responsible for paying all their medical accounts themselves Members would then claim from their medical scheme," the analysis says

Old Mutual Employee Benefits assistant GM Henk Beets says the proposed changes will also give employers and employees far greater flexibility in deciding how to structure benefit levels

One of the most important of the proposed changes is the removal of current minimum and maximum benefit levels, says Beets

"Members, through their employee groups, may then be able to choose the level of benefit best suited to their needs"

The removal of the guaranteed payment system, whereby the suppliers pay doctors directly for treating patients, will result in much stronger links between patients and suppliers, he says

However, Beets warns that some patients may be lured into saving money by drawing insufficient medical cover on the new scheme, and discovering to their detriment that their costs will not be paid.

Business criticises aims of city council's budget

DARIUS SANAI

THE Johannesburg Chamber of Commerce and Industry (JCCI) has strongly criticised the city council for aiming last week's budget increases at business targets

JCCI CE Marius de Jager at the weekend expressed his "grave concern" about the possible effects of the city budget

He was responding to a statement on Thursday by council management committee chairman Ian Davidson that the city's budget should "in some small way attempt to redress the imbalance" in the state Budget between business and private individuals

Davidson said business would shoulder the lion's share of the council's increase in spending of 25%

Chamber of Commerce President Mike Cato dismissed Davidson's comments as "a lot of nonsense",

"He has no right to cast himself as some kind of an equilibrium maker between the federal and local budgets," he said

The budget was "upsetting" because it would penalise business, Cato said

De Jager said the decision contradicted the council's policy of encouraging business investment in Johannesburg

"It will mean that businesses thinking of moving here will decide they are better off in Maritzburg, Durban, or Pretoria"

He added that while nearby municipalities such as Midrand were offering incentives to business to relocate there, the Johannesburg council's action would act as a disincentive

"The decision is a bad one given the objectives the council has set out of attracting companies"

"It is not the role of the local authority to redress what it perceives as imbalances in the state Budget."

ANIES

Gold bloodletting not over, says Plumbridge

WILLIAM GILFILLAN (214)

MORE casualties will occur in the SA gold mining industry, says Gold Fields of SA chairman and CEO Robin Plumbridge Bday 25/6/91.

Addressing the Financial Times world gold conference in Vienna yesterday, Plumbridge said "more mines will close and more rationalisation will take place before the industry comes out of the doldrums"

In the longer term, however, he was a gold bull, as supply was likely to exceed demand

Further closures did not necessarily mean gold production would drop in the short term, "but rather these closures will curtail the life of the industry"

If the local industry was to continue being a major player in the world gold markets throughout the next decade, it would have to address its low productivity

Wage increases outstripping rises in productivity had increased the industry's real cost structure by about 75%, making it one of the highest-cost producers in the world But he believed trade unions would be more realistic in the current round of wage negotiations

A new tax regime for new mining ventures was necessary Investment in the last two decades had been inadequate "because the available returns were not attractive enough"

Plumbridge did not believe central bank selling would play a major part in increasing the supply of gold

In the past 30 years the official sector had been a net purchaser of about 16-million ounces of gold

Major selling programmes resulted in a collapse in the price Therefore any reduction in gold reserves would be stable and was likely to be balanced by central banks with small holdings wishing to increase their reserves

Plumbridge closed his address on a bullish note maintaining that the local industry would emerge from this crisis "leaner, better managed and more willing to implement technological changes"

Mining industry being rejuvenated, says Anglo report

(214)

Star 28/6/91

By Derek Tommey

Anglo American took advantage of the depressed gold share market to invest heavily in gold shares in its financial year to March, the annual report issued today shows

It also acquired a large stake in Gold Fields of South Africa

The company says the outlook for the gold mining industry is not discouraging,

Current price levels are compelling the industry to improve mining efficiency underground and metallurgical recoveries, to modernise manning structures and systems, and to shed surplus posts,

The company says these actions will rejuvenate the industry and make it more resilient, not only to future changes in the gold market, but also to the current political and economic transition.

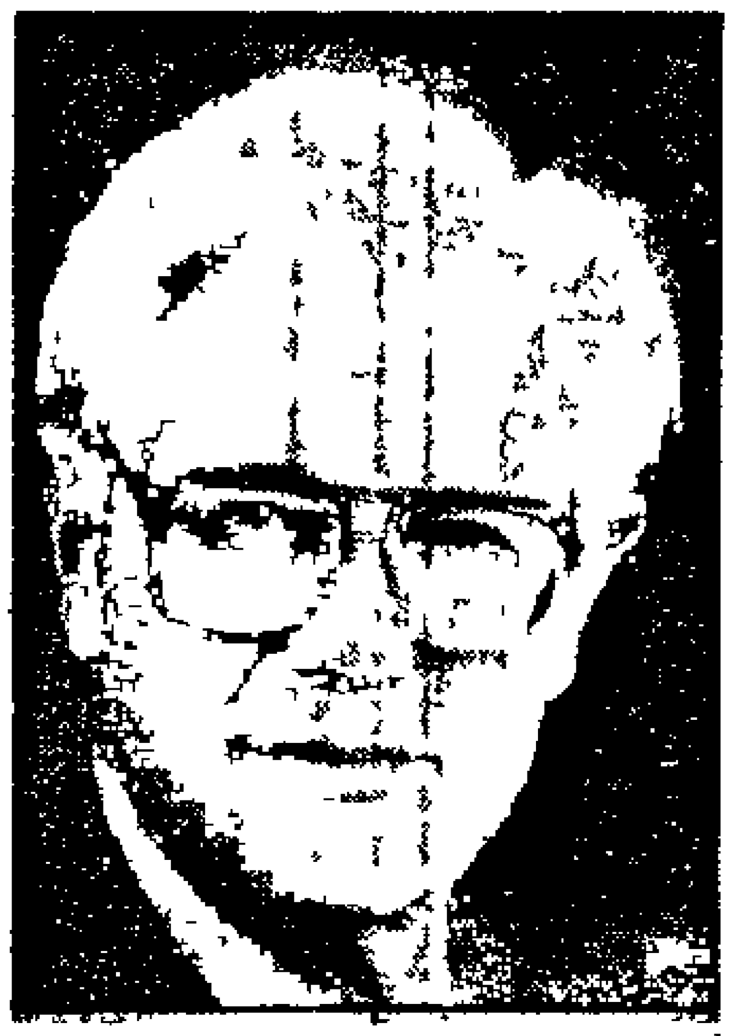
Greater emphasis will be given, through the World Gold Council, to the promotion of gold in jewellery and investment form.

It says medium-term prospects for gold will be enhanced considerably if industrial demand (including gold in jewellery) can be raised to a level where it comfortably exceeds world supply

Given the growth in jewellery consumption in the late 1980s and the possibility of a levelling out in world gold production, this objective seems realistic, it says bullishly

The annual report shows that in the year to March Anglo American increased its holdings of GFSA shares from 8,5 million to 18,8 million,

During the year it either bought into or increased its stake in Kinross, Blyvooruitzicht, Deelkraal, Doornfontein, Driefontein, Elsburg, Kloof, Western Areas, Beatrix, Freegold, Harmony, Joel, Loraine, Oryx, St Helena, and Unisel.



Julian Ogilvie Thompson ... Anglo's chairman.

At the same time, with Amgold becoming a subsidiary, it increased its stake in other mines, which became "associates",

Among these were Buffelsfontein, Hertebeestfontein, Southvaal, Vaal Reefs, Zandpan, Ofsil and Welkom, Other gold mines with "associate" status were SA Lands and Western Deep Elandsrand became a subsidiary

Anglo American spent a net R802 million on investments in 1990-91. This, together with its share of net reatained earnings of associated companies, resulted in the balance-sheet value of investments growing from R12,5 billion to R14,9 billion.

The net asset value of its shares fell from 16 339c to 13 212c,

The most significant change to the corporation's investment portfolio arose from the rights offer made in October last year by Amgold, which was underwritten by the corporation itself

The offer was not fully subscribed and the corporation, in addition to its own rights, subscribed for further Amgold shares in terms of the underwriting commitment

The shares acquired resulted in Amgold becoming a subsidiary of Anglo

In addition, certain gold mining companies in which both Anglo and Amgold are invested, upon Amgold's consolidation, became either subsidiaries or associates,

Other South African acquisitions included interests of 24,5 percent and 17,1 percent respectively in South Deep Exploration and in Target Exploration

New equity was injected into Mondi Paper to finance its heavy capital expenditure programmes and further shares were subscribed for in Anglo American Industrial Corporation (Amic) to finance in part the acquisition of specialised foundries by Scaw Metals, a wholly owned subsidiary of Amic,

Outside South Africa, Anglo most important acquisition, according to the annual report, was the purchase of a 49 percent interest in Europe's third-largest producer of business forms and photocopy paper, Neusiedler AG, an Austrian company,

The corporation's effective holding is 22,5 per cent

Prospecting expenditure increased by R63 million to R244 million with much of this spent on gold exploration in Southern Africa.

A high level of activity was maintained in the search for Witwatersrand-type mineralisation, both within the Witwatersrand Basin itself and in outlying areas.

However, owing to the low gold price, exploration expenditure will decrease in the current financial year.

Gold mine closure a threat to Eskom

214

Business Times Reporter

GOLD mine closures could jeopardise Eskom's policy of keeping electricity price increases below the rate of inflation.

That is the prediction of an international electricity cost survey by energy consultants National Utility Service (NUS)

The group monitors energy costs, including electricity, gas, coal, petroleum products and water at 750 000 sites in 80 countries In SA, where NUS has operated for 30 years, it audits energy costs for 2 500 companies at 57 000 locations

This puts the organisation in a strong position to analyse and comment on trends in energy costs, says NUS marketing director Peter Cornelius.

The survey says mines account for about 23% of the electricity sold in SA

"The loss of a significant proportion of such sales could clearly result in cost increases being applied elsewhere," says Mr Cornelius

Eskom, faced with a 4 686mW surplus generating capacity, has mothballed old and less-efficient plant.

An Eskom spokesman says: "A slowing economy has affected the demand for power and has led to overcapacity

"But we have cut our costs, particularly by reducing the staff from 65 000 to under 50 000 and increasing productivity."

The survey warns that Eskom's new time-differentiated tariffs may have a ripple effect on the price of electricity.

The "tariff T" allows for reduced prices in off-peak periods, standard ones in average demand and premium rates at peak periods

Eskom says the promotion of off-peak power use will distribute demand more evenly and could produce savings by delaying power station construction.

The NUS suggests the new tariff will bring no benefit to large consumers with good to excellent load factors

Consumers with poor load factors might not benefit unless work patterns are restructured to ensure maximum use at low consumption periods "That is difficult to do," says Mr Cornelius.

"At present the time-differentiated tariffs are available only on application If they become part of Eskom's formal tariff schedule and municipalities have to pay on the new tariff the increases will be passed to consumers"

The survey confirms that SA still has comparatively cheap electricity The price of 10,19c/kwh puts it at the bottom of the 14 countries analysed West German consumers pay 27,4c/kwh

But SA has the second-highest rate of increase, after Italy. It also had the highest rate of general inflation at 14,6% last year

S1 Times 30/6/91. (Buss Times)

Laudable

Mr Cornelius says: "Eskom did a highly laudable job in holding cost increases last year to 8%, but a fall in demand and rising operating costs must raise doubts about its ability to hold the next round of increases to that sort of level"

Eskom chairman John Maree says it is still policy to keep power increases below the rate of inflation

The survey praises Eskom for containing operating costs and increasing productivity and for its policy of reducing foreign borrowings and funding expansion from power sales.

"South Africans are very fortunate in electricity costs A recent study showed that as an input factor in manufacturing costs, power was the only one below world norms"

Projects on the drawing board will contribute to growing electricity demand for the Southern African region

Harsh memories linger for miners

(214) ~~1408~~ S I Times (Bus Times) 30/6/91


BOBBY GODSELL Equals in bargaining

By DAVID CARTE

ANGLO AMERICAN industrial relations director Bobby Godsell and National Union of Mineworkers assistant general secretary Marcel Golding took a break from pay negotiations this week to debate the future of gold mining

In contrast to an acrimonious debate between the two in 1988, the proceedings at the SA Institute of Race Relations offices in Johannesburg were so congenial that a worker asked "Has NUM been co-opted by the chamber?"

Mr Golding hastened to assure him that a wide gulf still existed between employer and employee in mining

Mr Golding said there were different views and agendas on the long path to democracy and progress was patchy He made no apology for devoting most of his talk to the past and the present.

Mr Golding said. Notwithstanding the good endeavours of Bobby's corporation, others are dragging their feet. There is much talk about dismantling apartheid, but its legacy remains

"Inequality is entrenched in the the mines and there are vast discrepancies between what people say and do"

"Most of the 500 000 miners live in single-sex compounds They earn a pittance. They live under a private security apparatus that restricts their movements and regiments them. The trade union operates under an agreement prescribing that at meetings on mine premises we can discuss only bona fide union matters.

"Management and the security forces are allowed to be present. There can be no political issues or slogans and singing and dancing are banned

"It's all very nice to talk about new relationships, but there are realities."

Mr Golding said Gold Fields of SA, for example, was harassing poor Libanon miners who had been out of work for three months by means of protracted litigation against them thus using financial muscle to thwart them

"Racial discrimination still applies to compensation under the Occupational Disease Act. A white miner with asbestosis, for instance, receives R43 000 and a black miner only R3 482 — a 13th as much.

"To talk about a new era, we must have reciprocity We must remove curtailment of rights, which reduce collective bargaining to collective begging.

"We accept the industry is in crisis, but the industry insists on addressing a national problem in a piecemeal way

"We have been the darling of the press since we agreed to the Ergo profit sharing and productivity scheme. But it would be a mistake to think an unequal relationship has changed radically The mining industry is steeped in racial discrimination

Mr Godsell said gold mines faced a triple crisis — grade, cost and price.

"The average grade has fallen from 10 grams a ton to five. For the past 15 years costs have risen in double digits and indeed have exceeded inflation by four to five percentage points a year

"In dollar terms, the gold price has been more or less flat for nearly a decade In the early years this did not matter too much because a devaluing rand prevented us from feeling the full impact

"But the Reserve Bank has defended the currency for the last three years and the gold price has fallen by 30% in rand terms.

"In 1990, 10 mines reported losses. Were they to close, the country would lose production of 80 tons of gold worth R2,5-billion. About 88 000 jobs would be lost directly and another 40 000 indirectly

"But there are elements of opportunity in crisis. We must carry on exploration. There are good geological reasons to expect the discovery of major new orebodies. Steady, undramatic technological progress means we can now mine at greater depths — up to 4 000 metres.

"The only way we can manipulate the gold price, it seems, is to enter negotiations with NUM. The short surge in the gold price to $800 in 1981 brought a lot of new production on the world market. At current prices a lot of this new capacity is no longer profitable, so we expect supply to decline

'On the demand side, the low gold price has fuelled jewellery offtake, which at 1 800 tons last year for the first time equalled new mine production. Many of us believe we can increase jewellery demand substantially

"As to costs, we have to work smarter Labour relations are not a story of bliss, love and harmony The 1987-1988 mine strikes were a bruising, bloody costly experience. The strike was part of a power-sharing process.

"Since then Anglo and NUM have fashioned a code of conduct and a new procedure on unfair dismissals. New power arrangements have been concluded. We recognise the rights of workers to have meetings and marches.

"Recently a summit was held between the employers, the unions and the Government, which is looking at nuts and bolts issues such as beneficiation, training and retraining.

"We are looking at a broader range of issues than the quantum of wages. We are looking at equitable shares of income, ways to share in adversity and prosperity and relative reward across the industry

"I think we have changed the grammar of bargaining. The partnership is more equal. We treat each other as adults and the relationship is no longer purely adversarial. I believe we can reverse the maxim of Keppel Jones that SA advances politically by disaster and economically by windfall."


MARCEL GOLDING Inequalities entrenched

Profit-related agreement close

Miners set for 'Ergo deal' with chamber

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B/Day 2/7/91

ALAN FINE and
VERA VON LIERES

THE NUM and the Chamber of Mines are poised to sign a wage agreement which has marked similarities to last month's ground-breaking NUM-Ergo deal — which provides for a 5% across-the-board raise and profit- and performance-related bonuses up to a possible extra 15%

Sources in both the NUM and the mining industry confirmed yesterday that agreement on 1991 wage increases had largely been reached and that it remained only to finalise a few details

Agreement was close on Friday until the NUM suspended negotiations in protest against difficulties experienced in canvassing their members on some mines — most of them Gold Fields-owned

Only the Gold Fields group appeared unwilling to participate in the bonus scheme, the sources said

NUM assistant general secretary Marcel Golding would not comment on how close negotiators were to an agreement He said, however, that the chamber had put forward a proposal on how to regulate profit-sharing on both profitable and marginal mines The NUM was "prohibited from responding as it was unable to properly engage in consultation and mandate with its members"

The Ergo bonus scheme is divided into two parts and amounts are payable each half year The first provides for a bonus payment of 4% if the Ergo division makes a R2m operating profit per half-year The second is performance-based if performance reaches 100% of target, employees get a further 5,5%, which could increase to a bonus of 15% once performance reaches 120% of the target

Golding said a satisfactory solution to wage negotiations required the chamber to guarantee the union "unfettered access to facilities on the mines" Management's refusal to grant facilities was frustrating the union's capacity to operate

In its proposals, the union was distinguishing between profitable, healthy mines and marginal mines, which required a different approach

He said proposals tabled were complex The union needed substantial time and adequate facilities to obtain a mandate from members on the nature of proposals and how they would be implemented

The NUM yesterday attributed "an unseasonal Christmas tree display" by management at Gold Fields' East Driefontein mine as one of the reasons for the union's suspension of wage talks East Driefontein management refused permission for a re-

To Page 2

Miners

B/Day 2/7/91

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From Page 1

port-back meeting on June 13 because its training centre was being used for a "Christmas tree display", the union said

The union said it had suspended negotiations after the chamber allegedly refused to address the problem of mine management granting workers permission to hold report-back meetings on different mines

The NUM said management at several mines had refused union representatives permission to hold report-back meetings on the progress of current wage negotiations — blocking the NUM's system of operating on a feedback and mandate system

Management also complained it had not been notified of speakers' names and topics to be addressed, although the union said it had informed management of the intention of the meeting and the identity of speakers in an earlier letter

At Anglo's Freddies Gold Mine, near Welkom, management requested further explanation when the union applied to hold a report-back meeting on mine property However, when additional information was supplied, management said "it had come too late"

And mine management at Lonrho's Duiker colliery allowed only 20 people at a time to attend report-back meetings

A chamber spokesman said yesterday he was "puzzled" by the NUM's decision to adjourn talks despite an undertaking by management representatives from the mines in question that problems and complaints would be investigated and resolved

COMPANIES

Gold's retreat 'is short term'

B/Day 5/7/91

Business Day Reporter

THE view that gold has lost its role as a store of value is true only in the short-term, East Daggafontein chairman Peter Bieber says in the annual report.

Gold had shown remarkable resilience in the face of excessive sales from stock-piles, a very marked decrease in world liquidity and a high level of new gold production

"It is, therefore, of concern that the price of gold in international markets has been showing weakness rather than strength," he says "It seems almost as if gold's traditional role as a safe store of value has been neglected or abandoned"

This is a short-term view, he adds, commenting that "In respect of the gold price, I am encouraged by indications of falling supply of newly mined gold in the coming years, an upturn in world economies after the present recessionary phase and an increase in demand for both commercial and industrial purposes"

The importance of gold to SA, particularly as a provider of employment in the crucial years of transition to a democratic system, cannot be emphasised sufficiently

Bieber says that while the influence of the gold exports in the economy will not be dominant in the future as it has been in the past, the metal will, nevertheless continue to play a vital role.

Also in the report, Bieber notes that 1991 gold production from the Daggafontein plant was higher than in the previous year, with 3 780kg produced at an average cost of R15 663/kg, compared to 3 655kg at R14 424/kg in 1990 This makes the plant the lowest cost gold producer in SA

The average gold price over the year under review did not reach the 1989/1990 levels, resulting in a decrease in net profit from R16,84m in 1990 to R14,62m in 1991

As a direct consequence of this, the dividend for the year was reduced to 100 cents per share from 118 cents in 1990

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Agreement

During the year under review, East Daggafontein acquired, with Ergo, slimes dams from Gold Fields of SA, which will significantly extend the life of the plant

Last year the company in a consortium with Lydenburg Exploration and Potchefstroom Gold Areas acquired certain slimes dams, sand dumps and surface rights and options from Rand Mines' ERPM mines — as recently announced in an agreement concluded with Ergo to treat certain of these high-grade slimes dams at the Ergo plant, beginning in mid-1992.

The company has also bought 24-million tons of slimes from Vlakfontein Gold Mine

Mudslide at Winkelhaak

Star 5/7/91

Finance Staff (214)

Gencor's Winkelhaak gold mine is set to lose up to 200 kilograms of gold production after the mine was hit by a mud slide over the weekend

At the current gold price this is equivalent to about R7 million

Production at the number six shaft of Gengold's Winkelhaak mine in the Evander area has come to a temporary halt as a result of a mud rush It is estimated that some 700 tons of mud and rubble are lying at the bottom of the shaft at 1 365 metres below surface.

Management says production at the shaft will be on schedule again within six months and that limited production via the ventilation shaft will be possible in about two months time

Water seeping from underground storage dams into ore passes has turned the unusually clay ore into a wet paste which is difficult to handle and control

Since early June increasingly severe mud rushes have occurred from the ore passes, and over the weekend a major mud rush occurred which blocked all operations at the shaft bottom. Fortunately, none of the five men working in the shaft at the time were injured

During the next six months the shaft will be cleared of mud and rubble, the loading station repaired, water seepages sealed, redesigned control chutes installed and the ore-passes sloped to ensure better control

Six shaft was producing about 30 000 tons of ore per month yielding some 120 kilograms of gold During the repair period, 430 of the 700 people at Number Six Shaft will be employed by the mine's Number Two and Five Shafts in an effort to restore as much as possible of the lost production

Insurers have been notified and the matter is under investigation

GFSA's marginals not in the clear yet

B/Day 10/7/91 214

ANDREW GILL

GOLD FIELDS of SA's gold mines notched up their best performance of the group's financial year in the June quarter but are by no means out of the woods

The three mines that were struggling at the end of the March quarter all turned in pre-capex profits but, according to executive director Alan Munro, were still clinging to life

Doornfontein, which suffered the effects of two fires that halted production for a month in the March quarter, turned a working loss of R7,7m the previous quarter into an R8,8m profit

However, capital expenditure wiped out after-tax profits for a bottom-line loss of R232 000 Munro said costs were moving towards levels that could be expected (down 19,5%) and although Doornfontein was still battling to stay alive it was a significant achievement that capex had been recovered

Venterspost continued operating in the red at working cost level but at a significantly better level of R1,3m compared to March's R6,1m It was a turnaround and the next step was into profitability, he said

Interest on rights issue money resulted in a pre-capex profit of R2,3m compared to a R2,7m loss

Munro said costs were up 7% but this was an achievment considering the planned rationalisation and subsequent reduction in mill throughput

Libanon has managed to contain cost increases in a year to only 4%, the key to survival for marginal mines After-tax profits of R280 000 were achieved after the previous quarter's R667 000 loss

Capex of R3,66m was up on March's R2,2m and after-capex losses climbed 20% However, Munro said this was essential for the mine's continued operation

West Driefontein continued to supplement the "inflexible" East Dries to give Dries an after-tax profit The state's share of profit of R133,6m compared to the previous quarter's R123,8m

Working cost increases at East Dries were poor with a 6,2% increase, but West Dries showed virtually no change — a great achievment, Munro said

West Dries increased its yield to 11,9g/t from 11,4 because of the focus on higher grades which, along with the higher gold price, gave after-tax profits their 8% boost

Kloof shrugged off the accident at No 1 subvertical shaft K and the resultant 30 000 ton fall in mill throughput to produce over 150kg more gold

Concentration

This was a result of a sharply higher yield of 13,9g/t compared to 12,8g/t in March

Munro said this was a direct result of decreased operations at the affected part of the mine and the enforced concentration on higher grade areas

Kloof's Leeudoorn section entered its second quarter of production with increased throughput of 150 000 tons from 95 000 tons March's working loss of R10,2m was reduced to R7,8m

Deelkraal posted a solid showing and produced sufficient profits (R13,4m) to cover capex of R10,1m Munro said the mine's life was assured for the next 10 years

Gold price relief boosts GFSA quarterlies

B|Day 10/7/91

ANDREW GILL

THE relief of a higher rand gold price as well as higher yields helped Gold Fields of SA (GFSA) produce its best results in more than a year in the June quarter

The division's after-tax profits were up almost 12% at R245,7m as the mines received an average price of R32 166 a kilogram compared to R30 929 in the March quarter It was the first mining house to produce results for the June quarter

GFSA executive director Alan Munro said the results were by no means tolerable but were a movement in the right direction Working costs, however, were up 4% at R621m, also an intolerable situation, said Munro (214)

During the quarter, the group's marginal mines all reversed or decreased their losses but all were still battling

Although capital expenditure fell by R8m to R133m, many of the mines were still producing insufficient profits to recover capex The bigger mines were undergoing capex programmes necessary to preserve their lives

● See Page 12

Anglo throws out top tycoon

Sowetan 12/7/91 (214)

By JOSHUA RABOROKO

ANGLO American Corporation and a prominent Soweto businessman, Mr Godfrey "The Godfather" Moloi, are on a collision course following the closure of his enterprises on the corporation's Western Deep Levels gold mines near Carletonville.

Moloi has accused AAC of practising racial discrimination and not adhering to its affirmative action of empowering black business as detailed in its social responsibility portfolio.

A letter received from the management of Ekhayalihle Recreation Club, Western Deep Levels Limited, said Moloi's business operations at Number 9 Hostel have been terminated from July 4 in terms of their agreement

He has been notified to leave the premises in the same condition he found them, in the letter signed by the club's chairman, Mr JA Keyser.

Moloi, who obtained the business in May last year, said the closure of his ventures was unfair, racist and contrary to AAC's affirmative action objectives

His business was to be allocated to a white entrepreneur, he claimed He said he was accused of not keeping the place clean, not being efficient and that his business was not viable

"These allegations are false and I believe that the management committee did this because they think I am a kaffir who is making too much money," he said.

Anglo's corporate communication's officer Ms Theresa Erasmus said Moloi's arrangements were with the Western deep Levels Number 9 Hostel Recreation committee, which has the power to operate independently of mine management

Star 12/7/91

(214)

Gold production on the increase

By Sven Lunsche

Annual gold production could rise this year after three successive declines

The Chamber of Mines Economics Department says in the chamber's newsletter that total production this year could rise to 617 tons from 603 tons in 1990

Gold production peaked at 683 tons in 1984, but has been declining since then

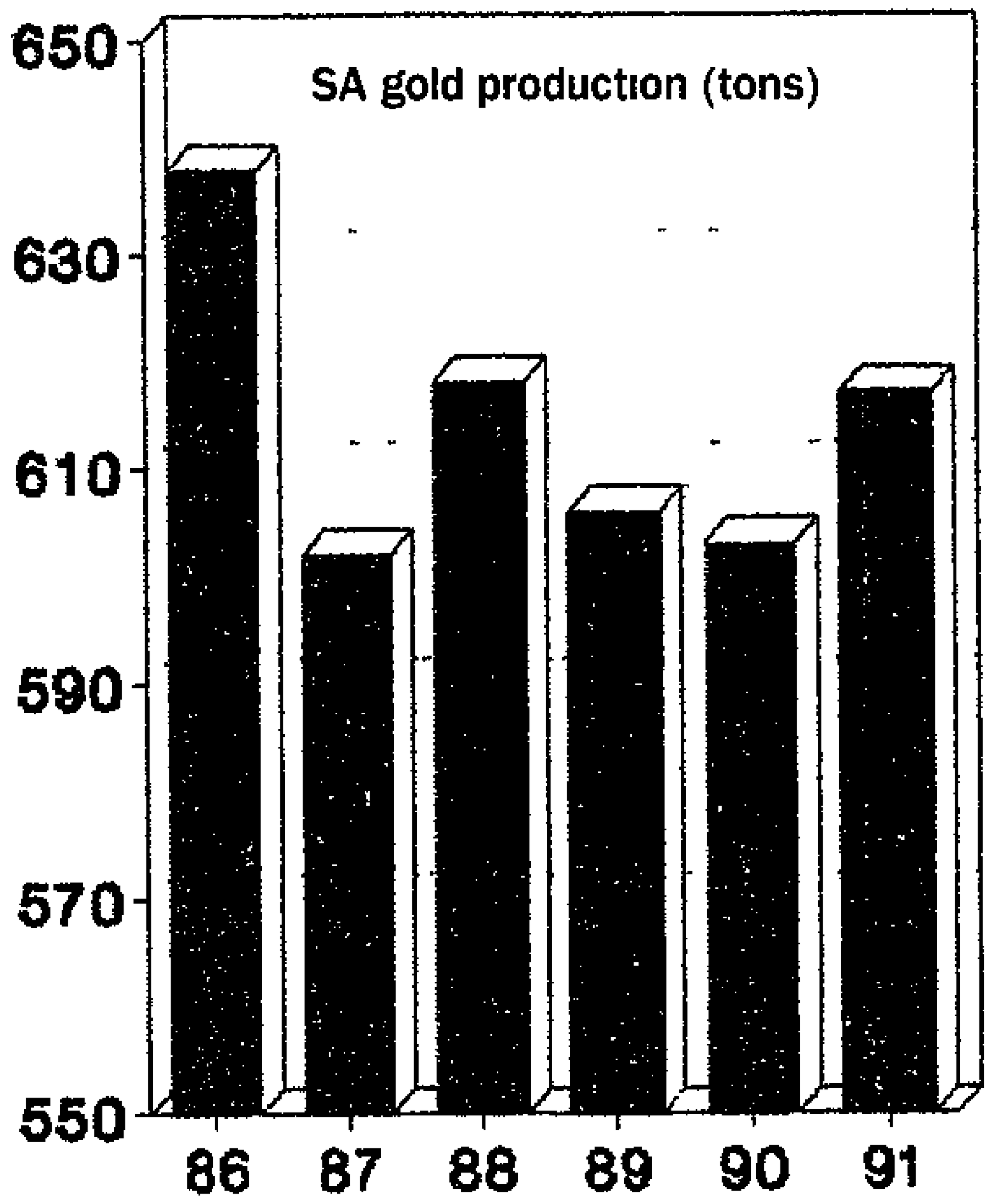
The chamber estimates, however, that production this year will be boosted by a rise in the average grade to 5,42 grams per ton milled in the fourth quarter The tonnage of ore milled is expected to remain constant at around 110 000 tons this year

Chamber economist Ivor Liebowitz is optimistic on the short-to-medium-term performance of the dollar gold price, which should enjoy support as US Federal Reserve eases monetary policy

"An easier monetary policy, in an attempt to stimulate the US economy, boosts liquidity and supports the price of assets that are dollar-denominated, including gold," he says

The price of gold already appears to be forming a base and "it will enjoy a measure of support as long as the monetary expansion can be sustained", he says

The chamber notes that gold demand could be boosted as a result of expected changes to mutual fund legislation in the UK



FM 12/7/91 (214)

FM 12/7/91

RAND LEASES/SOUTH MURCH

LAING LOOKS WEST (214)

Rand Leases is the first of a number of planned acquisitions by Glenn Laing to be slotted into South Murchison Consolidated Mines (South Murch), the listed company he intends using as his new holding company Laing and South Murch chairman Nick Stavrakis confirm Laing's deal to take control of South Murch remains on track, despite last week's cautionary statement that certain conditions precedent had not been met more than a month after agreement was struck

Both say this was simply because of their hectic schedules involving overseas trips The deal will be finalised in the next week, with Laing selling 12m shares in Consolidated Mining Corp (CMC) — from which he resigned as MD in April — into South Murch, in exchange for a controlling 67,3% stake in the company South Murch will be renamed Revere Resources SA

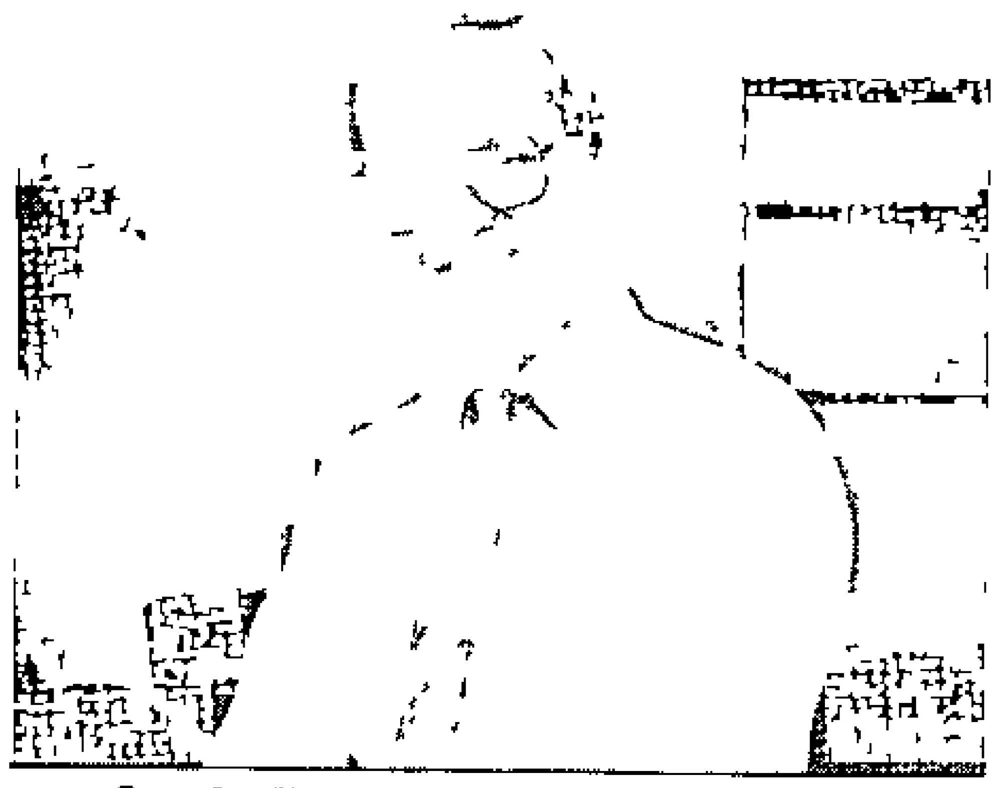
South Witwatersrand Exploration and Bisichi Mining, the present major shareholders in South Murch, will have their stakes diluted to about 16% and 13% respectively Stavrakis says both will benefit from the business Laing will bring to South Murch, with several deals already "in the pipeline"

Judging by the 1991 annual report released last week, they should do far better than their own attempts at running the Minerva gold dump retreatment operation which was South Murch's main asset until now That has proved a failure, showing a loss of R600 000 for the year to February Stavrakis concedes "Our strength lies in prospecting, we are not miners or metallurgists"

Neither Laing nor Rand Leases chairman Steen Severin will reveal full details of the Rand Leases acquisition ahead of a notice to shareholders due on July 26 Laing says he has bought control of Rand Leases from Swiss company Ossory for "a nominal amount" and has assumed liability for creditors amounting to about R5m Final shareholding has not been settled Laing says he will end up with between 26% and 46% of Rand Leases, "depending on ~~how much~~ money I decide to put in"

Following provisional liquidation ~~of Eer~~steling, the loss of Rand Leases appears to mark the end of the Severin's mining operations They retain mineral rights to various projects, including the platinum prospect involving Anglovaal But their JSE rating is poor after the latest twist in the Rand Leases saga

Severin Mining and Development underwrote a rights issue in Rand Leases at 30c a share last year, then sold its controlling 81%



South Murch's Laing *money to be made*

stake in Rand Leases to Ossory in January, at 7c a share (*FM* January 25)

Laing contends there is money to be made out of the mine by taking out the No 11 shaft pillar over the next four years, at a rate of 15 000 t/month at a recovered grade of 6 g/t He intends using a mining contracting firm, Constantia Mining, and will spend about R2,5m on refurbishing the gold plant

So why didn't the Severins do that? Steen Severin says on their planning the No 11 shaft pillar was a project management would return to after other operations became profitable Severin says Rand Leases will be split into the mining company and a property development company controlled by Ossory, with the property company getting a royalty from the mining company

Laing's long-term objective is to set up a major dump retreatment operation on the West Rand, centred on Rand Leases

Brendan Ryan

Little hope of market gains for uranium

214

B/Day 15/7/91

BRENT VON MELVILLE

YEARS of sanctions have hit the SA uranium market hard, leaving it at a stage from which it will take several years to recoup its world market position — if it is able to do so at all

Sluggish conditions in the uranium market in the past few years, along with rising mining costs, have resulted in rationalisation in the uranium industry and the closure of a number of SA uranium mines

In response to the lifting of US sanctions last week Nuclear Fuels Corporation (Nufcor) manager Charles Scorer said the effect of sanctions had been to significantly limit access to markets, and an immediate pick-up of sales was unlikely

Nufcor markets most SA uranium.

Scorer said that while the dropping of US sanctions would level the playing field, the market was not likely top pick up for years

SA has been traditionally regarded as the world's largest producer of uranium The US represents by far the largest market

The London-based Uranium Institute believes the uranium mining industry will suffer from low demand and poor prices for the remainder of the 1990s Soviet supplies have added to the glut

Scorer says the spot market for uranium is about $9,20/lb, compared with about $44/lb 12 years ago.

Knights, Waverley set to join forces

(214)

B/Day 16/7/91

MATTHEW CURTIN

KNIGHTS, Simmer and Jack and Waverley gold mines were on the verge of signing a deal which would consolidate the gold recovery operations of Knights and Waverley, analysts said yesterday

This follows the issue of two separate announcements advising shareholders to trade their stock with caution because current negotiations could affect the mines' share prices

Knights is owned by Consolidated Mining Corporation (CMC), while Waverley shares management with Simmers and has the same major shareholder

An agreement in which Knights would have treated material from Waverley fell through on May 17, eight months after it was signed and three weeks after the resignation of Glenn Laing, MD of CMC and its gold operating arm Southgo, the original owner of Knights

Waverley claimed the agreement fell through because Knights had been unable to process its slimes, sands and sub-soil simultaneously Knights argued the original agreement covered only the retreatment of slimes and the company was not prepared to put outside material through its own mills

Analysts said yesterday the recent exchange of 20-million Knights shares in a single afternoon on the JSE reflected a battle for control of the mining operation One analyst said Laing might have sold his stake in order to concentrate on his new mining group, comprising South Murchison and Rand Leases, which he bought in May and June

Analysts said the flurry of activity surrounding Knights, traditionally one the most highly traded gold shares, reflected the turbulent conditions in the independent gold mining sector and a scramble for gold dump reserves.

The liquidation of Modder B and Eesterling, and the sale of Rand Leases to Laing last month, reflected the problems small operators faced in making underground operations viable

Simmers' gold mining operations are conducted under the Simmergo joint venture with Anglo American's Ergo in which material from dumps from the Kimberley Reef is treated at Simmers

Anglovaal gold mines raise profit 16%

B/Day 17/7/91 (214)

ANDREW GILL

AN IMPROVED rand gold price, relatively intensive hedging operations and lower working costs helped push Anglovaal's gold mine profits up 16% in the June quarter

Combined net taxed profits of Hartebeesfontein, ET Cons, Village and Loraine climbed to R45,4m in the June quarter from the March quarter's R39m, quarterly results published today show

All the mines reported a significant improvement in margins with Loraine almost breaking even for the first time since March last year

Costs were well contained and only Harties reported a slight increase in this area Milling rates were mixed with little change overall but better yields at Village and ET Cons helped push the group's production up to 10 061kg from 10 022kg

Uranium

The mines were also reporting for their financial year ends to June and although the results were a strong improvement on the March quarter, profits were down on a year-on-year basis

Hartebeesfontein secured a sharply higher gold price at R34 260/kg from R31 666 and reported a 47% increase in pre-tax profits to R84,9m However, tax and state's share of profit more than doubled to R45,1m, resulting in slightly lower after-tax profits R39,8m It has sold 1,8 tons forward in the September quarter at R37 037/kg

It turned a R7,3m loss from the uranium oxide and acid sales in the March quarter into a R2,5m profit.

A year-on-year analysis shows after-tax profits slipped to R148,5m from R177m last year

Village Main's sands operations saw decreased throughput of 180 200t from 200 000t but an improved yield of 1,08g/t (0,96g/t) saw gold production climb 4kg to 191kg

Reduced costs and higher prices received saw operating profits climb to R921 000 from R555 000 After tax profits increased by R34 000 to R555 000 Profits for the year were down to R2,14m from R3,99m

Village Main has 47kg of gold sold forward in the September quarter at R37 037/kg

Loraine produced its best performance since the 1990 March quarter with the previous quarter's R5,2m after tax loss slashed to R162 000 as a higher gold price and decreased costs (a result of rationalisation programmes) saw the operating loss fall to R2,67m from R8,67m On an annual basis the mine had a R9m turnaround into the red with after-tax profits of R4,5m wiped out and a R5m loss reported

Loraine was involved in active hedging operations with 1,17t of its gold sold forward in the September quarter at R36 711/kg The following three quarters' have 718kg each sold forward at between R36 000 and R38 300/kg Another 239kg has been sold forward in next year's September quarter

Development results showed 946m were sampled on all reefs with the average channel value easing to 6,6g/t from 6,8g/t The Kimberly and Basal reefs showed significant channel value declines while Eldorado reefs reported an increase

ET Cons increased milling rates and raised the yield to 10,5g/t (10,2g/t) in increasing production to 915kg from 834kg

Working profits climbed to R10,9m from R7,6m and after-tax profits were up 38% to R5,2m Profits were more than halved in the year, falling to R17m from R35,8m

Anglovaal's defunct Prieska Copper Mine reported its last quarterly report with all operations closed down

ANGLO-VAAL June Quarter	Tons milled '000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Hartebeestfontein	**748**	**8,9**	**6 644**	**221,99**	**24 992**	**34 260**	**39 762**	**30 682**	**27,4**
	746	8,9	6 640	218,85	24 587	31 666	39 865	33 786	30,2
Loraine	**352**	**4,9**	**1 714**	**178,27**	**36 610**	**35 051**	**(162)**	**(1 282)**	**(7,8)**
	352	4,9	1 746	182,64	36 820	31 857	(5 169)	(6 196)	(37,9)
ET Cons	**87,3**	**10,5**	**915**	**223,02**	**21 279**	**33 279**	**5 263**	**3 609**	**4,2**
	81,8	10,2	834	228,02	22 365	31 318	3 789	3 166	3,7

Gold usage must be better promoted

Star 17/7/91 (214)

Finance Staff

The gold mining industry worldwide should be doing more to promote gold usage in jewellery, says Mr Ogilvie Thompson

While consumption in jewellery fabrication reached a new record last year and virtually equalled Western production of newly mined gold, Mr Ogilvie Thompson says the metal has to compete against other precious metals and gemstones, and that jewellery itself competes against other luxury goods and leisure activities for the consumer's discretionary spending

"We know from experience — not theory — that money spent on thoroughly researched and carefully targeted promotion campaigns does increase sales," he says

"Yet those gold producers who do contribute to the World Gold Council in Geneva, their agent for the promotion of gold usage in jewellery, do so at a rate equivalent to less than one percent of their sales revenue," he says

Poor quarter for Gencor mines despite gold price

B|Day 18|7|91. (214)

MATTHEW CURTIN

GENGOLD, the Gencor group's gold division, failed to capitalise on the improving rand gold price in the June quarter.

A sharp rise in working costs, large retrenchment payouts and unexpected interruptions in production at three of its larger mines wiped out a 3,1% increase in the average gold price received

The division saw profits tumble 17% in the quarter, nearly a 50% drop year-on-year. Working costs rose 6% against an only marginal increase in the first quarter and 6,4% drop in the December quarter last year

The results mark something of a change in fortune for Gengold which of all the mining houses had weathered the bad conditions in the industry comparatively well thanks to 2½ years of drastic restructuring.

Seismic

Buffelsfontein was worst affected as it turned a R2,7m after-tax profit in the first quarter this year into a R2,7m loss in the second quarter, the fifth quarter in succession that after-tax profits have fallen at the mine.

Gengold MD Gary Maude said the amount of underground ore milled and gold produced fell as first a fire and gas leak and then a 700% increase in seismic activity in June affected underground operations

The mine had to some extent compensated for the production losses by mining selectively — both the area mined and the yield rose in the quarter — but working income was hit by R2,4m in retrenchment costs.

Maude said the outlook for the mine had nevertheless improvedas development work in the Strathmore area had at last shown good values

He said that with an end to retrenchments, the mine would be able to contain costs and he expected profits and production to improve in the next quarter.

At Winkelhaak, a mudrush forced management to suspend production at the No 6 shaft for six months and lost the mine 100kg in gold production a month.

Maude said management was busy redesigning shafts to change the shape of the ore passes and modifying control chutes to contain the muddy ore.

He said Winkelhaak had raised R51,6m in loans from Japanese group Mitsui at a favourable interest rate and would be able to finance capital expenditure through mine profits, although the mine remained highly sensitive to the gold price.

St Helena turned in a working loss in the quarter after a fire in the No 8 shaft in April affected production, which had already being scaled down to contain working costs in the face of a weak gold price.

The mine paid out R5,2m in retrenchment costs but the bottom line was boosted by R2,6m in revenue from the treatment of its slimes by Anglo American's Freegold.

Gengold's marginal mines, Grootvlei, Bracken and West Rand Consolidated stayed firmly in the black.

At Grootvlei, the gold price received fell in the quarter, an "embarrassing" lapse according to Maude and the result of the only small amounts of gold the mine was able to sell forward.

Kinross posted stable results and Beatrix was able to push revenue up significantly as working costs and the mine's tax bill fell in the quarter. The price of gold received rose from R30 667/kg to R32 018/kg.

Stilfontein, set to be closed by year-end, passed its dividend in the quarter but Maude said once underground operations were wound up profits would be derived from dump operations and dividend payments would resume.

GENGOLD June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix	**525**	**6,1**	**3 181**	**130,73**	**21 577**	**32 018**	**12 572**	**8 836**	**10,4**
	535	6,2	3 305	130,15	21 069	30 667	8 564	5 913	7,0
Bracken	**95**	**5,3**	**503**	**149,51**	**28 237**	**31 964**	**1 599**	**1 5512**	**11,1**
	107	4,8	511	134,91	28 249	30 844	1 475	1 437	10,3
Buffels	**512**	**5,9**	**3 023**	**187,78**	**31 804**	**32 181**	**(2 748)**	[illegible]	[illegible]
	536	5,8	3 128	172,19	29 505	30 990	2 663	1 937	13,2
Grootvlei	**114**	**5,0**	**575**	**146,30**	**29 005**	**30 988**	**1 474**	**1 983**	**17,2**
	114	5,0	574	146,36	29 068	31 354	2 060	1 986	17,4
Kinross	**477**	**6,3**	**3 005**	**143,12**	**22 718**	**31 556**	**17 461**	**12 340**	**68,6**
	479	6,3	3 015	139,32	22 134	30 713	18 797	12 294	68,3
Leslie	**100**	**5,3**	**528**	**157,06**	**29 746**	**32 433**	**1 707**	**1 269**	**7,9**
	108	5,0	540	150,29	30 057	32 422	1 126	892	5,6
St Helena	**352**	**6,0**	**2 118**	**199,36**	**33 133**	**32 253**	**3 900**	[illegible]	[illegible]
	410	6,2	2 550	182,96	29 417	30 860	6 279	4 383	[illegible]
Stilfontein	**480**	**1,9**	**890**	**71,91**	**38 784**	**32 148**	**(5 211)**	[illegible]	[illegible]
	492	1,9	915	62,70	33 714	31 197	(2 871)	[illegible]	[illegible]
Unisel	**181**	**5,8**	**1 050**	**180,83**	**31 171**	**32 424**	**290**	[illegible]	[illegible]
	206	5,8	1 200	161,96	27 803	31 733	2 606	(2 381)	(8,5)
West Rand Cons	**210**	**2,6**	**540**	**86,13**	**33 494**	**32 709**	**1 635**	**1 636**	**38,5**
	217	2,6	560	81,28	31 495	32 488	938	981	17,4
Winkelhaak	**475**	**5,9**	**2 800**	**150,83**	**25 588**	**31 718**	**18 809**	**6 710**	**55,1**
	483	6,0	2 900	143,40	23 883	30 987	22 012	(412)	(3,4)

Hedging not good for industry, says Gengold's Maude

Star 18/7/91

By Sven Lunsche (214)

The gold price could receive a significant boost if large-scale forward selling by major gold producers were curtailed

Presenting Gengold's June quarterly results, managing director Gary Maude said he would like to see an industry policy to limit the adverse impacts of hedging on the metal's price

"However, we must be careful not to act as a cartel on the matter," he says

Mr Maude says estimates have shown that five tons of gold sold forward depress the price by roughly $1 an ounce

"Currently, about 800 tons have been sold on the forward market, without which the price could be trading at roughly $500 an ounce

"The major producers seem to be coming to the conclusion that forward selling is doing more harm than good," he says, adding that it still made sense though for marginals to sell some of their gold production forward

In the June quarter, Gengold's 11 mines improved their income after tax and capital expenditure by three percent to R24,9 million, after a 52,5 percent plunge in the previous quarter

Mr Maude does not expect further large-scale retrenchments at Gengold and says there is a growing realisation among trade unions that lower wage increases have to be accepted to save jobs

He expects pay rises of less than 10 percent this year to emerge from the current negotiations between the Chamber of Mines and the National Union of Mineworkers

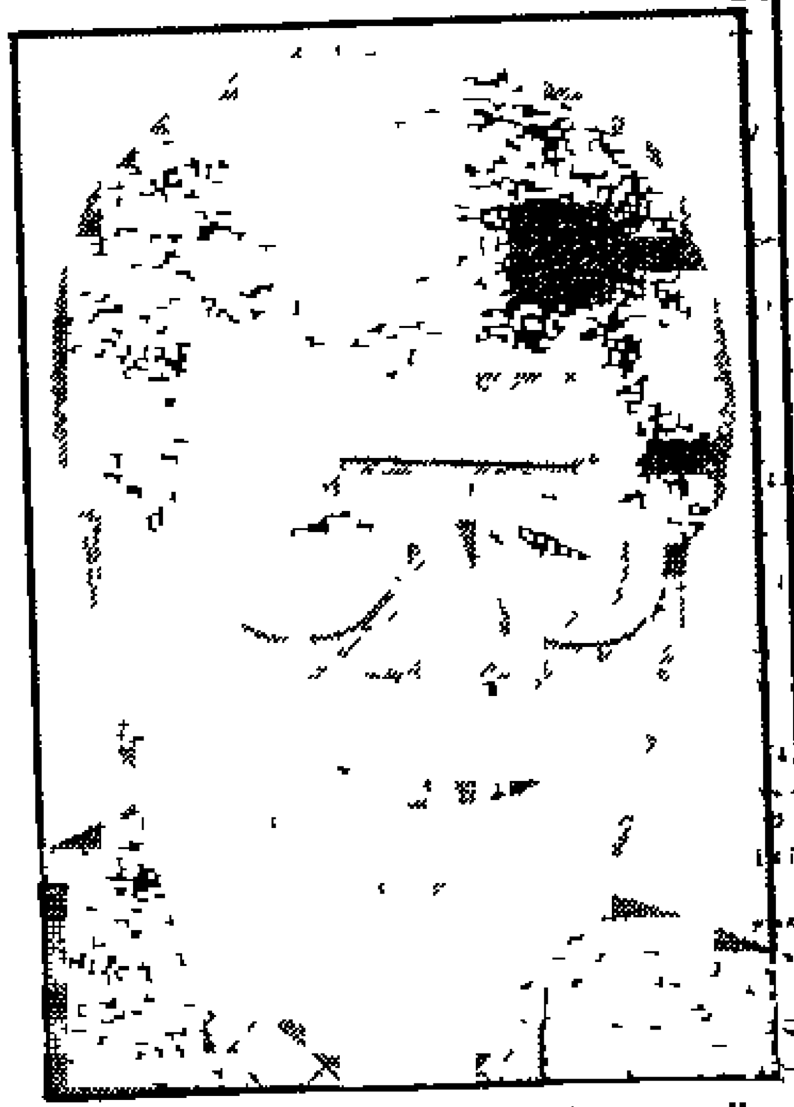
During the quarter, the average rand gold price received by Gengold was up by 3,1 percent to R31 978/kg, but this was partially offset by a 6,2 percent hike in working costs to R27 826/kg

Two of the mines — Buffelsfontein and Stilfontein — reported a taxed loss in the quarter, resulting in an overall 18,3 percent drop in taxed income to R52 million

A drastic drop in capital expenditure, from R39,5 million in the March quarter to R27,1 million, however, lifted income after capex by three percent

The capex figure does not include a R52 million loan raised by Winkelhaak

Stilfontein was hit by retrenchment and closing-down costs, but Mr Maude reckons that the mine should be clearing a profit of R3 million a quarter when the underground workings are shut down



Gary Maude growing realisation among trade unions that lower wage increases had to be accepted to save jobs

The mine's losses rose from R2,9 million to R5,2 million

Buffels reported a loss of R2,75 million (profits of R2,7 million in the March quarter) as an underground fire and increased seismic activity reduced gold production by over 100 kg to 3 023 kg

Losses from mining uranium approached R2,9 million and contributed to the disappointing performance

Buffels subsidiary **Beatrix** was the star performer of the group, lifting taxed income from R8,6 million to R12,6 million

The recent mudrush at **Winkelhaak** cut gold production by about 100 kg during the quarter

However, plans are afoot to use a ventilation shaft for additional hoisting capacity and insurance payments will meet more than 50 percent of the loss of production

The mine is also limiting capex to within the mine's profits

To this extent, capital appropriation has been reduced by R51,6 million through a $18 million gold loan

Erratic stope values affected gold production at **Unisel** and taxed profits fell sharply from R2,6 million to R290 000, but Mr Maude expects a recovery phase over the next six months

Steady progress was maintained at **Oryx** and Mr Maude forecasts that it should be mining 30 000 tons by mid-1992 and be in full production of 70 000 tons towards the end of next year

The group's other mines performed in line with expectations

Gengold 'hopeful' of inflation-busting wage increases

(214) B Day 18/7/91

MATTHEW CURTIN

GENGOLD, the Gencor group's gold division, was confident that this year's annual pay award in the gold mining industry would be a low, single-digit figure

MD Gary Maude said yesterday at the presentation of the group's quarterly results that he was "very hopeful" unions would accept a low wage increase which would enable Gengold to keep working cost increases below 10% in 1991 Such an increase would enable the mining industry to break the inflationary spiral which was currently gripping the sector

Given that so much of industry was orientated towards the gold mining sector, this would have an anti-inflationary impact on the whole economy, he said

It has been reported that the Chamber of Mines and the National Union of Mineworkers (NUM) will agree to an industry-wide package similar to that struck last month between Anglo American's Ergo gold operation and the union

The NUM-Ergo deal provided for a 5% across-the-board increase and profit and performance-related bonuses up to an extra 15%

The recent massive wave of retrenchments at Gengold was at an end, Maude said The division has shed almost 40 000 jobs in the last two to three years, at an average of more than 2 000 a month last year

Commenting on Gengold's performance in the June quarter, in which working costs rose 6,2% on the previous quarter and working profit dropped 17,3%, Maude said he was concerned at the impact heavy forward selling of gold was having on its price

Gengold, which has tended to hedge production only from its marginal mines, secured an average gold price for the quarter of R31 978/kg In contrast, Anglovaal, which published its results yesterday, succeeded selling gold forward as far as September next year at prices ranging from R36 711/kg to R39 046/kg Its Loraine mine sold 1,17 tons or three-quarters of its production forward in the quarter

Maude said while small producers were sensible in selling forward, large forward sales served only to cap the gold price

He said Gengold was preparing a report which would show that for every five tons of gold sold forward, $1 was knocked off the gold price This suggested the gold price was currently undervalued by about $150 given that there was about 800 tons sold forward

● See Page 8

Genmin's French link

(214)

ANDREW GILL

GENMIN and French-based mining group Bureau de Recherches Geologiques et Minieries (BRGM) have linked up with a view to establishing new international mining ventures, the groups announced in a joint statement yesterday

The main aim, it said, was to exploit synergies arising from the two groups' experience and knowledge of international mining and exploration ventures

Genmin is to take a 10% stake in BRGM subsidiary Salsigne's gold mining activity's in France BDay 18/7/91

They have decided also to set up a high-level working group to achieve their long-term co-operative objectives

Gold producers agree to boost jewellery sales

Star 19/7/91

By Sven Lunsche (214)

The world's leading gold producers have in principle accepted a proposal by Anglo American to use a certain percentage of their sales for the promotion of gold jewellery

The head of Anglo's gold division, Clem Sunter, said yesterday the World Gold Council (WGC) was considering a formula to apportion part of the increased revenue arising from the improved gold price for the promotion of gold to the jewellery industry

Producers of about 50 percent of world gold are represented in the WGC, he said at the presentation of Anglo's quarterly gold mining reports

Mr Sunter said the main hope for the industry was demand from the jewellery sector, which could push total demand for gold to nearly double new production by 1997

"We are fairly bullish on the gold market in the short term now and, as the gold price rises, I believe we should put part of that price rise aside for promotion," he said

Clem Sunter more hope and expectation in the mining industry

Mr Sunter said there was now more hope and expectation in the mining industry that it had turned the corner

He said profits at Anglo's gold mines in the June quarter were boosted by the better gold price, but, more significantly, by a fall in production costs

"Suppliers have assisted us in terms of lower price escalations on their stores and services to us"

Available profits at Anglo's gold mines rose 4,6 percent on the back of a 2,1 percent rise in the rand gold price to R32 974/kg (March quarter R32 289/kg) and a 1,4 percent decline in total working costs from R1,684 million to R1,66 million.

Freegold, the world's largest mine, set the tone for the other mines in the Anglo stable, boosting available profits by three percent to R55,8 million (R54 million)

It reduced working costs by two percent to R800 million (R818,3 million), which included the cost of the large-scale retrenchment announced last year

However, Freegold director Lionel Hewitt said yesterday that natural attrition through early retirement and extended unpaid leave had reduced the number of staff to be retrenched to about 40 percent of the originally announced 8 000 workers

Capital expenditure at the mine was cut by R24 million to R53 million

Profits at Vaal Reefs were hardly changed at R41,5 million as the benefits of a higher rand gold price were offset by a 0,7 percent rise in costs to R24 954/kg (R24 783/kg), a lower yield of 6,4 g/t (6,66 g/t) and reduced gold production of 18 324 kg (18 730 kg)

Vaal Reefs cut its interim dividend by 15c to 435c a share

Southvaal, whose main income derives from Vaal Reefs' royalties, reduced its interim dividend for the six months to June by 50 percent to 90c

Western Deep Levels was the star performer, boosting available profits by 50 percent to R30,1 million (R20,1 million) on an eight percent improvement in gold revenue to R351 million (R325 million) and substantially reduced unit costs of R22 519/kg (R23 013/kg)

The mine declared an interim dividend of 180c a share

At **Elandsrand** available profits fell from R9,47 million to R5,7 million because capex was boosted significantly from R21,4 million to R35,2 million

At **Ergo** profits were down to R6,4 million (R8,2 million) as gold production at its Ergo division was 12 percent below budget, while profits at **Sallies** were lifted slightly to R489 000 (R459 000)

FM 19/7/91

SIMMERS/KNIGHTS/LAING

TALKS ON DUMPS (214)

A flurry of cautionary announcements from Waverley, Simmer & Jack (Simmers) and Knights indicates moves under way which could determine who sets up the next major dump retreatment operation on the East Rand

Discussions have taken place between Knights and Simmers/Waverley on a proposal for Knights to acquire sand and slimes reserves controlled by those companies, but it appears Revere Resources MD Glenn Laing has his eye on the same dumps

Whatever the outcome, it will involve further foreign investment Control of Knights is now held by a syndicate fronted by Swiss businessman Walton Imrie, which last month bought Consolidated Mining Corp's (CMC) 23% stake in Knights for R16m

Simmers is controlled by a Turks and Caicos islands-registered investment company, Durrant, which appointed local businessman Chris Mumby as Simmers' chairman Mumby's company, Process & Mining Consultants, holds the management contract for Simmers and now also has the management contract for Knights in terms of the Imrie/CMC deal

Laing is in London, apparently looking for financial backing for his proposals to set up a large dump retreatment operation on the

FM 19/7/91 (214) FOX

East Rand, along the lines of the Daggafontein Division of East Rand Gold and Uranium (Ergo) Last week he and lawyer Monty Koppel held a meeting with Davis Borkum Hare's Max Borkum about this Koppel is also in London Borkum declines to comment

Mumby confirms discussions have been held between Knights and Simmers/Waverley but denies any agreement is close "Simmers/Waverley have provided detailed information on their dump reserves to Knights It is now up to the Knights board to come back to us with their proposals

"Cautionary notices were released to indicate these discussions have taken place They are separate from whatever Glenn Laing may be trying to put together and we wanted to avoid any confusion on this issue that may arise during his efforts to find financial backers for his own project

"We have spoken to Laing generally, concerning his aims and objectives on the East Rand, but it has all been at the conceptual level We have received no proposals from him," says Mumby

He adds the final decision on who gets the Simmers/Waverley dumps will depend on purely commercial considerations, based on "who pays the most to remove the material the fastest"

However, the situation may not be that clear-cut As manager of both Simmers and Knights, Mumby is on both sides of any deal between them And industry sources say it is unusual to issue a cautionary notice unless negotiations are well advanced Mumby acknowledges it would make sense for Knights to tie up a deal with Simmers/Waverley

"Knights at present has a limited life and must acquire more reserves of material to treat," he says "Operations will not continue past 1996 on the dumps the company has access to at present"

Simmers has so far disposed of 17,5 Mt of slimes, at an average gold grade in situ of 0,49 g/t to Ergo It has about another 30 Mt of slimes at an average grade of 0,4 g/t, while Waverley has about 2 Mt of high-grade slimes — 1,5 g/t in situ — and about 20 Mt of sand material in the Nourse dump at a grade of about 0,76 g/t

Ergo plans to pump its Simmers material to its own plant at Springs Part of the Simmergo treatment will be needed for this, and the rest of the plant will be broken down Whatever Laing has planned, he will have to build a new treatment plant, which means a large investment depending on size Ergo's Daggafontein plant cost R150m in 1987

It appears Laing had negotiated unsuccessfully with Lydenburg Exploration to get the dumps it had bought from East Rand Proprietary Mines Last month Ergo announced it had acquired this material — 26,5 Mt at 0,53 g/t — from Lydex to be treated at its Springs plant in return for half the working profits Laing has previously indicated his desire to set up a large dump retreatment plant on the West Rand, centred on Rand Leases (*Fox* July 12) *Brendan Ryan*

Hüels AG creates a subsidiary in SA

B Day 19/7/91

LIZ ROUSE

GERMAN chemicals manufacturer Hüels AG, a company of the major German chemical and energy group VEBA, has founded an independent subsidiary, Hüels Southern Africa, and has acquired Supacryl, New Germany, Natal

The move into SA was the start of a wider involvement by the German group, Hüels Southern Africa MD Rolf Berendes said yesterday

In 1990, Hüels Ag, with its seat in Marl, and its subsidiaries, achieved group sales of more than DM10bn (about $6,7bn)

Besides its 12 production centres in Germany, the Hüels Group has production centres in Sweden, the Netherlands, Italy, the US and the Far East Its range of products includes inorganics, organics, surfactants, standard and engineering plastics, rubber, surface coating raw materials, ultrapure silicon wafers, and organosilanes

Until now the operations of Hüels and its subsidiaries in SA were limited to marketing througn a variety of local trade organisations Total sales by the Hüels Group during the past year were about DM40m

With a view to increasing Hüels's presence in southern Africa and combining marketing activities, operations have been centralised as the new Hüels Southern Africa (HSA), located in Randburg

The company is partly owned by Chemimpo SA, also based in Randburg

Supacryl's production operations are in acrylic dispersions, solution polymers, special plasticisers and other speciality chemicals In addition, polymethyl methacrylate (PMMA) moulding compounds, adhesives and process chemicals are marketed by Supacryl

Interactions

Supacryl's sales for 1990 totalled more than R30m

Its products supplement Hüels's operations in the area of surface coating, plastics and process chemicals

Positive interactions are also expected with Hüels subsidiary Roehm GmbH in the area of acrylic acid derivatives, in particular acrylate dispersions

Southgo's Benoni firm plans R17m rights issue

MATTHEW CURTIN (214)

BENONI Gold, one of the mining companies owned by Southgo, the gold mining arm of Consolidated Mining Corporation (CMC), is about to launch a R16 8m rights issue to repay borrowings

Commenting on Southgo's results for the June quarter in which its three operating gold companies each turned in improved profits, chairman Antony Lee said proceeds of the issue would more than cover Benoni's debt

On June 14, Southgo sold its 23% interest in Knights for R16m which the directors said would substantially reduce the outside borrowings of Southgo and Benoni

Benoni posted a three-fold increase in after-tax profits in the quarter at R2m (R745 000), West Witwatersrand after-tax profits climbed to R1,8m (R484 000) while Nigel turned a R1,1m loss in the March quarter into a R223 000 profit

B Day 19/7/91

Lee said Southgo's policy of tightening up operations at every level, its determination to "stay cash positive after capex", and to enter expansionary projects only when it was certain of the returns had paid dividends

Southgo had also successfully contained costs, boosted gold production and benefited from the improved rand-gold price

Benoni's sound performance in the quarter was due to a better gold price received (R32 589/kg against R30 657/kg) and its ability to reach full milling capacity for most of the quarter In the March quarter gearbox problems reduced milling capacity by 50% for two months at one of the mills

At West Wits extra crushing facilities were commissioned during the quarter and the amount of material treated rose to 448 000 tons (406 000 tons) Another secondary mill would be commissioned by mid-August

Duiker's low sales offset by stronger dollar prices

B/Day 19/7/91

MATTHEW CURTIN

FIRMER dollar prices for coal and anthracite and the favourable rand/dollar exchange rate offset lower sales volumes to more than double earnings for Lonrho company Duiker Exploration in the June quarter

Duiker's earnings a share rose from 14c to 36,6c quarter on quarter After-tax income climbed to R5,3m (R2m) continuing the company's sharp improvement from a poor final quarter last year in which after-tax income and earnings tumbled by about 50%

The company's directors said the main reason for the improved performance was "the change of mix of products sold particularly with regard to tonnages exported"

Loss

214

Anthracite sales plummeted from 133 000 tons to 3 190 tons in the quarter, but the directors said the arrival of scheduled shipments of anthracite before and after the June quarter accounted for this Steam coal sales slipped from1,3-million tons to 1,2-million tons Duiker sold 63kg (58kg) of gold

A dividend is yet to be declared The company spent R1,5m on capital expenditure in the quarter.

Duiker operates bituminous and anthracite collieries and a gold mine It has a 36% interest in Eastern Gold Holdings, which owns 85% of Erfdeel, a section of Anglo American's Freegold operation. The Erfdeel operations, managed by Freegold, turned a R5,3m working loss in the first quarter into a R775 000 profit in the June quarter

Duiker also has an interest in Anglo's exploration of ore bodies underlying Freegold's northern division.

Knights tames increased working costs

B/Day 19/7/91 (214)

MATTHEW CURTIN

KNIGHTS gold mining company posted a 19% increase in after-tax profits in the June quarter, as reduced capital expenditure and a better rand-gold price offset a 15% hike in working costs

Knights was taken over by a syndicate fronted by Swiss businessman Walton Imrie in mid-June, when Consolidated Mining sold its 23% stake for R16m

The Financial Mail reported this week that Knights was being managed by Process & Mining Consultants, owned by Chris Mumby, chairman of Simmers and Jack and a director of Waverley Gold Mines Mumby said Knights had a limited life and needed more material if operations were to continue beyond 1996

Knights, Simmers and Waverley issued cautionary announcements earlier this week as negotiations continue which may lead to the establishment of a new re-treatment operation on the East Rand

Anglo bullish about gold market

ANDREW GILL

214

A BULLISH short-term view on the gold market, coupled with "considerable" moderation in the annual wage settlement to be announced shortly, formed the basis of Anglo American's view that the mining industry might have "turned the corner"

At a briefing on Anglo's quarterly results yesterday, Anglo gold and uranium division chairman Clem Sunter endorsed Gengold MD Gary Maude's statement that this year's settlement would be a low, single-digit figure

BDay 19/7/91

He said the Ergo bonus scheme had set a precedent for the industry It had originated between management and the mine's NUM shop stewards

Anglo's mines announced a 4,6% increase in available profits after squeezing total working costs by 1,4% and receiving 2,1% more in rand gold price in the June quarter However, a slightly longer-term view provided by dividend announcements reflected the corporation's and the gold industry's troubled year

Southvaal reported an interim dividend of 90c a share, half of that declared at the same time last year Vaal Reefs declared an interim dividend of 435c a share, down from 1990's 485c Sallies declared halved dividends of 10c a share and Elandsrand unchanged dividends of 15c a share

☐ To Page 2

Anglo

BDay 19/7/91

214

☐ From Page 1

Only Western Deep Levels managed an increase, to 180c from 160c

Sunter, however, did not endorse Maude's comments about forward sales putting a cap on the gold price He said any forward sales that the industry undertook had a marginal effect on the gold price

About 37 000t of gold turned over in futures contracts on the New York and Tokyo exchanges with options volumes reaching 7 500t Industry, however, accounted for only a few hundred tons of this

Consensus had been reached among SA, Australian, American, Canadian and other producers that some kind of target should be set for gold jewellery consumption, he said

The target should be to double consumption by about 1997 This would result in a deficit of about 2 000t a year that would have to come out of central banks' vaults or private hoarders' hands

Under those circumstances, the gold market would be transformed despite the tonnages in central banks' hands This view, he said, was now shared widely among gold producers

He suggested a formula whereby all producers set aside a certain proportion of a gold price rise (about which he was bullish) for further promotion of gold jewellery

● See Page 10

Gold sends overall index to new high

BDay 19/7/91 (214)

MERVYN HARRIS

FUELLED by a gold-inspired rally, the JSE overall index advanced 1,1% to close at a record high yesterday, but share prices could come under pressure today as the metal retreated after failing to breach overhead resistance at $372

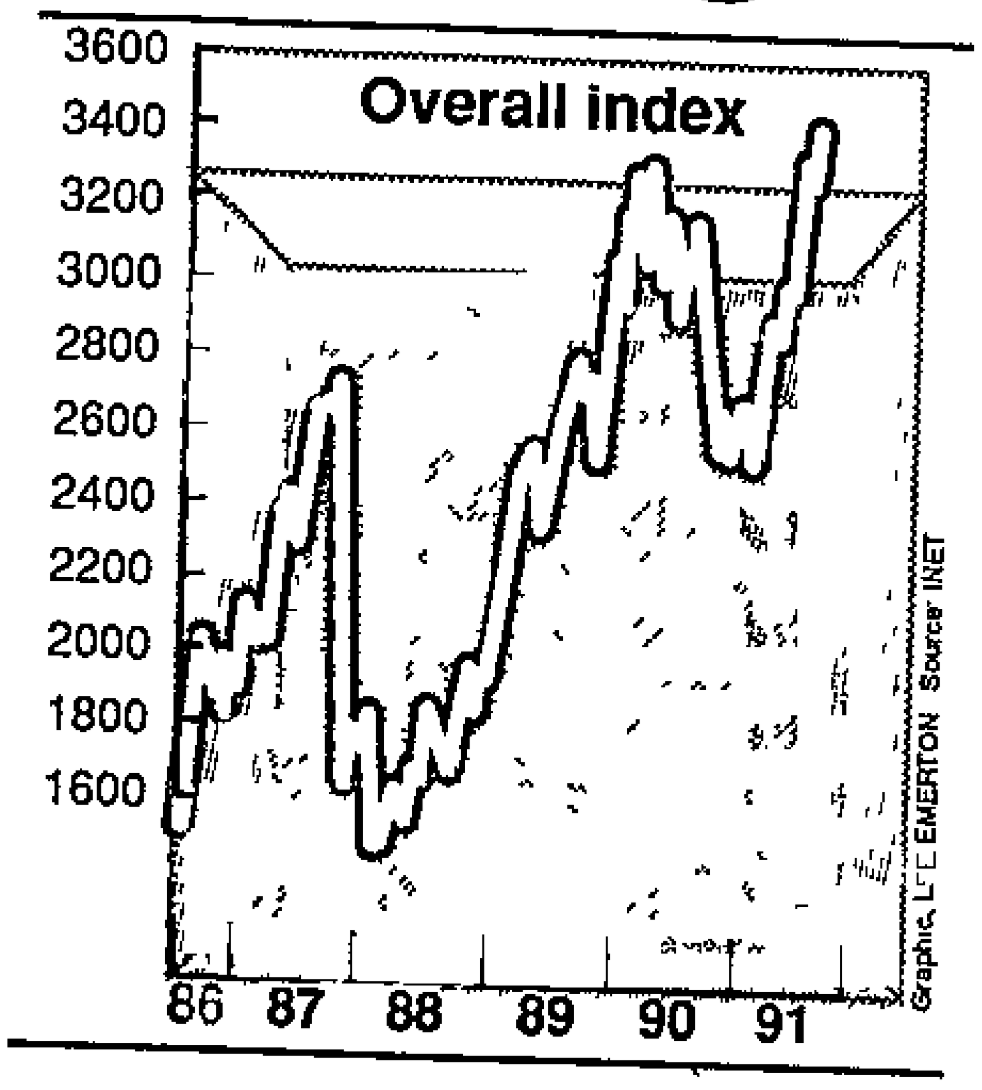
The 40-point gain in the index to 3 518 surpassed the previous peak of 3 508 set on July 11 ahead of the lifting of US sanctions Demand was then mostly for blue chip industrials Yesterday's flurry of activity came on the back of a higher gold price during trading and was further buoyed by solid results from Anglo mines in the June quarter

Dealers said London was selling gold and mining related shares, such as Anglos, Amgold and De Beers, which were being snapped up by domestic institutions on bullish sentiment towards the metal

The all gold index gained 43 points to 1 423 but was off a high of 1 434 as share prices eased back towards the close of trading in line with a pull back in the price of the metal

Share prices would have retraced more of their gains if the market had remained open half an hour longer, dealers said

After rising to a high of around $372, gold slipped back to close 60c up at $369,65 on a combination of a slight rebound in the dollar and reports by Reuter of Middle East selling into the metal's early strength



The industrial index came within range of its nine-day record high of 4 061 on a 23-point rise to 4 035 But some analysts cautioned that bullish sentiment towards gold has been underpinning current high levels of industrial leaders

They said any further pull back in the gold price could bring industrials down quite sharply

Cost cuts, gold price buoy Anglo mines

(214)

B|Day 19|7|91

ANDREW GILL

ANGLO American Corporation's gold mines yesterday weighed in with improved results for the June quarter in a cost-cutting three months buoyed by a higher rand gold price

The mine's total working costs declined by 1,4% from the March quarter to R1,66bn while unit costs climbed slightly to R26 193/kg from R26 030/kg

Available profit climbed 4,6% as a higher price of R32 974/kg (R32 289/kg) offset lower grades which saw gold production fall to 63 395kg

The mines tended toward higher tonnages above ground and lower tonnages below ground, reducing recovery yields but increasing margins

The world's biggest producer, Freegold, registered improved profitability at the operating and after-capex levels but decreased metallurgical scheme profits and sundry income coupled with a higher tax provision saw after tax profits slip to R115,2m from R134,6m

Anglo gold and uranium division MD Lionel Hewitt said the unit cost decrease of 2,3% was "extremely pleasing" and that decreased metallurgical scheme profits were of no concern as they were expected in line with the planned overhaul of the acid plant

A fire at the No 4 shaft in the North region failed to dent production with a higher underground grade boosting production to 12 677kg from 12 419kg

Despite decreased revenue in the South region through lower grades and millage, costs were down, resulting in profits of R74,1m from R70,8m "Survival capex" of R9,5m was spent, (R24,1m in the previous quarter)

It wasn't expected that larger capex appropriations would be made in the near future as they were waiting for a consolidation or improvement of results first

Erfdeel, Hewitt said, had turned around with the operation registering a R800 000 profit after tax compared to the previous quarter's R5,4m loss This was by virtue of an increased grade and higher milling rates, which saw gold production climb to 1 110kg from 952kg

Vaal Reefs maintained available profit at R41,5m as gold revenue climbed 3% to R605,1m thanks to a higher rand gold price of R32 820/kg (R31 686/kg) Total working costs registered a 2% decrease to R457,2m while costs a kilogram were slightly higher at R24 954/kg

Gold production reflected the move to surface tonnage as millage increased to 2,86-million tons from 2,81-million but the yield declined to 6,4g/t from 6,66g/t, resulting in 2% lower production of 18 324kg

Western Deep Levels registered a 50% climb in available profits to R30,1m as a result of higher gold production, a stronger gold price and lower costs

Conjunction

Hewitt called the results excellent in reporting a 7% higher tonnage to 1,7-million tons and a 2% increase production despite a fall in the yield to 6,14g/t (6,41g/t)

Lower unit costs and total working costs were reported in conjunction with decreased capital expenditure Progress continued at No 1 short sub-vertical shaft with 28m advanced in the quarter to 814m

Elandsrand realised a 33% increase in after tax profits to R40,9m but after capex, lower available profits of R5,7m were recorded Hewitt said the lower bottom line did not reflect the mine's very good quarter

Ergo reported a 21% decline in profit at R6,4m, from a lower rand gold price, and higher tax and capex

Hewitt called the performance at Ergo division a less than satisfactory one as gold production fell 4% despite a slight increase in tonnage to 5,74-million tons Revenue fell 6% to R54,3m as unit costs climbed 3,5%

Simmergo reduced losses to R380 000 from the March quarter's R1,27m through a 27% increase in production and a sharp drop in working costs

Daggafontein produced a "totally satisfactory" performance — a 14% increase in pre-tax profits to RR8,1m

Sallies reported little changed results with available profit climbing R30 000 to R489 000

ANGLO AMERICAN June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Freegold	**6 677**	**4,16**	**27 789**	**120**	**28 782**	**32 967**	**115 224**	**55 761**	**47**
	6 548	4,30	28 184	125	29 035	33 008	134 487	53 933	46
Vaal Reefs	**2 861**	**6,40**	**18 324**	**160**	**24 954**	**32 820**	**128 077**	**41 468**	**217**
	2 813	6,66	18 730	165	24 783	31 686	115 141	41 645	218
Western Deeps	**1 700**	**6,14**	**10 430**	**138**	**22 519**	**33 007**	**96 502**	**30 113**	**108**
	1 594	6,41	10 215	147	23 013	31 947	83 114	20 147	73
Elandsrand	**587**	**6,42**	**3 769**	**143**	**22 286**	**32 902**	**40 930**	**5 710**	**6**
	553	6,58	3 637	150	22 796	31 529	30 874	9 474	10
Sallies	**568**	**0,67**	**382**	**21**	**31 450**	**33 433**	**498**	**489**	**5**
	574	0,66	382	20	29 615	31 496	432	459	5
Ergo	**9 862**	**0,27**	**2 701**	**—**	**—**	**32 706**	**12 279**	**6 402**	**13**
	9 674	0,28	2 673	—	—	33 728	13 442	8 115	17

GOLD SHARES FM 19/7/91 (214)

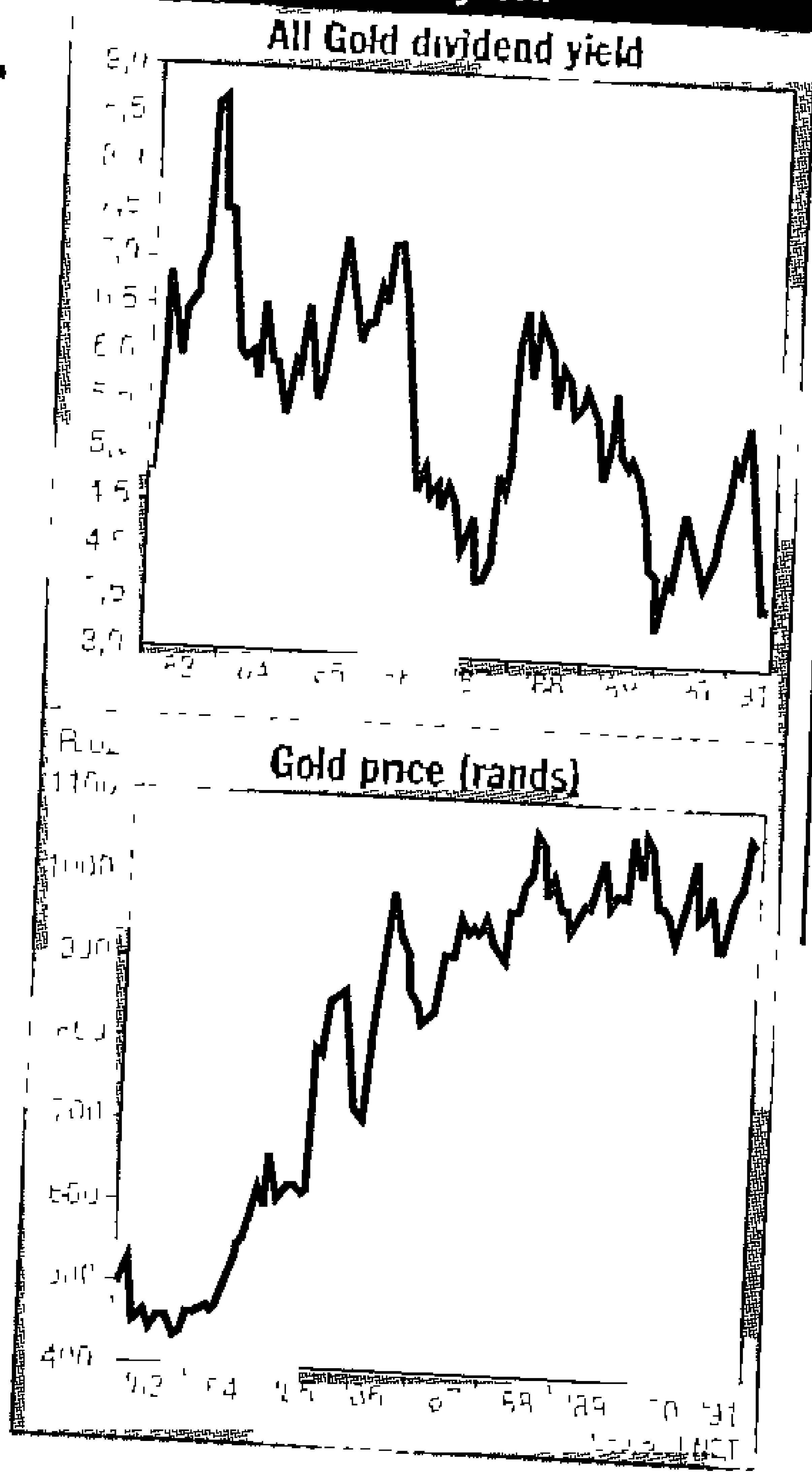
BULLS GET RESTLESS

It's that time of the market again Gold bulls are pawing the ground while analysts, institutions and investors, who have shunned gold shares for the past two or three years, are considering whether it's time to get back in As always, that's a difficult question to answer, particularly with gold's most recent disappointing performance during the Gulf War still a vivid memory However, gold analysts are cautiously saying "yes" with, as usual, plenty of caveats

FM 19/7/91 (214)

The accompanying graphs illustrate the reason for these While the rand gold price is back at near record levels, the dividend yield on the All Gold index is close to its all-time low of 3,5% On a historical basis, that makes gold shares look very expensive But investors are more concerned with future yields, and the currently high gearing of most gold mines to the gold price makes them look attractive — assuming the rand gold price continues to improve

Low yield



"If the gold price keeps going up then the shares look cheap, but if it drops again they look expensive," says one analyst Key point is that analysts believe industry profit margins hit rock bottom in the March quarter Chamber of Mines statistics show the average industry working profit then amounted to R5 604/kg, compared with almost R16 000/kg in the third quarter of 1986

Gold mines are now recovering from that very low base, as shown by the better results for the June quarter from Gold Fields of SA and Anglovaal Reasons include the slightly better dollar gold price, the swift decline of the rand from an average of $1/R2,58 for the March quarter to $1/R2,89 now, and the success the mines are having in holding down working costs per kg of gold produced

Other favourable points for the gold mines include falling tax rates, capital exemptions from VAT when it replaces GST and, one hopes, a productivity-related wage deal with the National Union of Mineworkers

Gold shares have already reacted to the industry's improved fortunes The All Gold index has regained 43%, to 1 384,5, since it bottomed at 968 on February 25 That illustrates the gearing effect analysts are talking about

What happens next depends on the strength of the dollar, recovery in the US and other industrialised economies, Soviet sales or the lack of them, and the usual variables affecting fundamentals of the gold market

Chartists reckon the technical picture for gold looks good because of its consolidation over the past few months

This is what one gold bull, James Capel's John Taylor, says in the firm's newly launched *South Africa Monthly Review* "At the current gold price a significant number of shares are on a prospective dividend yield of over 10% The gold price being discounted (if one assumes an investor requires a real return of 5%) now stands at $374/oz The last time this premium was so small was 1986 There is fundamental value in the shares — even at the current depressed level of the gold price Our medium and long-term views concerning the prospects for the gold price are extremely positive "

Must be music to a gold bug's ears

Brendan Ryan

Mine absenteeism wanes as workers see the light

(214) (220)

S Times 21/7/91 (Buss Times)

By JULIE WALKER

GENGOLD's Gary Maude says a new era of responsibility is evident among gold miners

In the wake of so many job losses and the vulnerability of many more, Mr Maude says workers are becoming more conscious of the consequences of their wage demands There is almost zero absenteeism

Gengold reflects the hopes of the whole mining industry with its moves to reach agreement on low, single-digit percentage pay rises in current negotiations

If costs cannot be kept stable or reduced — it becomes increasingly difficult as there is no fat left — and the gold price does not rally, jobs are on the line

Mr Maude believes that producers are beginning to realise that forward sales of gold hurt the price far more than the short-term scoring from the contango

His group aims to release a study which quantifies the long-held view that forward sales lower prices He says that for every extra five tons of gold reaching the market, the gold price loses $1/oz. The current overhang of 800 tons of gold could be holding the price down by $160

Dilemma

Some of the group's mines had a difficult June quarter There were retrenchment costs, fires at Buffelsfontein and St Helena, mudslides at Winkelhaak and erratic stope values at Unisel

Winkelhaak solved a financial dilemma of how to pay for expansion and a dividend by taking an $18-million gold loan from Mitsui at 16 25% The retained portion is earning 17,25%

Gold Fields of SA's seven mines produced an aggregate taxed profit of R245,7-million — 12% higher than in the quarter to March 1991 Higher grade and tonnage led to improved production, the gold price was higher and costs were contained to a 4% rise over the quarter

Vlaks and Venters both returned to the black in the last quarter of the financial year, but incurred losses for the 12 months Libanon also returned to profit before capital expenditure

Anglovaal's quartet scored from selling forward part of their gold production at significantly higher than the average gold price Loraine excelled with R35 051 an ounce, but costs were R36 610 The quarter's loss was only R162 000 compared with the previous R5,5-million

Flooding

Loraine has sold forward portions of its production at ever-increasing prices over the next five quarters In the three months to September 1992 Loraine will receive more than R39 000/oz for 239 kilograms, about a seventh of its production

Cons Mining gold arm Southgo's mines fared reasonably West Wits, Benoni and Nigel all made a profit Benoni will raise R16,8-million through the issue of shares at 25c to repay borrowings

But the curtain came down on Wit Nigel It received its final tribute from the Nigel mine and operations ceased at the end of March The quarter's expenses exceeded income by R422 000

Knights performed steadily at a better slimes grade to give a better profit margin of 318c a ton compared with the previous quarter's 272c

Anglo American's mines reduced aggregate working costs by 1,4% to R1,66-billion in the June quarter A 2,1% increase in the average gold price of R32 974/oz received led to 4,6% more profit

Tonnage treated climbed at all mines except Sallies and was accompanied by lower grades at all save that operation

Freegold bought production costs down by $22/oz to $322, Vaal Reefs by $20 to $279, Elandsrand by $25 to $250 and Western Deeps by the same amount to $252

Sallies' State subsidy to meet pumping costs was discontinued from the end of June and pumping has ceased Mining of the shaft pillar has ended and the workings will be allowed to flood after equipment has been recovered

Strong turnaround from RM gold mines

214

CT 22/7/91

Own Correspondent

JOHANNESBURG — Rand Mines' gold mines have reported a sharply better performance for the June quarter with the biggest producer, Harmony, achieving a strong turnaround into profit.

The figures contrast starkly with those reported in the March quarter when the mines' ratings and market perceptions faltered

Costs were cut at all four of the group's producing mines and Harmony weighed in with significantly better unit costs

The group reported overall profits of R21,3m in a R52m turnaround from the previous quarter's R30,4m loss as underground unit costs fell 12% and the average rand-gold price climbed 2,6%

Harmony reported a R34m turnaround from a R21m loss in the first quarter to R14m profit in the second Only ERPM remained in the red but it produced smaller losses at R7,2m from R12m At the operating level it was profitable as it turned the March quarter's R756 000 working loss into a R3,7m profit.

Blyvooruitzicht turned its R83 000 loss in the first quarter into a R10,5m profit at the after-tax level

A stronger rand-gold price also helped boost earnings with a R33 299/kg average price representing the lowest in a range up to R33 835/kg at Harmony This compares to the R31 829/kg received by ERPM in the first quarter

ERPM has continued to be hammered by high interest payments with R12,9m drained in the quarter Borrowings stand at R336m and R80m is still outstanding as a deferred tax liability

Underground production at the mine increased substantially to 1 506kg from 1 266kg as tonnages climbed 7,5% and the yield was upped to 5,86g/t from 5,3g/t

Blyvoor increased its tonnages and grade to produce 200kg more gold at R2 247/kg and brought unit costs down a strong R3 800/kg This, coupled with a higher price received for its gold, saw the operation turn in a R10,5m working profit.

Durban Deep, the only profitable operation in the previous quarter, improved on its R2,7m profit to post earnings of R3,9m.

Harmony benefited from cutbacks and austerity measures and brought unit costs down to R33 526/kg from R39 400/kg

Strong foundation for gold price rise

214

BDay 22/7/91

MATTHEW CURTIN

HOPES that the gold price will surge on the same sentiment that has driven gold shares up 46% on the JSE are unfounded.

But more than a month of stable hard currency gold prices show that gold has established a strong base from which it will rise gradually, thanks to growing jewellery demand and more aggressive marketing from the World Gold Council

Angus Robertson, a leading gold market analyst and investment consultant with Davis Borkum Hare, said on Friday that it would require substantial investment in gold from central banks and private investors to set the gold price rolling

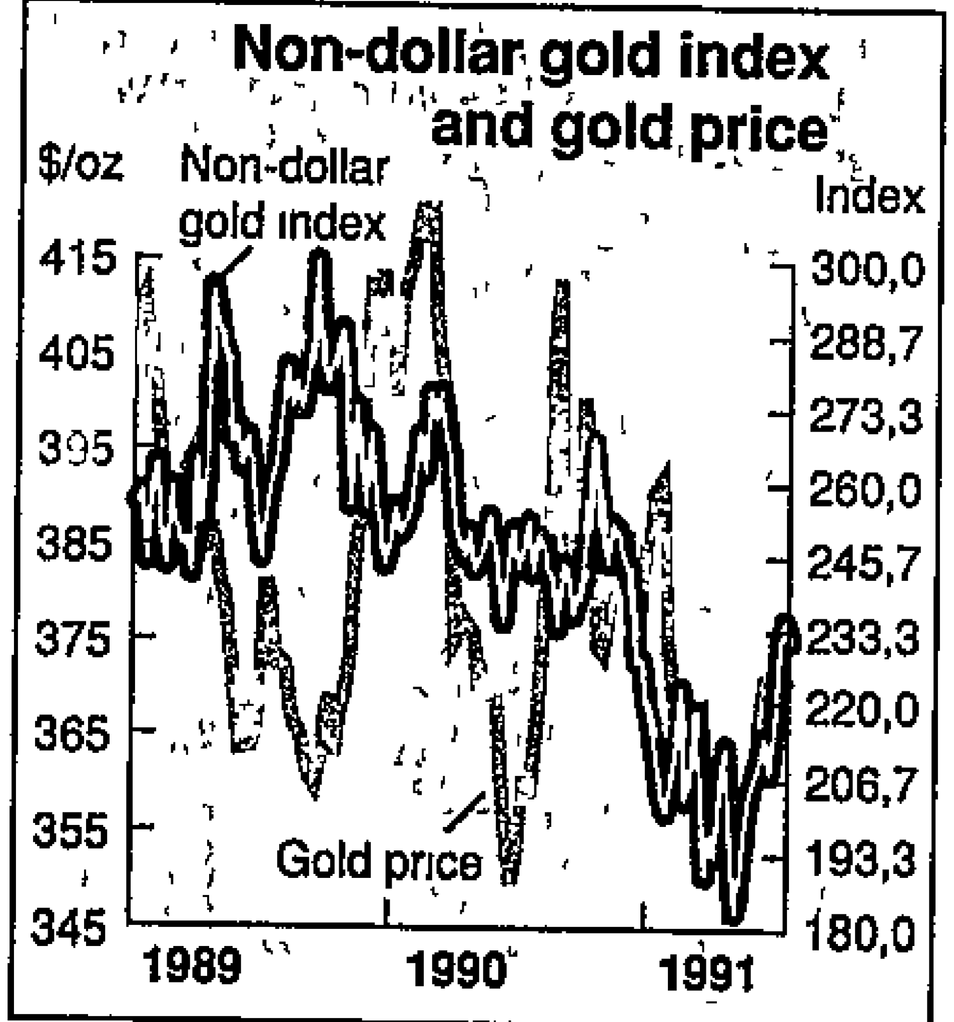
Credit Suisse had recently advised investors to try gold once more, and the Indian goverment's decision to send five shipments of gold as loan collateral to the Bank of England in the past two months showed the investment community was looking more kindly on gold

Shaky

However, he said a rapid rise in the price would spark a bout of selling similar to that which knocked gold off the $425 mark in February last year.

Since then selling had dried up and while the gold price remained shaky in dollar and yen terms, the price had help up well in the past six weeks in the other major currencies.

"I am convinced we have seen the bottom of the price, and with the sophisticated approach of the World Gold Council and pressure from Anglo American to promote sales more vigorously, a gradual price increase will come to pass," he said.



Graphic FIONA KRISCH Sources DAVIS ,BORKUM HARE & I-NET

Anglo American gold and uranium division chairman Clem Sunter reiterated his bullish outlook on Friday.

He said "The gold price over the next six months is more likely to be in the $380 to $400 range than the $340 to $360 range The odds are that the price should head towards $400 over the next six months."

Robertson said the dramatic recovery of gold shares reflected a degree of overconfidence in the future of the industry The older and marginal mines were still highly sensitive to changes in the gold price.

Mining houses would have to plough any newly won profits back into their operations, which had seen drastic cutbacks in capital expenditure in the past year.

He noted Gengold MD Gary Maude's comments in the US last month that mines should put more resources into development work and distribute less to shareholders. That would afford them a flexibility in production with which to cope with future slumps in the gold price

Lonrho nears deal on Soviet platinum

214

Own Correspondent

LONRHO could be set to pull off a platinum deal similar to the $1bn "loan-for-diamonds" agreement that De Beers reached with Soviet minerals authority Glavalmazaloto (Glava).

Lonrho SA officials have just completed talks with Soviet platinum producers in Moscow on key technical and marketing matters.

Lonrho will send a team of 20 to Moscow to follow through high-level talks with Glava on the marketing of platinum. B/Day 22/7/97

The talks, initiated by Lonrho CE Tiny Rowland, ranged over the entire breadth of platinum group metal marketing, according to Lonrho and were "highly successful". Lonrho has now set up a permanent Moscow office.

News of the move should spark intense interest in precious metals markets and excite speculation of a platinum cartel with SA and the Soviets accounting for more than 95% of production.

More likely is that the Lonrho link will stabilise the spot market by enabling the Russians to tie up more long-term contracts with car producers and minimise "unsophisticated" unloading on the New York Metals Exchange.

Observers said the deal could be similar to the De Beers one. Under the agreement De Beers Centenary has exclusive rights over the marketing and sale of Russian rough diamonds for five years. — Daily Telegraph.

R52m swing for Rand Mines

(214) B/Day 22/7/91

ANDREW GILL

RAND Mines' gold mines have reported a sharply better performance for the June quarter with the biggest producer, Harmony, achieving a strong turnaround into profit.

The figures contrast starkly with those reported in the March quarter when the mines' ratings and market perceptions faltered. Costs were cut at all four of the group's producing mines and Harmony weighed in with significantly better unit costs.

The group reported overall profits of R21,3m in a R52m turnaround from the previous quarter's R30,4m loss as underground unit costs fell 12% and the average rand-gold price climbed 2,6%.

Harmony reported a R34m turnaround from a R21m loss in the first quarter to R14m profit in the second. Only ERPM remained in the red but it produced smaller losses at R7,2m from R12m. At the operating level it was profitable as it turned the March quarter's R756 000 working loss into a R3,7m profit.

Blyvooruitzicht turned its R83 000 loss in the first quarter into a R10,5m profit at the after-tax level.

The group disclosed the extent of its hedging operations with all four mines taking part in selling forward large chunks of their production.

A stronger rand-gold price also helped boost earnings with a R33 299/kg average price representing the lowest in a range up to R33 835/kg at Harmony. This compares to the R31 829/kg received by ERPM in the first quarter.

ERPM has continued to be hammered

☐ To Page 2

Rand Mines

B/Day 22/7/91

(214) ☐ From Page 1

by high interest payments with R12,9m drained in the quarter Borrowings stand at R336m and R80m is still outstanding as a deferred tax liability

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Blyvoor increased its tonnages and grade to produce 200kg more gold at R2 247/kg and brought unit costs down a strong R3 800/kg This, coupled with a higher price received for its gold, saw the operation turn in a R10,5m working profit

Sundry revenue of R1,5m was wiped out by tax payments

Durban Deep, the only profitable operation in the previous quarter, improved on its R2,7m profit to post earnings of R3,9m Again, increased revenue and decreased costs helped widen the profit margin

Harmony benefited from cutbacks and austerity measures and brought unit costs down to R33 526/kg from R39 400/kg Lower gold production underground was more than covered by the 400kg produced on the surface

Large portions of the mine's production were sold forward at above R35 000/kg In the third quarter more than three tons of the 5,1t quarterly production were contracted and 2,1t were sold in the fourth

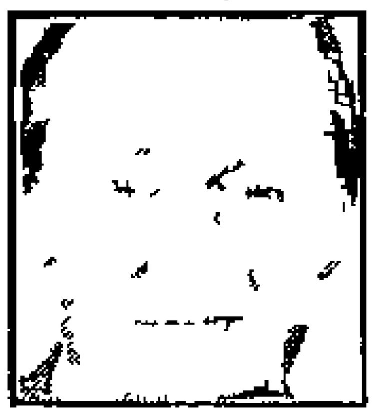
Building industry battling for survival in Free State goldfields

Star 23/7/91

Property & Construction

214

FRANK JEANS



The building industry in the Free State gold fields is now in a crisis situation — the worst since the opening of the area in the Forties.

The recession, added to the low gold price, has brought the industry and its supply companies to their knees, says Dave Collie, managing director of Welkom building materials company R Macdonald.

Speaking of the builders' battle for survival, Mr Collie, a member of the Building Industries Association, says "The slump has taken its toll in construction and there have been many casualties.

"Major companies have pulled out and several smaller concerns have closed down

"It is impossible to plan for the future as we do not know what will happen in the short, medium or long term "

If there were other industries apart from gold mining to provide employment and generate income the situation would not be so bad

"The fact that there is no other industry can be put down to poor planning and lack of foresight on the part of local and regional authorities," he says

The Welkom City Council's Industrial Development Committee is said to be working on a strategy to attract industry to the gold fields but Mr Collie sees this is a long-term remedy which will bear fruit only in 10 to 15 years

"Meanwhile, it is a case of simply trying to pull through," he says

Bull market for gold 'unlikely' (214)

BDay 23/7/91.

SHARON WOOD

IMPROVED investor sentiment could have precipitated the recent rally in the gold price, Old Mutual chief economist Dave Mohr said at the release of the latest Economic Monitor yesterday.

But although the worst could be over for gold in the short term, a major bull market in gold was unlikely to emerge, he said.

Old Mutual's outlook on the gold price was "cautiously optimistic".

The international environment was still characterised by low world inflation, more attractive and less risky alternative investments and a large overhang of gold stocks above the ground.

Mohr said given the severe underperformance of gold over the past decade, there was the real risk that disenchanted holders might use any sign of price strength as a selling opportunity

Revival

"Still the biggest potential positive for gold over the longer term is the possible tightening in the supply/-demand balance as world primary production levels off amid expected further gains in jewellery and industrial demand."

But Mohr cautioned that this was not expected to have a material impact on prospects for gold during the first half of this decade.

Commodity prices, which traditionally preceded a domestic economic revival, were not expected to improve from their current lows until 1992, he said

But future prospects for SA economic growth were brighter because of the normalisation of SA's economic links with the rest of the world and improving economic fortunes of the major trading partners.

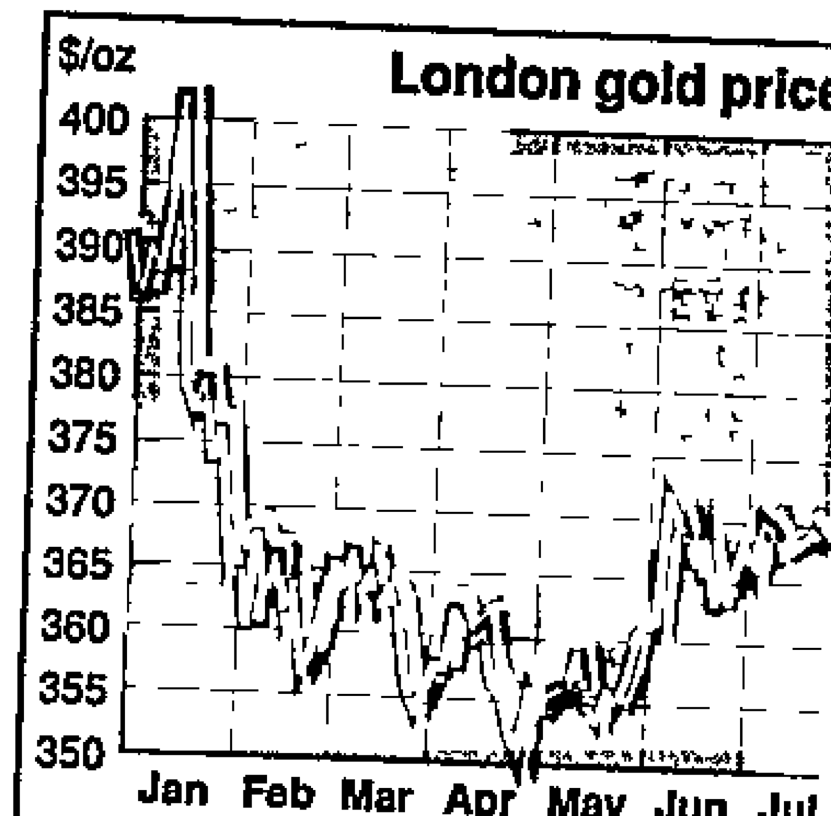
"Foreign investor confidence in the domestic economy has improved significantly, as reflected in the recent trends on the capital account of the balance of payments," he said.

These events, in conjunction with the state of the domestic business cycle, created the potential for a relatively firm economic revival.

Mohr said: "The most disturbing feature on the domestic economic front during the last quarter was undoubtedly the persistently high inflation rate."

Old Mutual economist Rian le Roux said the introduction of VAT in October might result in a significant increase in the consumer price index, Reuter reports. This meant the year-on-year inflation rate could still be around 15% by the end of the year," he said in Economic Monitor

A worrying development was the sustained sharp increase in food prices.



Graphic FIONA KRISCH Source I NET

COMPANIES

Golden Dumps mines regain some lost lustre

Bday 23/7/91 (214)

MATTHEW CURTIN

THE improving rand gold price and the impact of large-scale job cuts on working costs swung round the fortunes of South Roodepoort and Consolidated Modderfontein in the June quarter

The two gold mines are managed by Loucas Pouroulis's Golden Dumps.

Both mines, which plunged deep into the red in the March quarter, turned in operating and after-tax profits in the quarter

Pouroulis said yesterday the mines' successful battle against working costs had proved crucial

Retrenchments of between 30% and 40% of staff, leaving the two mines with complements of 400 and 1 100 workers respectively, saw costs fall from R37 408/kg to R28 407/kg at South Roodepoort, and from R33 840/kg to R31 403/kg at Cons Modder

The average gold price received by the operations rose simultaneously to R32 407/kg (R30 937/kg) at South Roodepoort, and to R32 584/kg (R31 038/kg) at Cons Modder.

Pouroulis said the mines had not taken advantage of facilities to sell gold forward The gold price was "looking up this quarter" and management preferred to work "on a spike approach".

He was confident the dollar gold price would hold steady and stressed the importance of the rand dollar exchange rate

At South Roodeport, production was scaled down considerably from 60 000 tons to 40 000 tons, pushing the yield up 12% in the quarter

The fall in gold and silver revenue was more than made up by cost savings and cuts in capital expenditure as development slowed in the quarter

Pouroulis said the sharp increase in the tons of ore milled at Cons Modder, up from 115 000 tons to 141 000 tons, was the result of mining larger amounts of material of a poorer grade than expected

The yield fell from 4,0g/t to 3,2g/t in the quarter, but Pouroulis said the yield would stabilise in the coming months

Cons Modder posted an after-tax income of R3,6m compared with a loss of R2,1m in the previous quarter, thanks to the sale of dump permits and material for R3m

Capital expenditure jumped from R212 000 to R3,4m in a one-off payment for equipment at the mine, Pouroulis said

Two mines turn corner

214

Star 23/7/91

Finance Staff

Two gold mines managed by Golden Dumps both slashed working costs in the June quarter after sharp job cuts to turn losses of the previous quarter into after-tax profits

South Roodeport reports after-tax income of R314 000 (R1,3 million loss)

Cons Modder showed a net profit of R3,59 million (R2,13 million loss)

Didata is still on the move, but pace slows

BDay 24/7/91

ROBERT LAING

DIMENSION Data's June interim results showed the computer networking specialist continued its rise, although at a slower pace

Turnover increased 30%, which was slow compared with 53% for the same period last year and 1988's 80% Didata chairman Jeremy Ord said the percentages were decreasing because growth was being measured from higher bases

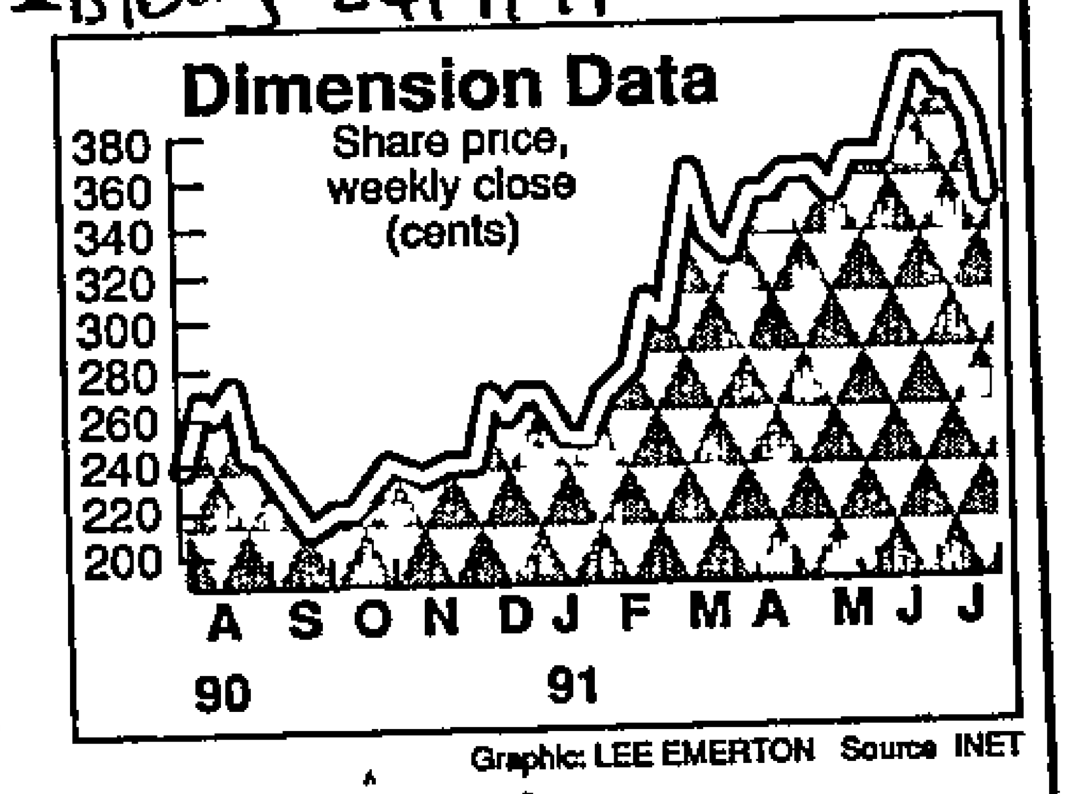
An increase in the number of shares in issue to 20,9-million from 20,4-million fractionally diluted earnings to 17,6c a share

Earnings a share grew 26% compared with last year's interim, down from 1990's 37% and 1989's 60%.

Last December the group paid dividends of 13,5c on final earnings of 32,9c a share. Ord said this year's dividend "should be good"

The group bought a cabling company, Perfection Systems, and merged it with subsidiary Advanced Cabling during the period under review

Financial director Rory Scott said the firm has not departed from its policy of remaining cash flush and had about R5m in the bank



Graphic: LEE EMERTON Source INET

Ord said orders for the rest of this year were strong and promising new products had been introduced, most notably a video conferencing system and a routing system

The group designs and manufactures about 80% of its products locally and exports on a small scale Didata has been the best performer among the high-tech companies which rushed to the JSE's electronic sector in 1987, but its share price has not yet risen above its pre-crash high of 390c

Its price rose 5c yesterday to 360c a share

Mining shares 'looking good'

LINDA ENSOR

CAPE TOWN — Old Mutual's investment team is bullish about the future potential of mining and mining financial shares

Old Mutual senior portfolio manager Adrian Allardice adds that mining financial shares seem to be bottoming out and have upside potential, while industrial shares have completed much of their improvement and could be in line for a consolidation in the short term

Old Mutual assistant GM investments Rowland Chute believes that gold appears to have bottomed at $360 and there are factors which will propel the metal substantially higher in the short term

He says there are several fundamental factors helping to underpin the gold price around current levels

"One of the more significant is the rise in jewellery demand which is now exceeding newly mined production for the second year in a row Offtake should continue increasing with the US economy likely to move into an upward phase next year"

214

Chute warns that gold bulls should watch for any signs of re-emerging US inflation as historically there has been a strong correlation between the gold price and US inflation

BDay Silver 24/7/91

Another bull factor is the strong indication that the Soviet Union does not intend becoming a major seller of gold in the medium term as it has obtained Western loans

"Demand for silver has been an important positive influence on the gold price and in fact many analysts believe silver is driving the gold price higher"

The outlook for gold shares has improved, with the gold index rising 43% since April

Nevertheless Chute remains cautious, pointing out that historically gold shares are expensive and a higher gold price would be necessary to sustain the uptrend

He says the low gold price and weaker rand-dollar rate have forced the gold mining industry to increase efficiency, which should bring major benefits to bottom-line earnings

The lifting of US sanctions should improve the rating of SA gold shares internationally On international comparisons SA gold shares are cheap and have the potential for a re-rating, Chute says

Allardice believes the bull market in industrial shares will continue into 1992 and 1993 and the industrial market offers fair value "It is expensive in the short term but there are several shares still offering very good value on a medium to long term basis."

B/Day 24/7/91

Sell-by date nears for mine assets

(214)

MATTHEW CURTIN

LIQUIDATORS of Modder B, the independent gold mining company which folded earlier this year, will know by the end of the week whether they have a buyer for the mine's assets, for sale since early May

Trevor Giddey, director of Transvaal Board of Trustees, who with Highveld Trust and Management are the company's liquidators, said yesterday that Modder B's creditors would meet at the end of the week to decide whether to accept offers for its mineral rights, surface rights and movable assets

Offers for the assets should have been accepted or rejected at the end of June, but the original tender deadline of May 17 had been put back after "representations by interested parties", Giddey said

Contract

He said offers had been received for "bits and pieces" of the company rather than for the purchase of the 82 ha of freehold, 7 685 claims, surface rights, permits and plant as a job lot

Highveld Trust director Selwyn Trakman said he was confident all Modder B's assets would be realised

Modder B was placed in final liquidation on May 7, after a provisional winding up order was granted on February 12 Its shares were suspended on March 22 The company's market value then stood at R805 000 against a listed value of R12,1m

The mine has been under contract by Modder Management Services since May 1988 after its ore processing plant failed to work, forcing it to have ore treated by Consolidated Modderfontein

Improved rating of SA gold shares expected

Star 24/7/91

214

By Sven Lunsche

There is little prospect of a short-term rise in the gold price above its current levels, says Old Mutual's assistant general manager, investments, Rowland Chute.

However, he says, the lifting of United States sanctions should ultimately improve the rating of South African gold shares in investment markets.

At the presentation of Old Mutual unit trusts annual results, Mr Chute said gold appeared to have bottomed at $360.

"But although the strong negative sentiment has faded, there were few obvious bullish factors to propel the metal substantially higher in the short term.

Low exposure

"It is difficult to see what could cause international investors to increase their gold holdings in the next 12 months, other than their low exposure to gold.

"There are, however, several factors which are helping to underpin the gold price at current levels, including a substantial rise in jewellery demand."

There had already been some US buying of quality golds and developing mines On an international basis South African gold shares were cheap and had the potential for a re-rating

"However, historically gold shares are expensive and a higher gold price is needed to sustain the uptrend"

He forecast that both mining and industrial shares were due for a major correction in the short-term after the recent surge in prices

JCI miners get new deal on basic pay

Star 25/7/91 (214)

By Derek Tommey

About 20 000 miners on Johannesburg Consolidated Investment group operations have agreed to accept a basic 5 percent pay rise, which will be linked to a gold price and productivity bonus.

They are employed on the Randfontein, Western Areas and Joel mines, and are in job levels 1 to 8.

Miners in job levels 9 and above will not know their increments until the outcome of negotiations between the Chamber of Mines and the Confederation of Mineworkers' Union.

Announcing the agreement, Kennedy Maxwell, chairman of the group's gold division, said that, in addition to the basic rise, the miners would receive up to an extra 7 percent in bonuses should the gold price increase significantly.

They could also receive up to an extra 12 percent should their productivity improve.

If everything went "absolutely right" for the workers, they could earn an additional 24 percent this year.

Mr Maxwell said that JCI wanted to reach an agreement which it could bear.

Reaction from the miners had been good.

The National Union of Mineworkers was not involved in the discussion because its membership had declined dramatically since 1987, though it had recently started to rise again.

Mr Maxwell said the industry, particularly JCI's gold mines, were in a marginal situation. There had already been retrenchments.

"But we hear the union and our workers loud and clear saying they want their jobs"

Joel's first profit boosts results of JCI gold trio

B/Day 25/7/91 (214)

MATTHEW CURTIN

H J JOEL, the JCI group's developing gold mine, has turned in a profit for the first time in its three-year operating history, the key factor in the 33% or R9,8m increase in after-tax profits reported by the group's three gold mines in the June quarter

Joel's performance was the result of all-round improvements in the mine's operations Yields jumped from 4,1g/t to 5,1g/t, and with the mine "testing its milling capacity" at 85 000 tons a month, gold production rose by more than 400 kg in the quarter

Gold division chairman Kennedy Maxwell said the mine also benefited from sound cost control Working costs plunged 20% in the quarter to R31 417/kg from R39 311/kg in the previous quarter

He said Joel sold gold forward most successfully in the quarter because it had taken out hedging contracts more recently than Randfontein Estates and Western Areas Their rand gold price received increased by about 3%, but at Joel the price received climbed more than 7% to R34 129 (R31 849)

Maxwell said the mine was lucky to have hit richer material in the quarter, and while the grade was still fluctuating it was doing so at a higher level

The prospects for the mine over the next nine months were "looking good"

At Randfontein, the amount milled fell in the quarter, but gold production remained stable Working costs underground dropped marginally but an increase in the cost of treating surface material, as the refurbishment of the treatment plant continued, pushed up costs overall

Reserves

This, with a higher tax bill — the result of the government's new tax formula and higer gold revenue — knocked after-tax profits down by almost R4m to R27,7m

Maxwell said that development work on the Doornkop shaft was continuing satisfactorily

Bad faulting on the Kimberley reef horizon and poor grades had prompted the mine to reduce stoping and focus on development work to reach richer ore

He said the mine was continuing to concentrate on building up its cash reserves to a target of R90m

In April he said Randfontein's balance was inadequate in view of long-term loans which were about to mature A dividend of 40c was nevertheless declared in the June quarter

Western Areas put a poor March quarter behind it and posted a 36% increase in after-tax profits

Milled throughput reached normal levels after hiccoughs in the mine's electricity supply cost it six weeks production in the previous quarter Maxwell said the group was in the process of upgrading its electrical equipment

Variable grades on the notoriously erratic Ventersdorp Contact Reef knocked Western Area's overall yield, reducing the amount of gold produced in the quarter

However, a drop in working costs and the improved gold price received combined to boost bottomline profits

NUM seeks mine safety legislation

211

W/mail 10/5 - 16/5/91

THE National Union of Mineworkers has called for a statutory advisory council, representing the state, unions and bosses, which would devise national policy on mine safety and be consulted on all safety legislation

This is one of 19 "minimum demands" for a new mine safety statute tabled in exploratory talks with the Chamber of Mines this week.

Rejecting the Minerals Bill as inadequate, the NUM is looking for a direct union role in framing a separate law.

The NUM proposes that a new Act provide for an inspectorate with only health and safety responsibilities and with adequate personnel and resources, partly supplied through a levy on employers. Safety provisions would have to meet international norms

Among the other key demands are:

- "Adequate" accident inquiries, in which all interested parties may participate.
- Elected safety representatives, with rights of inspection and access to documents.
- The right to refuse dangerous work, and protection from victimisation when such work is refused.
- Worker access to information on health and safety hazards, including access to inspectors' findings at inquiries
- The right to health and safety training, and free safety equipment

Needing protection ... The NUM is pressing a separate Safety Act

Minerals Bill slips through

W/mail 10/5 – 16/5/91 (210)

The Minerals Bill was passed in parliament last month but the National Union of Mineworkers has threatened resistance if it is signed into law by FW de Klerk, reports JENNIFER POGRUND

THE controversial Minerals Bill — which creates a unitary legal framework for all aspects of mining, including safety — was passed by parliament almost unnoticed three weeks ago, in the teeth of bitter opposition from the National Union of Mineworkers.

The move sparked NUM threats of "fierce resistance by mineworkers". Unaware that the Bill was already enacted, the union's national congress last week called for its withdrawal from parliament.

It also coincides with fledgling NUM talks with employers on a separate mine health and safety statute, long a union demand. The union tabled proposals for a new statute at a meeting with the Chamber of Mines this week.

"The state has imposed legislation without proper discussion and consultation with those who must live by it. We are launching a campaign of resistance and disobedience on all mines," fumed NUM assistant general secretary Marcel Golding.

"The Act's provisions, particularly as regards safety, are wholly inadequate and out of line with international standards."

The NUM is clearly aiming at direct union involvement in drafting new law. It sees the unilateral legislation of the Bill as a breach of last year's "Laboria Minute", in which the state pledged consultation on all laws affecting workers.

The Weekly Mail learnt this week the Bill was passed on April 17 and is now awaiting the state president's signature. Department of Mineral and Energy Affairs officials said it was now "a closed matter", but revealed that a meeting had been scheduled for next week between Golding and the minister, George Bartlett

Drafted in 1988, the Minerals Bill consolidates nine bits of legislation, much of it unrelated to safety It was tabled in parliament in February last year, but was returned to the parliamentary standing committee after an employer and union outcry.

May Hermanus, the NUM's health and safety officer, said the revised Bill rejected the union's most crucial recommendations. Commented labour lawyer Paul Benjamin· "Government has taken 1911 legislation, revised in 1956, and placed that model in the Bill. What is need is a conceptually new Act."

The union has also objected to the Bill's stated aim of promoting privatisation and de-regulation, and has repeatedly called for a commission of inquiry into mine safety.

Accusing the government of arrogance and high-handedness, Golding said "We understood we would be given further opportunity to raise our objections. Clearly the legislation has been rushed through."

But "Lampie" Fick, chairman of the parliamentary standing committee on mineral and energy affairs, rejected the claims as "nonsense". "The NUM commented in writing and made oral submissions to the standing committee, but they are only one of numerous interested parties The government has to run the country for all South Africans."

Confirming this week's talks between the NUM and the Chamber, Anglo American's Bobby Godsell said it was the first point of contact on the Bill

"The first prize is legislation which satisfies the major parties it seeks to legislate The Minerals Bill doesn't adequately meet that test," he said

"But the Bill is not the end of the line — we're going to have to carry on and reach consensus on legislation broadly acceptable to all parties."

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Minerals Bill slips through

WMail 10/5 - 16/5/91 2.11

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JCI mine bonuses to be based on gold price and productivity levels

B/Day 25/7/91

214

MATTHEW CURTIN

JOHANNESBURG. Consolidated Investment (JCI) has awarded a 5% pay increase to employees in the lowest eight job categories at its three gold mines However, mineworkers could win bonuses which would put an extra 19% in their pockets

They will win the bonuses if the gold price rises significantly in a three-month period, or productivity at a mine, measured in rand/kilogram working costs, improves substantially

JCI would not give details yesterday of the "trigger" levels which would bring the bonuses into play

The JCI pay award is the clearest indication yet of the sort of wage agreement likely to be struck between the Chamber of Mines and the National Union of Mineworkers (NUM) in this year's annual wage negotiations

Mineworkers, whether or not they are party to the chamber/NUM agreement, have traditionally won the same pay awards in the gold mining industry

The announcement follows last month's deal between the NUM and management at Anglo American's Ergo operation where workers won a 5% increase and performance- and profit-related bonuses The Ergo/NUM deal was widely seen as an important precedent for the industry-wide bargaining this year

Both Gengold MD and Anglo American gold and uranium division chairman Clem Sunter have expressed confidence that the NUM would win a "low single digit" wage increase this year

The wage talks are currently suspended Although it is understood that Gold Fields SA opposes a JCI-type deal in favour of a higher pay award not linked to bonuses, only non-wage issues will prove to be sticking points between the chamber and the NUM

JCI gold division chairman Kennedy Maxwell said yesterday at the presentation of the group's quarterly results that the pay award would cover 20 000 workers out of the 24 000 employed at Randfontein Estates, Western Areas and developing mine H J Joel

The NUM has only minority representation at the mines and so most workers are not party to the chamber/union agreements

He said workers would win a 7% bonus if the gold price "rose significantly" during a quarter If rand/kilogram costs were reduced by several thousand rands, workers would stand to win an additional 12% bonus

Maxwell added that the long-term prospects for gold were good Climbing sales of gold to the jewellery industry were a major source of optimism

With the support of the World Gold Council and jewellery manufacturers "it will not be unrealistic to expand jewellery demand by 50% in the next 10 years"

However, he said he shared Gengold's concern that heavy forward selling was capping the upward movement of the gold price Maxwell said he remained ambivalent as to what extent JCI should hedge its gold production

● See Page 6

JCI gold mines lift profits by 33 percent

214

Star 25/7/91

By Derek Tommey

Shareholders in JCI and its three gold mines — Randfontein, Joel and Western Areas — will be cheered by their June quarterly reports

Randfontein lifted its quarterly pre-tax profits by 20 percent

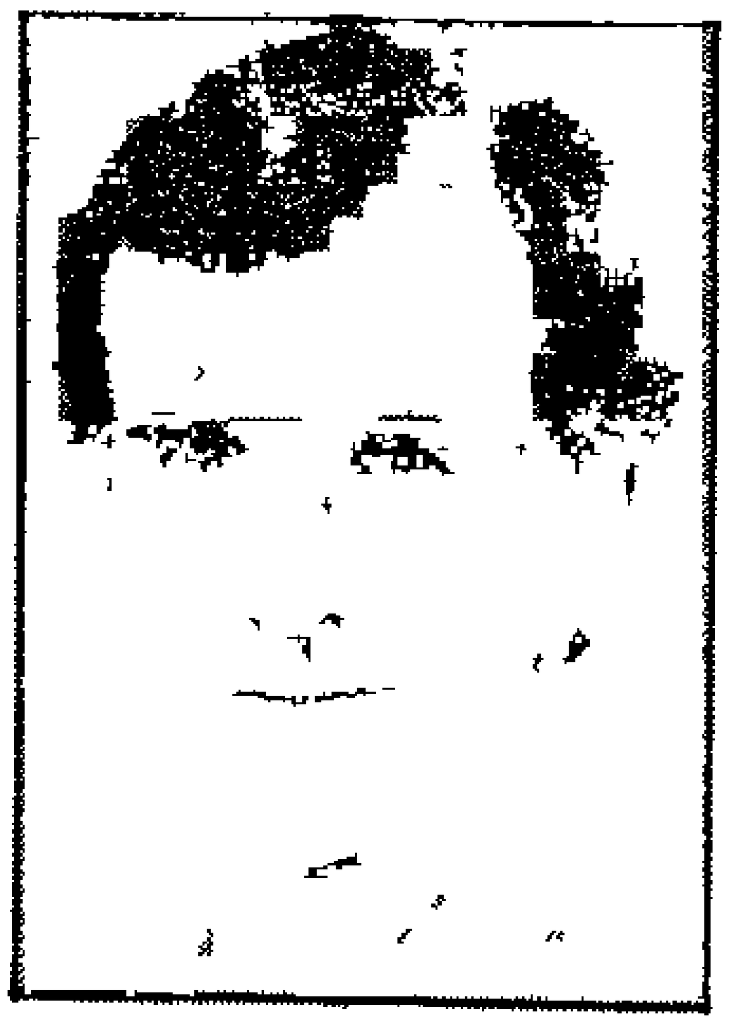
Developing mine Joel moved into the black for the first time with an operating profit of R2,5 million and is now in a positive cash-flow position, while Western Areas increased taxed profit by 36 percent, says Kennedy Maxwell, chairman of JCI's gold division

The three mines together increased their net profit by 33 percent to R39,3 million

Other good news from Mr Maxwell is that the three mines have reached a pay agreement with 20 000 of their 24 000 workers, which provides for a five percent pay rise and a gold price and productivity bonus.

This agreement, which runs for a year, came into operation on July 1.

It reinforces Mr Maxwell's statement that the three mines have now managed to organise their structures, efficiencies and finances so that they can continue living with the current tight level



Kennedy Maxwell .. decision will have to wait

of the gold price

They are well poised to take advantage of an upswing in the price of gold in the next year or two, he says

He adds that his discussions recently with major gold jewellery manufacturers overseas and the World Gold Council indicate that with a little pushing it would not be unrealistic for gold jewellery demand to grow by 50 percent this decade and exceed current production

Forward selling helped Randfontein receive a gold price of R32 781 a kilogram and this, together with a slight increase in yield in the face of a lower milling rate, helped lift profit from R25,7 million in the March quarter to R29,6 million

Sundry revenue lifted pre-tax profit to R40,3 million (R33,6 million).

But the new mining tax formula caused taxed profit to fall to R27,7 million from R31,1 million

These results are expected to be maintained in the present quarter

Joel had a R10,8 million turnaround from a loss of R8,3 million in the March quarter to a profit of R2,5 million.4

The main reasons for the improved results were a rise in the milling yield to 5,1 g/t from 4,1 g/t which, with an increase in tonnage milled, resulted in a 33 percent rise in gold production, a higher gold price and a 20 percent drop in unit costs from R39 311 to R31 417 a kilogram.

Steps are being taken to increase Joel's milling rate to above the 85 000 tons a month achieved in the June quarter

Western Areas' operating profit dropped to R8 million from R8,1 million, but a R2,3 million swingaround in interest payments pushed up total profit to R9,1 million from R6,6 million No tax was payable

Exploration company South Deep reports that boreholes sunk from the 95 level twin haulages in the proposed shaft area have confirmed the high results obtained from surface boreholes

Values reported include one of 81,93 g/t, giving 8 111 cm-g/t, and another of 41,7 g/t, giving 7 89cm-g/t

Mr Maxwell says a decision to go ahead with raising capital for the venture will have to wait until share market conditions improve The expected cost of the mine has risen from an initial R2 billion to close on R2,5 billion

However, operating costs are expected to be around R19 000 a kilogram

Outlining details of the wage agreement reached with workers on the three mines, Mr Maxwell says that in the most favourable circumstances they could receive a 24 percent pay rise

Besides the five percent increase in basic pay, workers could get up to an additional seven percent if the gold price should improve and up to another 12 percent should working costs a kilogram be reduced

The pay agreement applies to job levels one to eight Workers in job levels nine and above will have to wait for the outcome of negotiations between the Chamber of Mines and the Confederation of Mineworkers Union

Joel looks to more profit

(214)

S Times 28/7/91.

By JULIE WALKER

THE HJ JOEL mine, managed by Johnnies, made its maiden profit in the quarter to June

Tonnage milled jumped to 256 000 in the three months, but the grade leapt by almost a quarter to 5,1g/t Revenue exceeded cost by R12,25 a ton

Management expects the profit trend to continue Forward sales contracts secured this year meant Joel earned R34 129 a kilogram

Although the mine has sold more gold forward, group gold chief Kennedy Maxwell echoes the views of Gengold's Gary Maude on the negative long-term effects of forward sales

Both recognise the temptation to hedge some sales at mines whose production costs are high

Development results at Joel are encouraging and the grade is forecast to improve as the mine matures

Suffered

Progress at South Deep continued to confirm the gold grade published in the South Deep Exploration prospectus Mr Maxwell says that although the company is excited about South Deep, it is still too early to decide whether to establish a mine

Capital of more than R2-billion would be required and a gold price of higher than R34 000 a kilogram preferred

Randfontein Estates suffered from the new gold-mining tax formula Even though pre-tax profit rose by 20% to R40-million, the bottom line fell by 11% on the last quarter

Western Areas benefited from the erasing of debt and the elimination of poor operations It reduced costs a ton by R12 to R170,09 But there was a 2,7% rise in the cost a kilogram because of reduced gold production Western Areas made almost R6-million after tax and capital expenditure in spite of a lower yield

Formula

The group has increased the wages of the lowest eight grades of worker by 5%, but has introduced a formula which could boost pay packets by another 19%.

If workers can reduce the cost of producing gold they stand to earn up to 12% extra If the gold price rises significantly they could get 7% more

The group has been obliged to lay off 3 500 workers to stay in the black Mr Maxwell says those who remain want to keep their jobs There is a far greater understanding and awareness among workers of mines' problems than before

Bid to double sale of gold jewellery

S|Times (Bus Times) 214

28/7/91

By IAN ROBINSON

A WORLD GOLD COUNCIL promotion campaign could double sales of jewellery by 1997

This is the view of Clem Sunter, chairman and chief executive of Anglo American's gold and uranium division

But he warns that it will depend on the council's receiving adequate financial support to promote an effective campaign

World use of gold for jewellery was between 1 700 and 1 900 tons in 1990

Mr Sunter believes it could rise to about 3 400 tons in 1997 An additional 400 tons would be required for other uses and total demand could rise to 3 800 tons

Branches

Current annual world production is about 2 100 tons and potential for expansion is limited to 300 tons To balance demand and supply in 1997 about 1 400 tons of additional gold would be derived from above-ground sources — scrap, selling by central banks, and dishoarding

This would force up the price to between $400 and $450 an ounce Assuming SA's annual production rose by 100 tons this would generate extra earnings of $1,3-billion to $1,5-billion

The World Gold Council is based in Geneva with branches in New York, London, Tokyo and Hong Kong Income in 1990 was $71,5-million It is planning a campaign to promote gold jewellery in major urban centres throughout the world It will estimate the funds it requires and expects to obtain from its members This will probably mean an increase in contributions from members which have been less than 1% of sales revenue

SA is the major contributor to the council Contributions have been based on a total tonnage of only 800 tons, of which SA contributed 600 SA contributes about three-quarters of total council funds compared with only 40% of world gold production

Mr Sunter is not perturbed by the discrepancy which results from the fact that much of the world's gold comes from small producers who are either unable or unwilling to contribute to the council

As the leading producer it is in SA's interest to shoulder most of the burden

The council's promotion campaign will try to make gold more accessible to the masses In the past, gold jewellery has been marketed as a low-volume, high mark-up product.

More manufacturers and distributors are likely to follow the example of Hong Kong where chunky gold chains are sold with low mark-ups of 10% or 15% This jewellery serves the dual role of adornment and investment

Slight

Mr Sunter disagrees with the view of Aidan Edwards, president of the Council for Mineral Technology (Mintek), that it would be more cost effective to help the domestic gold jewellery manufacturing industry rather than support the world council

Dr Edwards says SA mines would be helped by their selling gold to jewellery manufacturers at prices lower than those available to foreign jewellers

Mr Sunter believes that a slight price advantage based on cheaper gold is not the long-term answer to establishing SA as a major world jewellery manufacturer

CLEM SUNTER More money needed for world council promotion

Poor prospects block return to SA of Sun International

S|Times (Bus Times) 28/7/91

COMMERCIAL con-

By ROY ROBERTSON

Mines' cost-cutting pays off

Bday 30/7/91 (214)

MATTHEW CURTIN

THE GOLD mining industry sailed through the June quarter with unaccustomed ease considering the dollar gold price was not keen to nudge the $380 mark, let alone $400

The reasons a hitherto unlikely alliance between industry stakeholders in which the burden of pulling the stricken industry through its worst crisis for decades seems set to be spread more evenly, and an unexpected rise in the rand gold price

The depreciation of the rand against the dollar was an unexpected boost to the industry's fortunes The rand dollar price of gold rose by 11% from R964 an ounce on April 5 to R1 074 an ounce by the end of the quarter

Increases in prices of supplies were kept to a minimum. And adding to optimism about the future is the pending productivity and gold price-linked wage deal between the Chamber of Mines and the NUM which will further spread that burden and help keep the lid on costs

The profits of the six mining houses rose nearly 60% quarter on quarter, up by R140m. Analysts said last week this was testimony to the industry's success at minimising cost increases Anglo American was able to cut costs in real terms in the quarter

Analysts said suppliers, long targeted by Anglo gold and uranium division chairman Clem Sunter for restraint when it came to price increases, had done much to break the inflationary spiral which gripped the industry by implementing below-inflation price increases. Most significantly, Eskom introduced electricity rates tied to the gold price to ease the industry's huge power costs

The real breakthrough for the control of costs in the future will come in the current quarter with the wage settlement — possibly this week It is expected the union will accept a 5% across-the-board increase with additional bonuses based on improvements in productivity and the gold price

As labour accounts for as much as 50% of working costs on the gold mines, such a low basic pay award would be a major contribution to the industry's battle against inflation

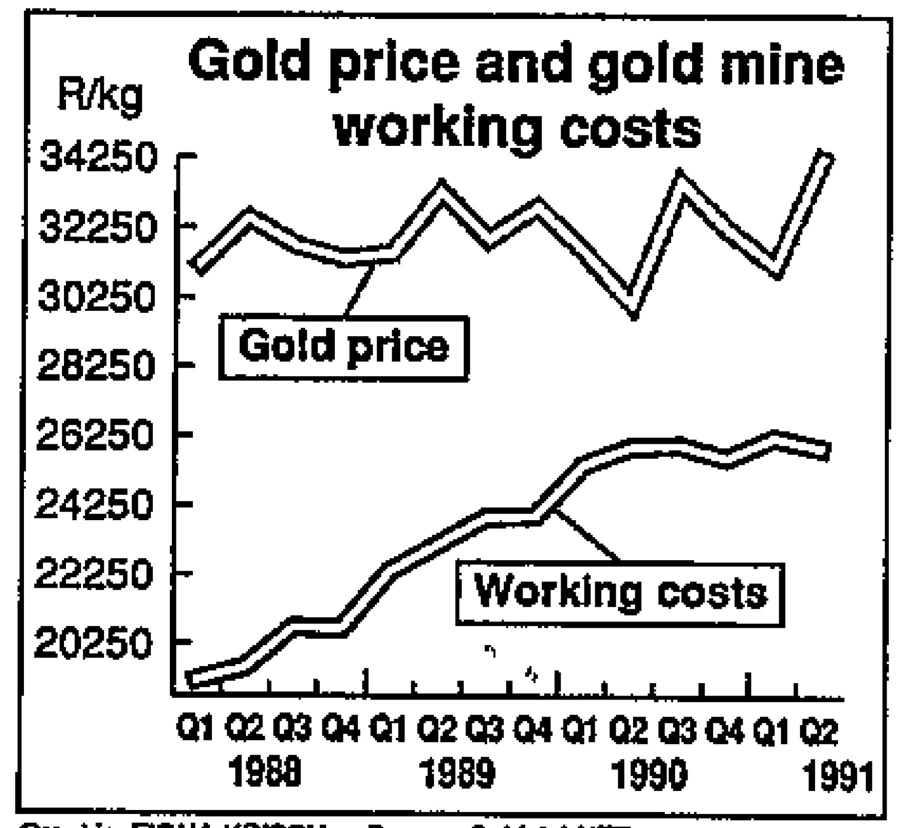
Industry sources have said the final agreement will closely reflect the deal agreed between JCI and the non-unionised section of its workforce. The JCI workers' bonuses, if realised in full, would top up their 5% increases by 19%. However, analysts said the chances of the gold price or productivity improving enough for the maximum bonuses to come into play were slim

The award compares with the chamber's pay award of 14% to 17% last year.

The NUM's preparedness to accept a 5% pay increase reflects the extent to which job security, rather than wages, has become the primary concern of its members The gold mines have shed tens of thousands of jobs in the past three years

Tried and tested methods of restricting cost overruns continued in the quarter. Fergusson Brothers analyst Mark Madeyski noted that underground tonnage milled in the quarter fell 2,6%, while the amount of surface material mined rose by 5,8% Each mining house has to some degree swung behind Gengold's practice, now some three years old, of refusing to mine unprofitable sections, cutting production levels, and keeping mills running economically with surface material if necessary to minimise unit costs.

Madeyski said "cost control at the six mining houses was excellent in the quarter with the exception of Gengold" Rand kilogram costs rose 6% at the group, but Madeyski noted that these were the result of conditions over which management had little control seismic activity, mudslides and fire. On the other hand, Gengold had been doing "so well for so long", its relatively poor performance should be measured from a higher base than other groups.



Graphic: FIONA KRISCH Source: CoM & I NET

Edey Rogers analyst Gordon Gray said the industry "was not out of woods yet" Mines needed to strengthen cash reserves and remain wary of paying out shareholders in the coming quarters.

Another analyst echoed Gengold MD Gary Maude's concern that mines should spend the profits won during better times on development work underground

Development was vital if mines were to have a flexibility to mine higher grade ore when conditions worsened again in the industry As capital expenditure shrunk 5,6% in the June quarter, some mines were in danger of compromising their medium-term future as reserves of payable ore dwindled without new reserves being opened up.

Madeyski said the new mining tax formula was helping only the most profitable mining operations Poorer mines were paying more tax In the quarter, the Receiver of Revenue received a 60% hike — R2,84m was paid out against R1,78m in the last quarter — in mining tax, reflecting both the improved profitability of the mines and the new formula.

Analysts said they were cautious bulls with regard to the short-term movement of the gold price

LETTERS

Precedent-setting wage deals signed

214

Star 1/8/91

By Shareen Singh

South Africa's biggest industries, mining and metal, yesterday signed precedent-setting agreements on wages and working conditions

In the mining industry, workers at four mining houses — Anglo American, Genmin, JCI and Rand Mines — are to receive profit-linked wage increases which include a basic 5 percent increase and bonuses coupled to the gold price

This means that if the gold price increases to more than R1 050 an ounce, workers on these mines will receive a bonus of up to 7 percent of their basic wage.

At Harmony mine, a profit-sharing scheme has been agreed on which will grant a basic increase of R25 for all workers In addition, 15 percent of profits up to a maximum of R4 million will be set aside for workers

Two other mining houses in the Chamber of Mines offered straight increases ranging from 6,5 percent and 9 percent, with no gold-price bonus.

On coal mines, the National Union of Mineworkers (NUM) accepted increases ranging from 6,5 percent to 19,1 percent

A range of non-wage demands were also agreed on, including a statement of principles, rights and obligations underpinning industrial relations in the industry, together with guidelines governing worker participation in hostel affairs

The NUM pointed out that in accepting the agreement, it had taken account of the economic climate confronting the gold mining industry

Union president James Motlatsi said the agreement was not a favourable one with respect to wages, but it was significant in securing basic civil rights for mineworkers

NUM acting general-secretary Marcel Golding said these rights would ensure more effective union organisation, increase the union's membership and give hostel dwellers democratic participation on issues

Chamber of Mines spokesman Bobby Godsell expressed appreciation to the union for taking the industry's economic situation into account This would enhance a better relationship between management and the union, he added.

In another precedent-setting agreement, the Steel and Engineering Industries Federation (Seifsa) and several unions, including the National Union of Metalworkers (Numsa), secured wage increases of between 12 and 15 percent

Settlement was reached after four months of difficult negotiations and nine days of mediation

A significant aspect of the settlement was an agreement to set up two committees within the next 30 days, involving senior trade unionists and industrialists, to look into training and restructuring with the aim of promoting economic growth

If these committees operate favourably to all the parties involved, it could lead to an industry-wide summit

Numsa spokesman Bernie Fanaroff said the agreement was a breakthrough because Seifsa was originally opposed to granting wage increases which matched the inflation rate

Benoni gets a profitable dump

By Derek Tommey (214)

Benoni Gold Holdings, the recently established gold dump retreatment company, has gained an extra two years of life.

It has acquired from Lydenburg Exploration's subsidiary, PGA, the right to treat sand dump 5A8 recently acquired from Consolidated Modderfontein Mines. Star 1/8/91

The dump has 3,8 million tons of sand of which 1,7 million tons has the relatively high head grade of about 0,9 grams of gold.

Benoni will pay R1,2 million to PGA for the right to treat the dump and will also give PGA 50 percent of the revenue received from treating the sand at its Benoni gold plant.

Benoni will meet the payment by issuing 4 million shares at 30c a share. Lydenburg's directors say the sale of the dump will not have an immediate effect on its earnings. But it will certainly enhance their cash flow in the years ahead.

Analysts say this development could extend Benoni's life, now estimated at about 11 years, by a further two years. This and the probability that it will acquire the right to treat other dumps in the area could enhance its share market rating.

Benoni's apparent relatively short life which required investors to amortise the share at a high rate is believed to have contributed substantially to its current low share price.

Benoni shares, once 135c, are now standing at 33c.

The company is planning to raise R17 million from shareholders by a rights issue of 60 new shares at 25c a share for every 100 held. The funds will be used to repay loans which in the June quarter cost the company R900 000 in interest charges.

Financial engineering traps gold price

Star 1/8/91 ~~79~~ 214

LONDON — Modern technology allows miners to trace specks of gold invisible even under a microscope and to release them profitably from material that once would have have been discarded as waste

Modern financial engineering, a more-recent introduction to the industry, allows gold miners to lock in certain profit and achieve prices on their sales well above the market average

But the result is to trap movements of the gold price in a relatively narrow range

Esoteric tools

Amax Gold, for example, last year achieved on average a premium of US$30 an ounce over the New York Commodity Exchange spot price for its metal

Marvin Kaiser, chief financial officer, listed at the recent Financial Times gold conference some of the esoteric "tools" employed

- FDFs (fixed date forwards)
- SDFs (spot deferred forwards)
- CSOs (committed sale options)
- CPOs (committed purchase options)
- COs (compound options)
- Double Os (overnight options)
- KO options (knock-out options)
- CCSs (committed close-out sales)
- SIPs (simulated inventory positions)

Like dining

Jesica Jacks, an economist who studies the gold market for the RTZ Corporation, the world's biggest mining company, says

"For mining companies hedging is now like dining in a restaurant which offers not only a generous set menu in the form of exchange futures and options, but also a vast a la carte menu covering a wide choice of dishes — European and American style options, lookback options, knock-out options, flat and variable forwards, spot deferred and so on

"The mining community is spoilt for choices"

It is generally agreed that all this hedging activity by the gold producers has trapped the gold price in a relatively narrow trading range in the past two or three years

Although they act individually, such is the speed of world communications that they all tend to act at one time, selling forward tons of gold whenever the price shows signs of moving strongly upwards This puts a cap on price rises

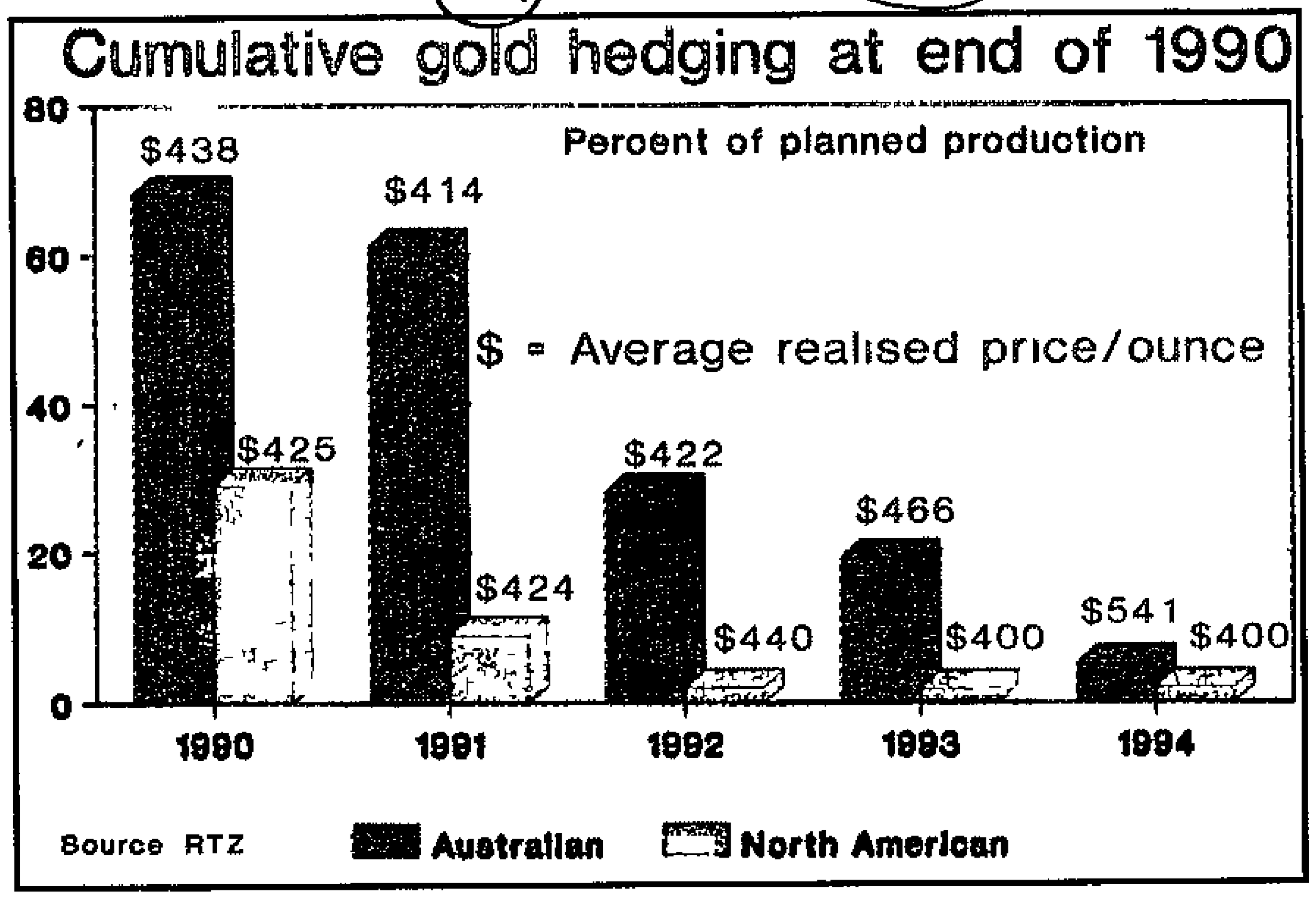
Catch 22

Those producers who hedge extensively say they are in a Catch 22 situation — they have a duty to shareholders to protect themselves from a collapse in the gold price but they know their efforts will probably prevent the strong recovery in the gold price they so devoutly wish for

Ms Jacks says "The more mines hedge, the more their cumulative activity caps the gold price and therefore the more they need to hedge to protect their profitability Hedging has become self-fulfilling"

Hedging also affects the gold market by enabling marginal mines to stay in business

"The global mining industry is achieving prices that are substantially higher than today's current market price



"More important, a good deal of future production, as far forward as 1996, has been protected at these high prices

"This implies that, while there will be casualties in future, we are not going to see the substantial capacity closures that many have been anticipating in the near future

"Mines which are incurring high costs and which currently look very marginal are probably able to keep operating for longer than expected simply because they are achieving prices that bear little relation to current market prices"

Under-hedged

Until recently there was very little information readily available about the gold industry's hedging activities

However, Ms Jacks has pulled together some detailed statistics, after painstaking inquiries covering about two-thirds of 1990 gold production

Her conclusions will not be welcomed by gold bulls She suggests that the North American industry, the second-largest in the world, is relativelly under-hedged compared with Australia's

Meanwhile, South Africa, the biggest gold producer, has only dipped a toe in the water So hedging will remain an important depressant in the gold market for some time to come

60 companies

In the first six months of this year, Ms Jacks was in contact with 60 of the big gold mining companies in Australia and North America to ask for detailed information about their hedging policies

She also drew heavily on research about North American hedging by Ted Reeve of Credit Suisse First Boston in Toronto

Ms Jacks gave a taste of the results of her research at the Financial Times gold conference Now she has published the full details

These show that more than 1 100 tons of gold was covered by hedging at the end of last year The total was boosted to an even higher level when the Gulf crisis flared into war this year, Ms Jacks points out

Forward sales

She says the most important influence on the gold price was the new hedging business — which last year involved 238 tons, most of it (159 tons) in forward sales

By the end of 1990 the Australian gold industry had sold 81 percent of its 1991 output, locking in an average price of $447 an ounce It had also committed 50 percent of 1992's production and 34 percent of that for 1993

Just entered

However, total new hedging business by Australian companies totalled only 8 tons, implying that they did not depress the price as much as widely believed

In contrast, North American companies accounted for 124 tons of net new hedging business at an average of US$430 an ounce

But "hedging in North America still has a long way to go both in terms of the volumes involved and the type of instrument used," says Ms Jacks

South Africa has only just entered the "hedging maze" but at the end of last year had 15 percent of annual output or 90 tons of 1991 production associated with some sort of price protection

Level off

Ms Jacks points out that "these figures do not take account of the producer hedging that occurred during the extraordinary night of January 17 1991, as war broke out in the Middle East

Since then the global hedged position is known to be substantially higher than at the end of 1990"

She says that, because Australian production seems to have peaked for the time being, hedging by that country can be expected to level off and then gradually fall

But "I am expecting a further build up of hedging by the Canadians and the Americans reaching a maximum perhaps in the early to mid-1990s"

Once South Africa is taken into account, "cumulatively I foresee that the global total in outstanding hedging is going to remain high for some time to come," says Ms Jacks

What would it take to persuade the mining industry to unwind its positions and withdraw from the forward and options markets?

Ms Jacks dismisses the idea that hedging "indigestion" will set in because mining companies will be so fully hedged that they will be unable to complete further business

Flexibility

She explains "A mining company can buy back a contract at a lower price only to resell into new rallies Furthermore, the newer instruments without the obligatory physical delivery, such as options, offer greater freedom and flexibility"

She suggests there are two ways in which hedging might become less important to the gold market

Backwardation

Firstly, the gold price would have to lapse into a prolonged and deep backwardation (where the price for immediate delivery is above that for future delivery) of the sort seen until recently in base metals markets

Secondly, there would have to be a sharp and prolonged fall in bullion lending by central banks This would effectively reduce the liquidity necessary for the forward markets to operate

"Without this liquidity, bullion dealers would find it difficult to offser the miners' forward sales"

Ms Jacks says, however, that there is little likelihood of either of these changes taking place — Financial Times

FM 2/8/91 (214)

GOLD

Downbeat (214)

Chamber of Mines senior economist Francois Viruly has revised his average forecast for the year downwards, from US$390/oz to $370 With total production for the year estimated at 617 t, the $20 difference represents a loss of $396m a year At an estimated exchange rate averaging $/R2,8 this amounts to over R1bn

Gold exports in the first quarter were a seasonally adjusted and annualised R17,3bn Using this as a projection for the year, the downward revision represents a loss of about 6% of 1991 gold mining revenue

Fortunately for the mines, it comes at a time when rand revenues have been boosted by the fall in the currency against the US dollar So, despite the lower forecast, the prospects look better in rand terms than at January 4, when the unit stood at $/R2,54 Revenue was then estimated at fractionally under R20bn for the year, whereas now it amounts to a little over that sum

The loss will be felt more in terms of dollar export revenues In the six months to June the accumulated surplus was $2,84bn If the surplus for the year is double this, the lost $396m will be nearly 7% of the surplus

The longer-term outlook is more optimistic A recovery in the world economy and a sophisticated marketing thrust is expected to push up demand in 1992-1993 Viruly projects $400 for 1992 and $450 for 1993 ■

GOLD QUARTERLIES

Signs of turnaround

FM 2/8/91 (214)

June quarter results from gold producers could mark a turning point for the industry — for the first time in about 18 months, conditions generally are looking better on the mines

Particularly marked are the improved cost performances virtually across the board All the mining houses are getting to grips with managing their operations, with the emphasis now on the cost per kilogram of gold produced, rather than the traditional cost per ton of ore milled

Average cost of production of Gold Fields of SA's (GFSA) mines dipped 1,2% to R20 894/kg in the June quarter (March quarter — R21 146/kg), while Anglo American Corp's average working costs rose by just 0,6% to R26 193/kg (R26 030/kg)

On an industry basis, the average cost for those gold mines which are members of the Chamber of Mines dipped 1,4% to R25 843/kg for the quarter compared with R26 203/kg in the March quarter Average cost for the 1990 December quarter was R26 000/kg which was 8,6% up on the R23 943/kg for the 1989 December quarter, this, in turn, was 15,8% up on the R20 683/kg for the 1988 December quarter

Also notable is the continued use of hedging, which is saving the bacon of mines like Harmony and improving earnings on mines like Freegold The debate in the industry on forward sales of gold continues, with Anglo gold division chairman Clem Sunter rejecting the view held by Gengold MD Gary Maude that gold sales by the SA producers are depressing the gold price

GFSA mines continued to shun hedging, so the average price they received of R32 166/kg for the June quarter (March quarter — R30 929) can be taken as a "clean" price for the industry

Harmony received R33 835/kg in the June quarter but, had it received the GFSA average price, its working profit of R10,8m would have been chopped to R2m As it is, Harmony made a paltry R1,5m working profit from underground production totalling 4 748 kg of gold, compared with a working profit of R9,3m from production of just 398 kg of gold recovered from surface dumps

More good news is that investors have something to look forward to in the current

Continued

September quarter, because the gold price — on the trend so far — should be even better It also appears increasingly likely that the wage settlement with the National Union of Mineworkers (NUM) is going to be favourable and along the lines of the precedent-setting agreement at Ergo

While the Chamber and the NUM continue to negotiate, JCI has followed Ergo's lead by implementing a low, across-the-board increase, linked to bonuses dependent on productivity and movements in the gold

JCI's Maxwell *workers keeping their jobs*

price JCI was able to do this because the NUM is not recognised on its gold mines, where membership fell way below the required levels for recognition in the wake of the widespread labour unrest during 1987-1988

JCI has granted a 5% across-the-board increase, coupled with a scheme that can add up to a further 7% if the gold price rises through certain "trigger" levels and another 12% if costs in rands per kilo of gold are reduced sufficiently

JCI gold division chairman Ken Maxwell says the agreement was reached with the workers through the participative management system on the group's mines and was accepted by workers because it meant they would keep their jobs

Gold division executives report industrial relations on the mines generally have been good this year, mainly because workers are concerned about job security after the massive retrenchments throughout the hard-pressed industry over the past 18 months

The recent improvement in the gold price came through mainly in the last four weeks of the June quarter That raises the prospect of better to come in the current September quarter The current price is around R33 750/kg

Also helping is that gold production is being increased by management's concentration on raising grades where possible to hold down rand/kg production costs Chamber economists forecast a rise in the average recovery grade from 5,19 g/t in the first quarter of this year, to 5,42 g/t in the last quarter

That translates into a forecast jump in total SA gold output from last year's 603 t to 617 t Previous estimates had SA output falling to as low as 580 t The longer-term negative side of this is that the lives of the mines are being shortened through depletion of the high-grade ore reserves

Looking at the individual houses and mines, for once the improvements by far outnumber the hard-luck stories Many of the marginals are looking better At GFSA, Venterspost and Doornfontein returned to profitability, as did Rand Mines' Blyvooruitzicht, while Durban Deep further improved on its good March quarter results Even ERPM managed a working profit, but it was overwhelmed by interest charges on its R416m debt burden The position of Anglovaal's Loraine improved but remains worrying as the mine stayed in the red despite a gold revenue of R35 051/kg thanks to hedging

JCI's H J Joel turned in a maiden working profit, as the long-awaited improvement in recovery grade finally came through

Analysts are disappointed by poor results from Anglo's Ergo, caused by problems in the Ergo division metallurgical plant and by Genmin's Unisel where an expected production recovery in the June quarter failed to materialise

Among the independents, improved results were the order of the day from both the Golden Dumps and Southgo groups Question now is, how long can the industry keep it up?

Brendan Ryan

Mines deal a landmark

W/Mail 2/8 - 8/8/91

Profit-sharing, gold price-linked bonuses and wage restraint — they're all part of a ground-breaking pay agreement negotiated on the mines, reports

DREW FORREST

2/4

THE National Union of Mineworkers and the Chamber of Mines have clinched a mould-breaking wage deal affecting half a million miners which takes account of the parlous state of the strategic gold-mining industry.

The package sets a precedent by providing for profit sharing on certain mines through a "gold-price bonus" of up to seven percent of the basic wage, paid if the gold price is higher than expected. Workers may also earn special performance bonuses linked to targets set at mine level A framework for mine-level talks on these has still to be negotiated

The deal also improves miners' social conditions and union rights — a key NUM thrust this year — putting the historically acrimonious relationship between mine management and unions on a new footing

This is enshrined in an agreed statement of principles, rights and obligations underpinning labour relations in the mining industry

For the first time, NUM will have "reasonable" access to all mines Provision is made for the negotiation of full-time shaft stewards, while stewards will receive facilities and more paid time off for union training New ways of verifying union membership and processing union stop-orders will be introduced

Conditions for visits by miners' wives will be improved, and new guidelines will promote miners' participation in hostel affairs and the role of medical examinations in employment The chamber has also agreed to negotiate an industry Aids policy

On the stricken gold mines, the pay rises are the lowest NUM has negotiated, ranging from between 1,8 to 9,3 percent, an average of six percent Anglo American, Genmin, JCI and Rand Mines have awarded a basic five percent plus the price bonuses on healthy mines, which kick in if gold exceeds R1 050 an ounce.

Gold Fields and Anglo Vaal's Hartebeesfontein rejected profit-sharing, instead granting straight increases of between 6,5 percent at the top and nine percent at the bottom

Profit sharing applies only to the gold mines on chamber collieries flat-rate rises of between 19,1 percent and 6,5 percent were granted, also the lowest NUM has negotiated.

A different profit-sharing scheme will apply at Rand Mines' Harmony mine, which will pay a basic R25 increase plus 15 percent of any profits up to a maximum of R4-million

At a press conference this week, chamber spokesman Bobby Godsell praised NUM for "taking account of the fundamental pressures on the gold mines", adding that the agreement "structured the relationship between management and the union in new and important ways"

Catalyst alternatives spark fears

Platinum and gold prices take a plunge

214

BDay 5/8/91

MATTHEW CURTIN

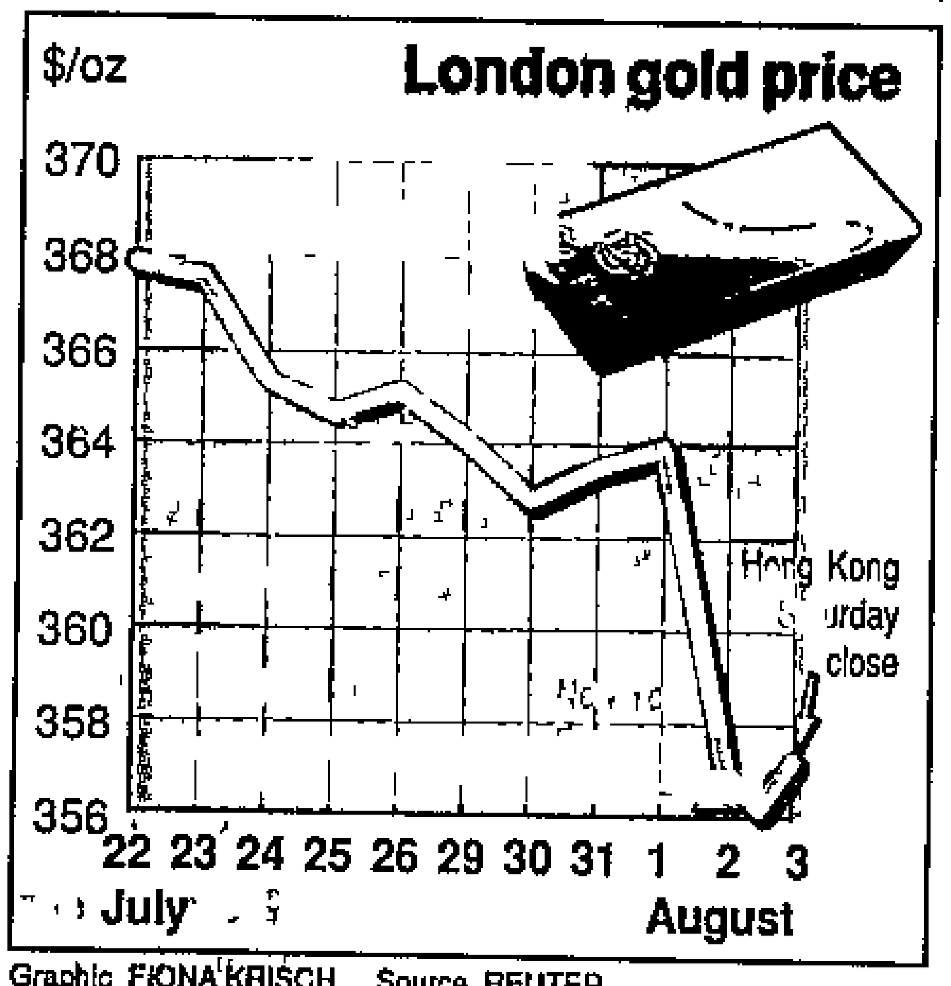
METALS took a battering on international markets at the weekend, with platinum leading the fall and gold plunging through the key $360 resistance level.

Platinum sank to $354,25 an ounce in London on Friday afternoon, widening the gap between its price and that of gold, and hitting its lowest level since 1985, Reuters reports.

Gold in Hong Kong dropped $5,03 on Saturday to close at $357,25 compared with Friday's $362,28

In New York on Friday, gold closed sharply down at $356,20 In London, gold ended at $356,90 — down $6,60 from Thursday's finish

Fears of oversupply in the face of a fall



Graphic FIONA KRISCH Source REUTER

in the requirement for platinum in car manufacturing are still dominating the platinum market The sharp fall in the price on Friday was ascribed to heavy selling by Japanese speculators, sparked by unemployment figures indicating the US economy was still in a downturn.

A further factor was news that a Swiss and SA consortium was about to launch a platinum-free and manganese-based car catalyst. This was the major reason for the sharp falls in platinum shares on the JSE

The JSE's platinum index closed at 4 533 points, 2,5% down on the day and nearly 600 points down from its level two weeks ago

Impala Platinum led the fall in shares with a 200c loss to close at R55 followed by Rustenburg which closed 150c down at R66,50

The latest news comes on top of recent announcements from Japan of palladium-based car catalysts, heavy Soviet sales of platinum, liquidations of platinum futures by Japanese investors and disclosure of US government plans to sell some of its strategic stockpile.

The motor industry accounts for more than 40% of platinum demand Although SA platinum producers have already dismissed the threat of palladium replacing platinum in the catalysts, the US economic recession and poor results from US car companies have depressed short-term de-

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Platinum

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mand Platinum is used in car catalysts to absorb noxious exhaust emissions which have become the target of strict clean air legislation in the US, the EC, and Japan

Some analysts described as improbable the development of a manganese exhaust converter by a Germiston inventor

Simpson McKie analyst Rodney Yaldwin said that whatever the merits of the technology it was having a serious effect on the market

Another analyst said while there was "a credibility problem" with the manganese catalyst, it was worrying that a small number of individuals was able to influence the platinum market to such an extent

In a preliminary announcement, African Industrial Research SA (Air SA) said that an international release giving details of its "new generation manganese-based catalytic pollution eliminator" would be made today by the Cable News Network, World Television News and Time magazine On Friday Time's Johannesburg office had no inkling of the announcement

Air SA said the catalyst had been tested by Audi Germany, Audi SA, the Atomic Energy Commission, the CSIR, Chicago Gas and the Botswana government

CSIR executive vice-president Daan Toerien said on Friday that the CSIR had done no work for Air SA

Analysts said Francois Cornish, designer of the new catalyst, was based in Germiston The address given for his office and laboratory was that of a block of flats The secrecy could have been to safeguard the research

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Turn of gold bulls to sing platinum blues

(214) ~~(244)~~

Star 5/8/91

By Jabulani Sikhakhane

Platinum shares were marked down sharply on Friday on rumours that a South African firm, based on the East Rand, would soon announce the development of a manganese-based catalytic converter Sagging platinum pushed down the gold price by $7

Impala's share price fell by 12 percent to close at R55 — off a low of R54,75

Rustenburg lost just over seven percent, closing at R66,50

Frankel Max Pollak Vinderine analyst Kevin Kartun says the rumours of the manganese-based converter have made investors nervous

However, base-metal catalytic converters had been tried previously and found not viable under normal operational conditions

"You have to drive the car for about 600 kilometres to get the necessary temperature under which base-metal converters will start functioning," he says

Further depressing the platinum price to five-and-a-half-year lows and to a discount against gold were weekend reports of a major seller on the market

Platinum came under selling pressure in the Far East on Friday morning amid reports that Japan had sold as much as two tons of platinum

The US has announced that it will reduce its platinum stockpile by $100 million worth

Car manufacturers, who have been reporting large losses, are expected to reduce their platinum stockpiles in response to falling sales

Mr Kartun adds that another factor is that Japan, which accounts for about 90 percent of platinum jewellery intake, is under pressure from high interest rates, falling Tokyo markets and weakening property prices

But Ed Hern Rudolph analyst Robin Washer thinks that the falling rhodium price is the main reason for the sharp declines in platinum stocks

He says the rhodium price has up to now compensated producers from the lower platinum price and increased working costs

If the rhodium price falls below $3 500, the profits of platinum producers will fall over 20 percent

The price of rhodium is already below this level, having fallen from $5 500 a year ago to about $3 400 last week

The price is expected to fall further because Rustenburg Platinum appears to be sorting out previous refining problems and the Soviet Union is expected to continue selling more rhodium to raise foreign exchange

Over 80 percent of rhodium offtake is used for autocatalysts

Platinum is also depressed by higher expected sales by the USSR

Last year the Soviet Union sold 700 000 ounces of platinum out of total Western world supplies of 3,73 million ounces, a figure expected to be maintained this year

Swiss government statistics show that platinum shipments from the Soviet Union soared about tenfold in the first half of 1991

Swiss analysts say the USSR is probably seeking hard currency to pay for food imports

Much of the Russian platinum is probably shipped as part of swap arrangements, under which the Soviet Union sells the metal for cash with a pledge to buy it back later

Switzerland is a traditional clearing centre for precious metals

The Soviets have used swops to raise cash because they fear outright sales will flood the market and depress prices

However, Mr Washer says there are two factors which could cushion profits of the local platinum producers to a certain extent the weaker rand/dollar exchange rate and the decrease in the effective tax of palatinum producers from 54,5 percent to 50,88 percent

Mr Kartun says while nervous investors have driven down platinum share prices, results from Rustenburg and Lebowa due this week should be good

Gold holds ground, platinum tumbles

(214) B Day 6/8/91

MERVYN HARRIS

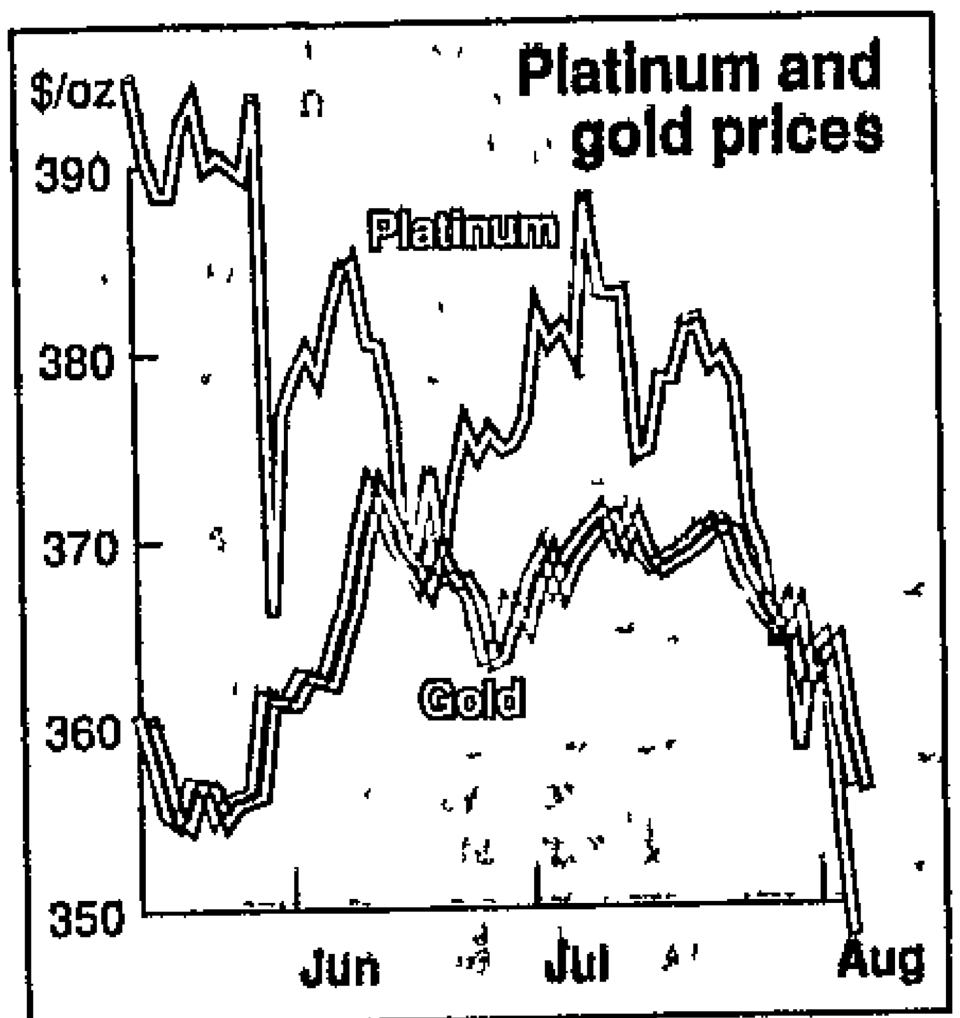
GOLD held its ground to close marginally lower in London yesterday at $356,20 as renewed weakness in platinum was offset by a sharp dollar plunge on turbulent financial markets.

Japanese investors again led the assault on platinum, which slumped almost $10 to $345 — its lowest level since January 1986 and a major support level — before recovering to close at $350,75

Analysts said lack of industrial buying of platinum and high Soviet exports in the first half of 1991 had combined to undermine Japanese investor confidence in the metal They warned of further downside potential

But Diagonal Street was telling a different story yesterday as share leaders Rustenburg Platinum and Impala Platinum each firmed 50c to R67 and R55,50 respectively in thin trade

They were among the 18 firm spots on a wary market where most investors opted to remain on the sidelines Dealers reported no aggressive selling and overall price movements were generally narrow, with 80 shares ending with losses in the absence of buyers who tried to get shares at lower



Graphic FIONA KRISCH Source I-NET

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levels

Gold shares also held up reasonably well in the face of a firmer finrand investment unit which tends to drag shares down The unit firmed to R3,25 from R3,29 to the dollar

A dealer said "The market seems to be telling us that gold is still likely to go up and that platinum could be near its bottom"

The JSE overall index declined 25 points to 3 432 on the back of a 24-point fall in the all-gold index to 1 258 and an 18-point easing in the industrial index to 4 071

The free fall of the dollar on foreign exchange markets came as the US currency succumbed to technical-chart selling after breaking resistance at the DM1,73 level, Reuter reports.

The dollar closed sharply lower in London at DM1,7195 The US currency only managed to hold ground against the troubled Japanese yen

Star 7/8/91.

New Wits investment income soars

Finance Staff (214)

A significant increase in revenue boosted GFSA subsidiary New Wits' earnings for the year ended June by 10 percent to 93c (85c) a share

Revenue from investments increased from R23,4 million to R32,7 million, leaving attributable income higher by a similar margin at R28,6 million(R19,5 million)

A final dividend of 35c was declared making a total of 52c (50c) a share for the year

Vogelstruisbult Metal Holdings, which derives a portion of its earnings from its holding in New Wits, reported a drop in earnings per share from 32c to 26c in the interim period to end-June The interim dividend was maintained at 25c

The directors expect that net earnings for the second half-year should be higher

Gold Fields cashes in on its investments

7/8/91 (214)

LIZ ROUSE

THE Gold Fields group investment company, New Wits, cashed in handsomely on realising its investments in the year to June and also increased its dividend income.

However, a sharp rise in interest charges took some of the bloom off the advance in earnings a share, which rose 9,4% to 93c a share (1990 85c).

The final dividend has been raised to 35c (33c), making total distribution 52c (50c)

The sharp increase in the surplus on realisation of investments to R14,46m (R5,94m) was the result of Selected Mining Holdings and Witwatersrand Deep becoming wholly-owned subsidiaries of New Wits to place themselves — at that stage — in a better position to develop a new mine in the Potchefstroom Gap.

New Wits income from investments increased to R18,1m from R16,7m. Interest charges rose to R1,41m (R296 000) and R1,3m (1,9m) was spent on exploration But tax was minimal and net attributable profits were higher at R28,6m (R19,5m).

Vogelstruisbult Metal Holdings, with shares in coal, copper, lead, silver, tin and zinc, plus its large holding in New Wits, experienced a fall in investment income in the six months to June and earnings a share fell by 18,7% to 26c a share (1990 half-year 32c)

The interim dividend has been maintained at 25c.

Market value of its investments were up at R62,3m at the end of June from R53,3m a year ago

Vogels directors say in their interim report that earnings should be higher in the second half of the year as a result of increased dividends from the investments in base mineral producers and its holding in New Wits

Gencor becomes investors' darling

Star 7/8/91

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Philip Gawith of the Financial Times describes how Gencor's executive chairman tackled a moribund hierarchy.

Derek Keys, executive chairman of Gencor, tells the story of the three great lies

"The cheque's in the post"

"Of course I'll still respect you in the morning"

"I'm from head office and I'm here to help you"

The five years he has spent at the helm of Gencor, the diversified conglomerate with mining and industrial interests, are, however, a vindication of just how effective the man from head office can be

When Mr Keys took over at Gencor in mid-1986, industry observers considered it to be in crisis It lacked direction, morale was low and the market showed clear disapproval

The failings were aggravated by the unwieldy arrangement of the group being jointly run by five executive directors

Today, Gencor — with assets of R20 billion and 1990 earnings of R1,45 billion — is the darling of the investment community, a self-assured company seen to be better managed and more entrepreneurial than other South African mining companies

Closely allied to this is Mr Keys's considerable reputation, a result of his success and independence of thought in a traditionally conservative industry

Mr Keys may lack a mining background, but he has no shortage of pedigree

A chartered accountant, he also worked at the South African Industrial Development Corporation and had a spell locally in management consultancy before joining Gencor

He is an iconoclastic spirit In 1977, aged 46, he took a sabbatical year in Germany at the Goethe Institute Why?

"I decided to have my mid-life crisis in a very organised way," he says with an uproarious laugh "I thought something astounding might come of it"

But the revolution at Gencor has been less a function of Mr Keys's financial acumen than of the changes he has effected in the structure, culture and focus of management

In 1986, his first tasks were "fire-fighting" — dealing with problems such as Gencor's reputation as a union basher and reorganising its underperforming industrial interests

Mr Keys devised the treatment once he had diagnosed the problem as that of a basic managerial malaise

Too high up

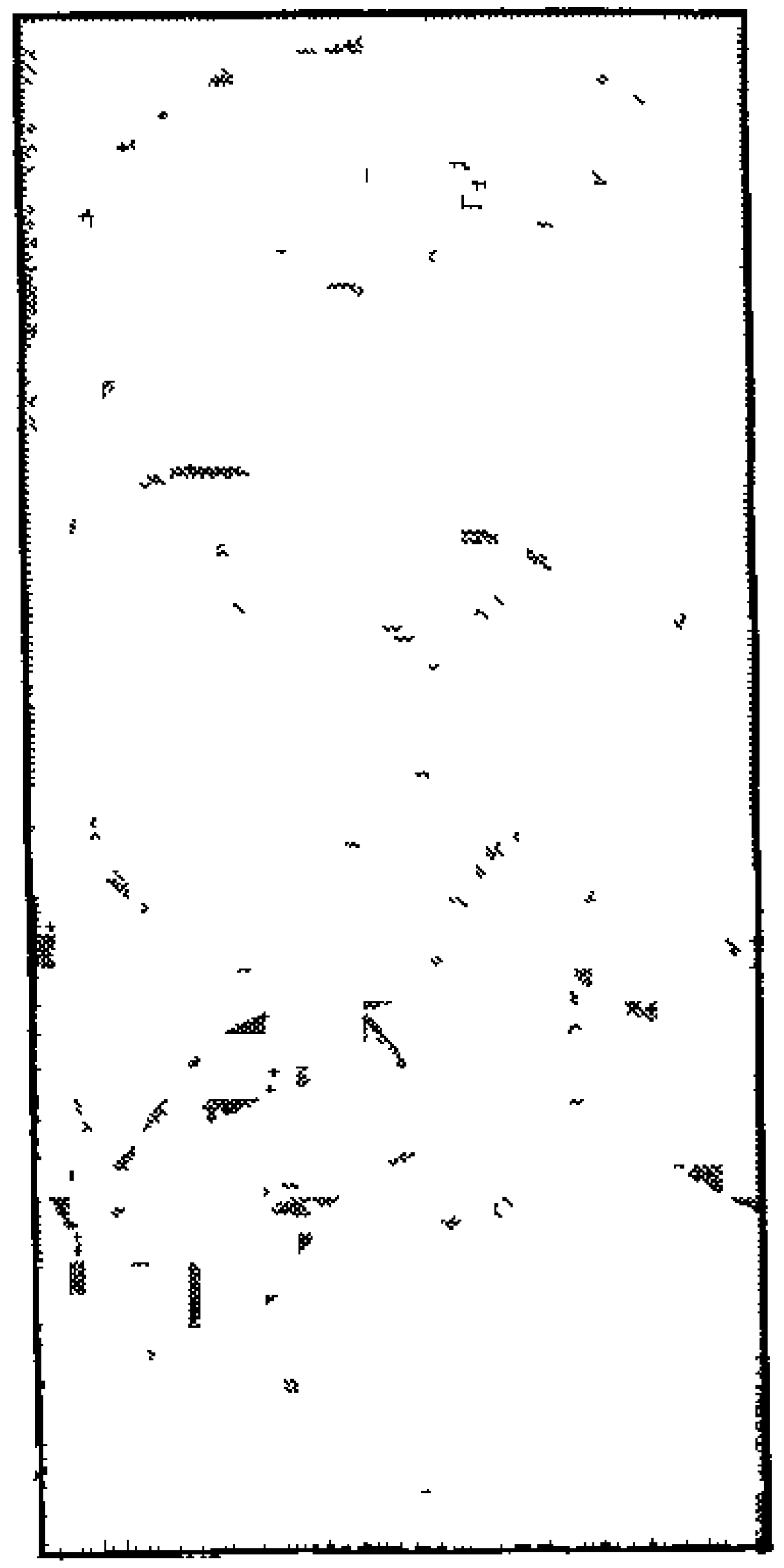
Simply put, an overly hierarchical structure meant that too many important decisions were being taken too high up, at a level away from day-to-day reality

This was a function of the historical structure of mining houses where it had always made sense to concentrate services at the centre, deploying them at specific operations as and when needed.

The formation in 1989 of Genmin, the wholly-owned mining group with interests in precious metals, coal and ferro-alloys, showed Gencor endorsing this logic but crucially only at the mining, not group, level

The traditional method of running a mining house — specifically, decisions being taken at the centre, away from the market — had proved unfavourable to the efficient running of the group's industrial interests

Mr Keys's solution was to bring Malbak, an industrial holding company he had helped set up, into the group and then to sell almost all Gencor's industrial interests,



Derek Keys vindication of the man from head office

including food, packaging, construction and consumer goods, into Malbak

The exception was Sappi, the forest products group, which was considered too large to be included and it was kept separate

So what does all this mean in practice? "We don't prescribe to our divisions what their assumptions should be for their budgets or for their projects," says Mr Keys

"We expect them to state what those assumptions are, but they can do anything they like, so long as they put up a case that convinces us"

In this way, Mr Keys believes that managerial creativity is stimulated by avoiding imposing "homogenising" investment criteria from the centre

He also argues that this approach diminishes risk "The whole aim is to drive the decisions downwards to where there is the best mix of judgment and knowledge about the situation"

It also allows young managers to develop and prove themselves

Anton Botha, the 38-year-old managing director of Genbel, the mining finance and investment company, says "You were made to feel that you were the chief executive of the hierarchy at Gencor"

Greater demand is therefore made of managerial initiative and responsibility, for which commensurate rewards are offered Managers are no longer able to escape poor decisions by consoling themselves that some of the responsibility had developed upwards

Analysts agree that the management at Gencor is much more vigorous and creative as a result

Venture capital

If decentralisation and empowerment of managers were the basic materials with which Mr Keys planned to reshape the company, the design came in the form of a corporate mission statement, published in 1988

Mr Keys says it was always clear that the niche Gencor should occupy was that of giant venture capitalist

From this flowed the broad aim of achieving real growth, through starting or acquiring new businesses or developing existing ones Like most such statements, it is vague, unlike most, it has a palpable focusing and galvanising effect

The best example is the transformation, in the space of three years, of minor petroleum marketing interests into a fully integrated energy group — Engen — with assets of more than R3,5 billion

The most significant development was the purchase in 1989 of Mobil Southern Africa from its disinvesting parent for the bargain price of R650 million Engen contributed R203 million to Gencor earnings last year

Other large projects in the pipeline for Gencor include likely involvement in the Columbus stainless steel plant joint venture with Highveld Steel and an aluminium smelter of its own, each of which will cost more than R3 billion

The enormous funding requirement of these projects explains a feature of Mr Keys's managerial style, his close attention to, and use of, the stock market

"If we are a real growth-generating machine, we're going to need more money all the time We need to make our shareholders feel that subscribing to rights issues is a pleasant experience

"Bringing all the development work going on in the divisions of this group to fruition depends upon investors liking the share If we get that wrong we're actually throwing sand in the machine"

He also believes that the market delivers invaluable, unbiased judgments about his performance and that of his managers

While there are domestic tasks aplenty, Mr Keys acknowledges that the big prize lies offshore The challenge is to transform Gencor, the bulk of whose assets are in South Africa, into a global resources group

"What I am looking at is whether there is an existing resource organisation outside South Africa which could have some interest in some kind of partnership relationship"

Mr Keys will not be hasty. His contract with Gencor has been extended to August 1994

He quotes an Afrikaans businessman "Jy kan nie a proposisie ryp druk nie" (You can't squeeze a proposition ripe) — Financial Times

Strong export sales give Haggie a boost

(214)

B Day 8/8/91

MARC HASENFUSS

REDUCED domestic demand, mainly from the gold mining industry, pulled down Haggie's earnings, but a strong cash flow and healthy balance sheet allowed the group to maintain its 47c interim dividend

The engineering group, which manufactures industrial wire, copper-based products and industrial tools for local and international markets, reported a 12% drop in earnings to R31,5m (R35,8m) or 162,1c (184,1c) a share on the back of a 3% slide in turnover to R583,5m

Haggie, however, boosted its export sales by 32% in the six months to June, and exports currently represent more than 14% of turnover

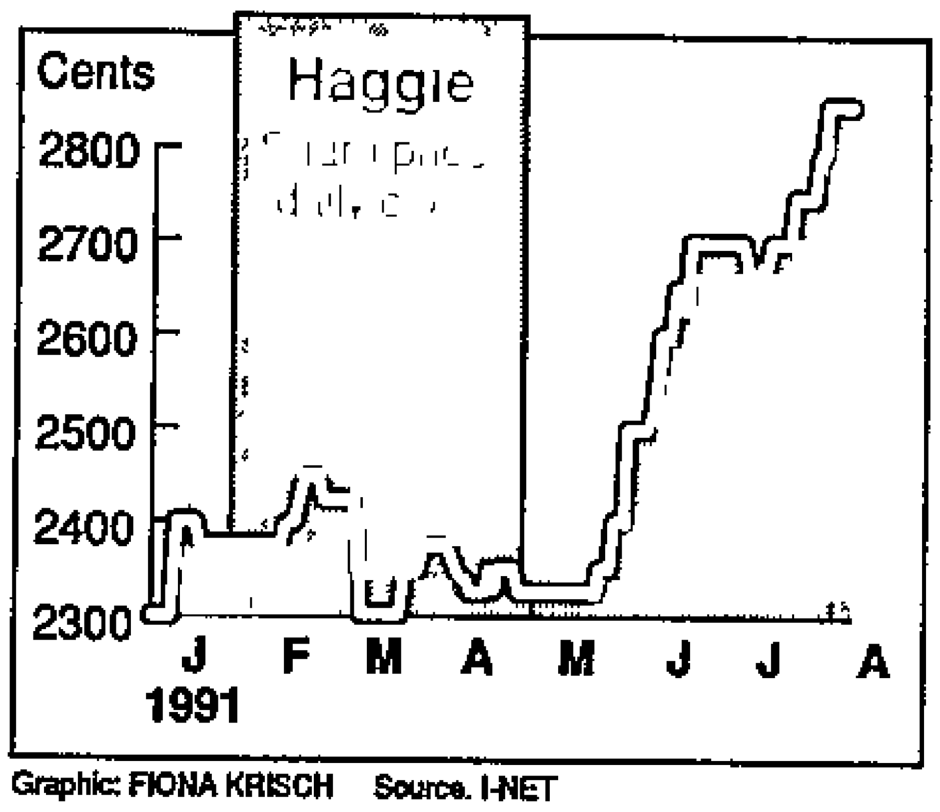
MD Chris Murray said although Haggie would exploit export opportunities afforded by the lifting of sanctions, no marked growth was expected in export volumes in the second half of the year

Haggie's established export markets are in Europe but the group is investigating the viability of markets in eastern Europe and the US

In his divisional review, Murray said the group's wire and rope division would face tough trading conditions in the immediate future

Rationalisation should see an improved performance from Haggie's copper-based metals and engineering consumables division, and he expected both to make a larger contribution to group earnings

Haggie's tax rate fell to 31% (34%) because of increased exports



Graphic: FIONA KRISCH Source: I-NET

Gearing was brought down to 23% (28%), and R30m was switched from short-term to medium-term financing to lock in three-year interest rates, he said

Haggie recently acquired rivet-maker Sarmco Africa for R4m, putting Haggie in a dominant position in the rivet-making sector

No further acquisitions were planned at present

Although a further deterioration in profits was expected in the second half, Murray was confident that in the longer-term Haggie was well positioned to benefit from the domestic economic recovery and normalisation of SA's position in international trade.

Haggie's share has made a steady recovery since bottoming at a R20 low last October. The share was untraded on the JSE yesterday at its 12-month high of R28,50, well above the group's net asset value of R21,95

GOLD

Fm 9/8/91 (214)

Drug on the market

Modern financial engineering allows gold miners to lock in certain profit and achieve prices well above the market average This enables marginal mines to stay in business

But it is generally agreed that hedging activity by gold producers has trapped the price in a relatively narrow trading range in the past two or three years Though they act individually, producers tend to act simultaneously, selling forward whenever the price shows signs of moving strongly upward This

Continue-D

FM 9/8/91 (214)

caps further price rises

The most important influence on the gold price was the net new hedging business — which last year involved 238 t, most of it (159 t) in forward sales By the end of 1990, the Australian gold industry had sold 81% of its 1991 output, locking in an average price of US$447/oz It had also committed 50% of 1992's production and 34% of that for 1993

However, new hedging business by Australian companies totalled only 8 t, implying they did not depress the price as much as widely believed In contrast, North American companies accounted for 124 t net new hedging business at an average of $430/oz

SA has only just entered the "hedging maze", but, at the end of last year, had 15% of annual output or 90 t of 1991 production associated with some sort of price protection

These figures do not take account of the producer hedging that occurred during the extraordinary night of January 17 1991, as war broke out in the Middle East The global hedged position is known to be substantially higher than at the end of 1990

There are two ways in which hedging might become less important to the gold market Firstly, the gold price would have to lapse into a prolonged and deep backwardation (where the price for immediate delivery is above that for future delivery) of the sort seen until recently in base metals markets

Secondly, there would have to be a sharp and prolonged fall in bullion lending by central banks This would effectively reduce the liquidity necessary for the forward markets to operate Without this liquidity, bullion dealers would find it difficult to offset the miners' forward sales

But there is very little likelihood of either of these changes taking place So hedging will remain an important depressant in the gold market for some time ■

Golden Dumps linked to Modder B purchase

BDay 9/8/91

(214)

MATTHEW CURTIN

A CONSORTIUM including one of the gold mining companies in the Golden Dumps group is about to clinch a deal in which it will acquire the assets of the liquidated Modder B gold mine for a multimillion-rand sum, a source close to the group said yesterday

Golden Dumps MD Loucas Pouroulis yesterday offered no comment on the deal.

Transvaal Board of Trustees director Trevor Giddey, whose company was one of the liquidators of the mine, said yesterday that an offer for Modder B's assets had been accepted at a meeting of creditors two weeks ago

The transfer of the assets was in the hands of the mining commissioners and attorneys

Giddey would not disclose who the buyer was or how much the mine's assets were sold for Modder B's assets, up for sale since May, include 82 ha of freehold property, 76 885 claims, surface rights permits and mining equipment

Golden Dumps and Cons Modder director Eddy Coombes said yesterday that he understood Golden Dumps had put in a "serious offer" for the mine's assets

However, he could not say if the group had bought them

Golden Dumps, which owns gold mine Consolidated Modderfontein and South Roodepoort, managed Modder B from 1988 until the mine was wound up in February this year. Modder B's market value was R805 000 when its shares were suspended on the JSE in March

In 1988, Modder B was forced to have its ore processed by Cons Modder because it failed to get its own ore processing plant to work

Despite optimistic forecasts from its directors, Modder B was forced to close in the face of soaring working costs and the low gold price after it fell into the red in the September and December quarters last year

FM 9/8/91 214

WAGE SETTLEMENTS

Going for gold

214

The profit-linked wage deal for gold mines struck between the National Union of Mineworkers (NUM) and the Chamber of Mines represents, in the words of a leading stockbroker, "the first major market-related wage agreement" with organised labour in SA FM 9/8/91

While it certainly reflects greater appreciation by miners of tough times and the parlous state of gold mining at current low prices, the jury is still out on whether it prefigures sweet reasonableness in industrial relations generally

Recently the metal workers represented in Numsa accepted an only-just below inflation 12% to 15% increase in negotiations with Seifsa — down on last year's 15%-19% This came after "extremely difficult" negotiations lasting four months plus nine days of mediation (it's taken longer in the past) Strike and lock-out ballots in anticipation of action were conducted, but a strike was averted in this sector

However, the motor industry, in a severe downturn, has been hard hit by a two-week Numsa strike As the *FM* went to press, the employers increased their offer by 15c an hour to R1,15 and agreed to a moratorium on retrenchments The union response was awaited

NUM spokesman Jerry Majatladi explains that in agreeing to an average 6% plus profit-linked bonus, the union "took into account the poor economic conditions of the gold division and, therefore, decided to settle for the current scheme " He added that productivity-linked agreements are *rejected on principle* by the NUM because of different productivity rates at different mines The union had merely "suspended" its bargaining strategy, which is "to close gaps between the mining houses by quantum increases and basic minimums "

So Majatladi doubted that a NUM-type settlement would be "literally" followed by other Cosatu unions, mainly because gold is "unique" and its price is determined differently Yet, again, the deal will serve to concentrate minds on exactly what improves output — and reflects recognition of common problems and objectives

Signalled by a similar settlement at Ergo earlier on (*Current Affairs* June 21), the mining agreement marks a qualitative leap forward in industrial bargaining, with "potentially far-reaching positive implications for the economy as a whole," to quote stockbrokers Irish & Co/Econometrix

The profit-linked package includes a basic 5% increase on group rates (with a R40 minimum increase on Anglo American and Genmin mines) and creates the opportunity for employees to receive bonuses up to a maximum of 7% coupled to the gold price In addition, employees may also become eligible for special performance bonuses which will be related to targets set at mine-level negotiations

The bonus — payable each quarter and potentially the biggest chunk of the increase — comes into play at an average gold price of R1 059 an ounce This would "trigger" a bonus of 0,5% of earnings At a price of R1 073 the bonus rises to 1,5%, at R1 100 (3,2%), R1 125 (4,8%), R1 150 (6,5%), and from R1 160 an ounce the bonus reaches the maximum 7%

"Members are glued to the TVs these days watching the gold price," says NUM's Majatladi The trigger level was calculated from the average gold price in the second quarter of this year, according to the union

If the gold price rises from R1 050/oz to R1 160 or more and productivity increases sufficiently, miners could get as much as 17% more than they did last year, according to Irish & Co And since the bonus ceases at above R1 160, it implies that if the price were to increase strongly, the mining houses would still enjoy a big hike in profits The trade-off would seem to be that, should the price fall, retrenchments will be somewhat more limited than over the past year

Four of the mining groups party to the negotiations had presented offers incorporating profit-sharing schemes — Anglo, JCI, Genmin and Rand Mines (Blyvoor) Two others, Gold Fields and Anglovaal's Harties, offered straight increases (without bonuses) ranging from 6,5% at the upper wage level to 9% in the lowest category

A different deal was done at Rand Mines' struggling Harmony This provides a R25 a month across-the-board increase, plus 15% of any profits — up to a R4m maximum — to be set aside for workers The first R1m of this would be shared out equally and after that divided according to basic wage levels

On chamber collieries increases range from 6,5% to 19,1% at the unskilled level No bonus system applies

If the principles of the NUM-chamber agreement were to set a precedent for all industry it would have major benefits for the economy, explains Irish/Econometrix It would reduce inflation, prevent unemployment increasing at its present rate and, being industry-related, would ensure that conditions in the demand and supply of labour are not distorted by across-the-board wage increases The price system for goods and services would begin to reflect conditions in specific industries more appropriately

But it is not certain that this kind of agreement can be replicated across industry The metalworkers' deal, for instance, in conditions almost as weak as in gold mining, is "effectively" inflation index-linked and bears no relation to the poor state of fixed investment and growth in metalworking

And unless government spending is properly controlled, wage restraint by the unions will not be enough to reduce inflation ■

SA 'could develop 15 gold mines'

214

ARG 10/8/91

JOHANNESBURG. — South Africa could develop 15 new gold mines if its mining industry could conquer current financial and technical challenges, according to Minerals and Energy Affairs Minister Mr George Bartlett.

"If these financial and technical hurdles can be overcome, as many as 15 new gold mines could possibly be developed in the years to come, at an estimated R45 billion in capital expenditure in 1991 money," he said yesterday.

He added, however, that unless the gold price improves considerably and costs are kept at acceptable levels it will be very difficult to raise capital for new gold mine ventures

Existing producers in South Africa, the world's leading supplier which mined 605 tons last year, faced the same constraint in respect of capital spending,

Mr George Bartlett

Mr Bartlett said

He was speaking at the launch of a mine safety campaign organised by the Association of Mine Managers and the Chamber of Mines Mineowner's Association

Major challenges at present were a need to contain costs while the world gold price was static, to improve productivity and so achieve a streamlined, cost-effective industry, he said.

Improved safety would help, especially at the mine face where a high proportion of deaths caused by rockfalls and rockbursts occurred Research was being focussed on the deign and pattern of support structures in the face area, he added

The incidence of rockbursts would be an ever-increasing problem as mining progressed to deeper levels, he said, referring to the need to tunnel even deeper to reach untapped deposits

The gold mines claimed about five deaths per 4 000 employees last year, Chamber of Mines figures show falls of ground, including those caused by pressure bursts, were responsible for 32 percent of deaths

Eventually renewed economic growth and increased disposable incomes worldwide were expected to boost demand for gold in manufacturing industries, such as jewellery and to generate greater interest in investment in gold bars, he said — Sapa-Reuter

COMPANIES

Pressure back on marginal gold mines

B/Day 12/8/91 : (214)

MATTHEW CURTIN

THE rand gold price fell last week to a two-and-a-half month low, renewing pressure on the gold mining industry after a June quarter in which it enjoyed unexpected profits thanks to cost cuts and the rand's fall against the dollar

The rand gold price fell to R32 700 a kg last week, compared with a high for the year of R34 500 reached at the beginning of July

The average price in the June quarter was R32 160/kg

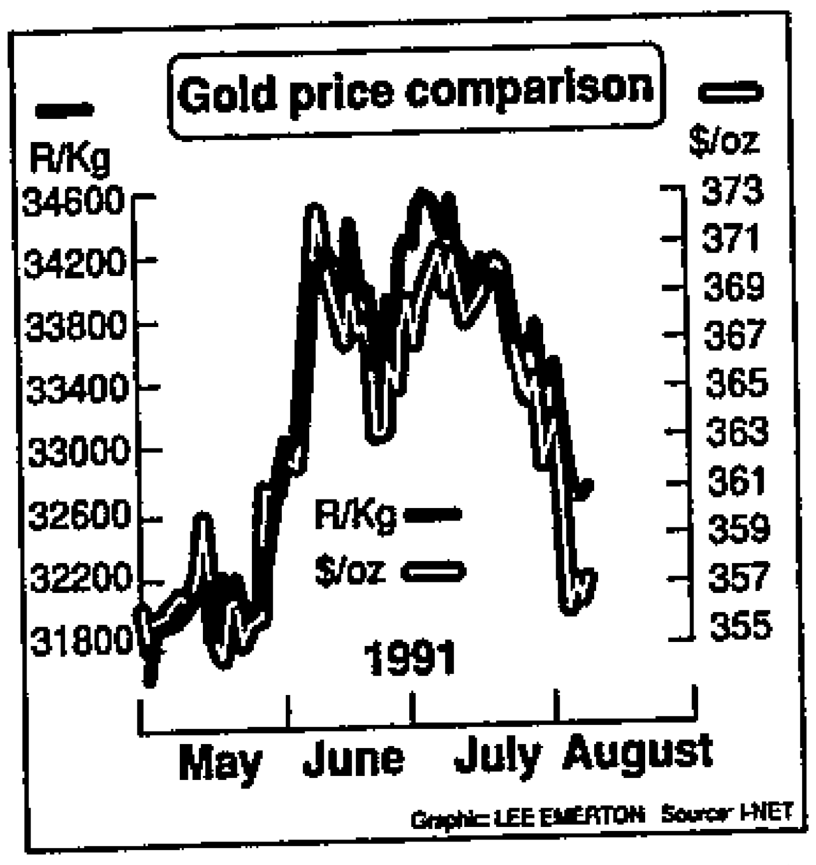
Since July, the gold price has fallen back to the US$355 mark while the rand, which had slumped in value against the dollar in May and June, has strenghtened marginally

Frankel Max Pollak Vinderine analyst Rob Gillan said on Friday that "the squeeze is back on those mines which are not involved in forward selling"

He noted that while Anglovaal won a gold price of R37 000/kg on some forward contracts, GFSA, which has a policy of not selling production forward, received only R32 200 on average in the June quarter.

Although the average gold price in the current quarter might end up being about 2% higher than in the previous quarter, mining houses would be back to breaking even come the end of September as the price increase would barely keep pace with inflation

He said GFSA's marginal operations Doornfontein, Venterspost and Libanon, and Gengold's mines would be hardest hit by the fall in the gold price because of their opposition to selling forward



Unless the price recovered, more retrenchments might become necessary as operations at individual mines were curtailed further

Another analyst said the rand gold price was still a long way from the lows of February this year, but at current levels it was putting pressure on high cost producers like West Rand Cons, Loraine, St Helena and ERPM

However, these mines were not about to close The analyst said their high working costs included some retrenchment pay-outs and all had room to restructure operations further The low annual wage settlement was a boon, and these mines had little prospect of paying out productivity linked bonuses to mineworkers

E W Balderson analyst Nick Goodwin struck a more optimistic note, saying that although the drop in the price was cause for concern, mines were still busy reducing costs wherever possible

Their success in keeping costs down had reaped rich rewards in the June quarter, and would cushion the industry against the price fall This was especially so for mines which had the protection of selling forward

Goodwin said comparing the June quarter this year with the same period in 1990, average margins improved from R5 273/kg to R6 848/kg across the industry

JCI, GFSA and Rand Mines had cut costs by between 3% and 8% Costs at Anglo American had stayed flat At Anglovaal they rose by 9%, and at Gengold by 12%

Goodwin warned that people outside the industry were often too hasty in writing off gold mines on the basis of their statistics, whereas mine management fought tenaciously to keep their operation going

He believed the gold price had reached the bottom, and the industry was on the threshold of a "new era" which promised soaring profits

15 new mines possible

Star 13/8/91

South Africa could develop 15 new mines if the industry overcomes financial and technical challenges, says Minerals and Energy Affairs Minister George Bartlett

Mr Bartlett, speaking at a launch of a mine safety campaign, said the new mines could be developed at an estimated cost of R45 billion at 1991 prices

He added, however "Unless the gold price improves considerably and costs are kept at acceptable levels it will be very difficult to raise capital for new gold mine ventures"

Existing producers faced the same constraint in respect of capital spending, Mr Bartlett said

Major challenges were a need to contain costs while the world gold price was static, to improve productivity, and so achieve a streamlined, cost-effective industry, he said

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Safety

Improved safety would help, especially at the mine face where a high proportion of deaths was caused by rockfalls and rockbursts

South African gold mines claimed about five deaths per 4000 employees last year, Chamber of Mines figures show Falls of ground, including those caused by pressure bursts, were responsible for 32 percent of deaths

Eventually renewed economic growth and increased disposable incomes worldwide were expected to boost demand for gold in manufacturing industries, such as jewellery, and to generate greater interest in investment in gold bars, he said — Sapa-Reuter

Reserve Bank plan for its gold reserves in full swing

B Day 14/8/91.

(214)

SHARON WOOD

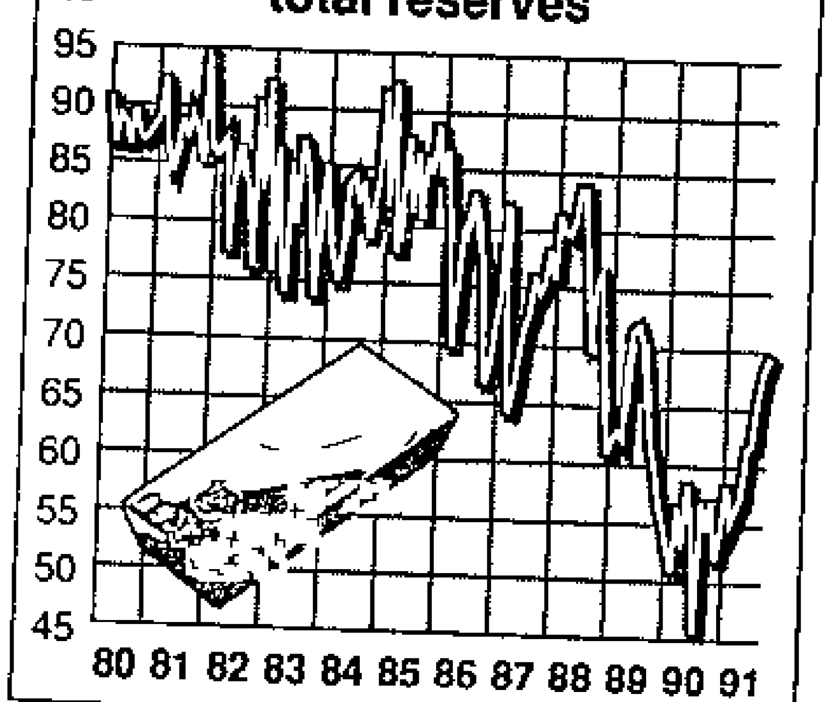
THE Reserve Bank's plan to replenish its foreign reserve coffers with gold is in full swing with gold as a percentage of total foreign reserves rising to about 70% in July from 55% in January

But current levels are still well below the amount of gold stocked during the metal s heyday In 1980 the gold price averaged more than $600 and about 90% of SA's foreign reserves were in gold

The proportion of gold in SA's reserves far outstrips the worldwide figure estimated by the Bank of International Settlements Gold comprised only 29% of total world foreign reserves at the end of 1990, and this figure fell even further this year to about 27% in March

Investor interest in gold has diminished steadily since the early '80s and the metal is making heavy weather of escaping the trough of its decade-long bear trend The metal's problems are compounded by mines which have been increasingly active in hedging against price movements

Gold component of total reserves



Graphic FIONA KRISCH Source I-NET

Changing attitudes towards gold's worth are illustrated by the reduction in international central banks' gold reserves in the late '80s

Throughout the world, 5,3-million ounces of gold worth $10,8bn were sold from foreign reserves during 1989, and 2,2-million ounces worth $10,3bn in 1990 In place of bullion, central banks are boosting foreign exchange reserves at the expense of gold, with the currency component of total foreign exchange rising by $51bn in 1989 and $119,9bn in 1990

The decision by the Reserve Bank to replenish Pretoria's gold reserves is at odds with international experience James Cross, Reserve Bank gold and forex GM, asks rhetorically If the Bank does not show faith in gold, who will?

The Bank's gold holdings have risen by about 30% to 5,7-million ounces in July from 4,4-million ounces in January But this is still far less than the 12-million ounces held in the early '80s Cross makes it clear, however, that the Bank has no intention of rebuilding reserves to the early '80s level The aim is to lift gold and forex reserves to the comfortable point at which they equal three months' imports Three months' import cover has been pinpointed as the minimum level of import cover for a healthy economy

But this does not influence the composition of reserves

ANIES

Business booms for Gold Fields Property

MATTHEW CURTIN

THE sale of permits for shares in the gold recovery operation at East Daggafontein boosted the bottom line at Gold Fields Property by an extra R6,5m after a three-fold increase in after-tax profits in the six months to end-June this year

After-tax profits climbed from R4m to R13m in the period as the property arm of the Gold Fields group enjoyed substantially higher returns on the realisation of and income from its investments

The company's directors said the sale of shares in Gold Fields unlisted zinc refinery Zincor accounted for most of the surplus on the realisation of investments

The surplus of the sale of assets booted earnings by 223% which translated into earnings a share of 126c against the previous 39c

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An unchanged dividend of 18c was declared The dividend is covered 7,0 times (2,2) B Day 16/8/91.

In the present recession the directors believe that normal trading activities of the company will yield a lower level of profit in the second half of the year than in the first half

1991

Naught for gold mines' comfort

S Times (Bus(T)) 18/8/91 (214)

IF the rand price of gold does not improve for three years, South Africa's gold production will decline by 50 tons a year and 130 000 jobs in mining and 260 000 in support industries will be lost

These are but two of the scary conclusions of an investigation into a stagnant gold price for the next three years by stockbroker Ed Hern Rudolph

Titled, What if the gold bulls are wrong? the report also finds that mine profitability will fall by 80% if the metal stagnates around R950 an ounce

At a constant R950 gold price for three years, only six producers will remain profitable, 12 will have to take stepts to improve yields or reduce costs, including capital expenditure, 14 will have difficulty remaining profitable and 15 will probably close — two in the first year, eight in the second and five in the third

Even after drastic rationalisation, SA gold production will fall from 608 tons in 1990 to 555 in 1993, causing a loss of R1,6-billion in exports and in gross domestic product

Analysts Graham Graham-Parker and Ted McDermott used a constant R950 gold price because they contend it is a realistic floor price established by forward sales into the market

If the gold price were to drop below R950 the Reserve Bank would devalue the rand, they say

For the purposes of the exercise, the analysts used cost inflation rates of 13%, 11% and 10% respectively for each of the three years forward, together with prevailing conditions on the 47 gold producers examined

A-rated mines which will remain profitable at a gold price of R950 for the three years are Deelkraal, Driefontein, Kloof, Ergo, Bracken and East Dagga

B-rated, which may attain profitability if they increase grades, lower costs and reduce capex are Beatrix, Doornfontein, ET Cons, Harties, Kinross, Knights, Leslie, Oryx, Randfontein, Southvaal, Stilfontein and Unisel

C-rated mines, which will find it difficult to remain profitable whatever they do, include Blyvoor, Elands, Freegold, Grootvlei, Joel, Nigel, Osprey, Primrose, Vaal Reefs, Western Areas, Western Deep, West Rand Cons, Winkels and West Wits

D-raters which have little hope of remaining profitable and face closure are Buffels, Cons Modder, Durban Deep, Gazgold, Harmony, Libanon, Linhum, Loraine, St Helena, Sallies, South Roodepoort, Sub Nigel, Venters and Village

In coming to its ratings, Ed Hern Rudolph profiles the profitability, output, unit costs and capex of each of the 47 mines

It says each assessment is made in great detail and estimates are not simply "guesstimated"

Account was taken of ore reserves available in the short and medium term, historical variations in grade, in mining width, current and future mining problems, development required to maintain proven ore reserves relationships between mining, hoisting and milling capacities, known or estimated variations in mining costs, potential to reduce fixed costs by merging services of neighbouring mines, finance charges related to available profits and deferment of capex

If there is any comfort, it is that things seldom remain the same

If the dollar price of gold goes nowhere, the rand is likely to fall because of the doomsday scenario painted by Ed Hern Rudolph, thereby lifting the rand price and bringing some relief to the mines

GRAHAM GRAHAM PARKER and TED McDERMOTT Doomsday prophets

Finrand death knell

JOS GERSON, economist for stockbroker Davis Borkum Hare, asked Deputy Foreign Minister Leon Wessels what would prevent a future government from mismanaging the economy to satisfy the poor?

Mr Wessels replied that a new government would depend on loans from the IMF and the World Bank, which would attach stringent conditions to them

Mr Gerson says this statement indicates a change in attitude to foreign investors In the past foreigners' propen-

"It no longer makes sense to penalise foreign investors Now that white rule appears to be coming to an end foreign investors may help to foster sound economic management and protection of property rights the finrand will soon have outlived its usefulness

"It serves to weaken the influence of foreigners and furthermore, just as it prevents capital from leaving the country in bad times, it prevents it from entering it in good times"

JUST when South Africans thought their unit trust business was booming, an American analyst recently arrived from Australia describes it as quiescent.

The number of fund management companies in SA has trebled from six to 19 since 1985 There are now 37 unit trusts

But returning analyst Colby Coombs says unit trust activity here is half that of its closest equity market counterpart, Australia (The JSE has a market capitalisation of $145-billion against Sydney's $140-billion)

Analysing the March statistics, Mr Coombes finds that market share here is heavily skewed in favour of established players, 92% of assets being controlled by the six players in the market before 1985

He says unit trusts are constrained by undue and misdirected regulation, particularly in pricing "Unless it is revised, supplier abuse seems possible"

Mr Coombs sees two major marketing opportunities for unit trusts increasing black business and relaxation of exchange control to permit foreign investment

Illustrating the JSE's illiquidity, he says it is the sixth-biggest in the world in terms of market capitalisation But turnover is only 6% of its value compared with Sydney's 32%, Tokyo's 55%, New York's 53% and London s 56%

SA unit trusts are not inhibited by fear of capital gains tax to the same extent as individual investors, but they are reluctant to trade because it is hard to pick up high-quality stock

SA unit trusts turned over 29% of their value last year compared with 97% in Australia

Unit trusts in SA account for only 5% of the value of the market compared with 10% in Australia and 17% in the US

"Internationally, there appears to be a positive correlation between deregulation of financial markets and subsequent unit trust growth This factor will become of interest if SA applies International Monetary Fund prescriptions to its financial markets"

The 37 SA unit trusts had R8,3-billion of assets at the end

Lower reliance on gold helps Genbel's earnings

B Day 20/8/91 (214)

MATTHEW CURTIN

GENBEL, the Gencor group's investment arm, turned in a solid performance as maiden contributions from offshore and energy investments, a narrower investment portfolio and dwindling reliance on gold stocks pushed earnings up 15%

In the year to end June 1991, the value of the company's trading assets shot up from R65m to R163m, and its investments in the mining finance sector replaced gold as the main component in Genbel's net asset value of more than R3bn

The company rewarded shareholders by paying its earnings out in full in a 32c dividend in the year, up 11% from 1990 Distributable earnings rose from R120m to R138m year on year

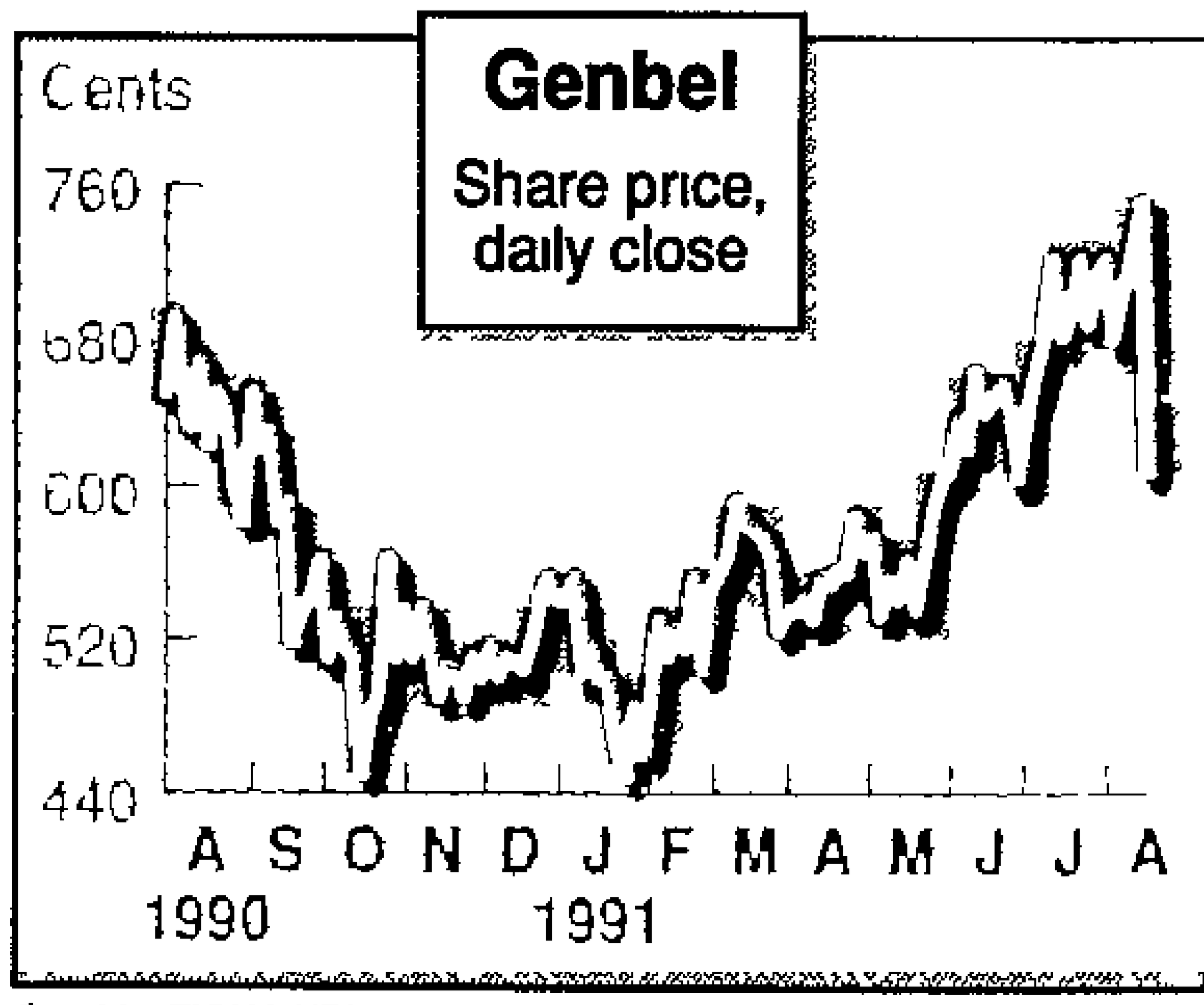
MD Anton Botha said yesterday that Genbel had shifted from "a multitude of small investments and low growth gold shares (to) more meaningful stakes in companies with better growth prospects" Gold shares represented only 17% of Genbel's portfolio by market value in 1991 against 61% in 1987

He said 84% of Genbel's holding was represented by 10 stocks out of a total of 17 major holders In contrast, in 1984 Genbel held more than 50 holdings, three-quarters of which were in the precious metals sector

Genbel's net asset value fell from R3,4bn in 1990 to R3,2bn in 1991 Its precious metals portfolio fell from accounting for nearly two-thirds of the market value of net assets in 1990 to less than half this year

Botha said gold shares contributed only 11% of income in 1991, but 29% the year before Genbel raised R277 in sales of investments in companies like gold mines Kinross, Vaal Reefs, Kloof, as well as Impala Platinum and Genbeheer

He noted the company's 10 largest investments by



Graphic FIONA KRISCH Source I-NET

value were now Genbeheer, Impala, Engen, a 6% stake in offshore company TransAtlantic Holdings, developing gold mine Oryx, De Beers, Sappi, Kinross and Winkelhaak, Unisen and coal operation Trans-Natal

Genbel transferred all its medium-term investments in 1991 into Unisen, its trading company

Genbel's cash position had also improved from having net liabilities worth R251m last year to an additional R174m in net assets this year

The company's performance confirmed its directors' predictions that interim earnings growth of 23% would not be matched in the second half of the financial year

Botha said Genbel would achieve further earnings and dividend growth in 1992," based on a moderate improvement in international economies and larger contributions from trading and interest receipts"

Question 2 - Suggested solution (continued)

Workings

Sales variance

	Budget	RSQ	Actual
IBR	6 000	6 000	5 000
C	3 000	3 000	4 000
	9 000	9 000	9 000

Mix variance
= (1 000(u) x R20) + (1 000(f) x R22)
= R2 000(f)

Materials

	Budget	RSQ	Actual
Iron	41 000	41 488	42 500
Tin	9 000	9 107	8 750
Carbon	13 000	13 155	12 500
	63 000	63 750	63 750

Yield variance
(488(u) x R5) + (107(u) x R30) + (155(u) x R15)
= R7 975(u)

Mix variance
(1 012(u) x R5) + (357(f) x R30) + (655(f) x R15)
= R15 475(f)

Usage variance
(1 500(u) x R5) + (250(f) x R30) + (500(f) x R15)
= R7 500(f)

Fixed overheads

AQ	SQ	BQ
26 000	26 500	25 000

Efficiency 500(u)
Capacity 1 500(f)
Volume 1 000(f)

Gold again fails to perform in time of turmoil

B|Day 21/8/91 (214)

ANDREW GILL and MATTHEW CURTIN

THE gold price has again failed to perform in times of global political uncertainty and financial market turmoil.

After a brief flurry up to $365 an ounce on Monday, the price dipped to around the $360 level and yesterday touched $352

Whatever the reason for this, analysts hold out little hope of seeing the price make any major upward movements

George Huyshamer and Partners analyst John Clemmow said the price was trapped in a tight range by forward selling and the threat of Soviet dumping

He blamed this week's gold price impotency on SA producers "breaking ranks" and madly selling forward, coupled with fundamentals looking more terrible now than in the past

SA producers had sold forward heavily at $362 on Monday, he said, despite recent statements they would not to prevent putting a cap on the price

Also, with the coup in the Soviet Union, all the metal originally sent to the West as collateral for loans could now end up on the market if the loans were not honoured

With the threat of dumping, gold's range could well have moved down $10 to between $345 and $365, he said

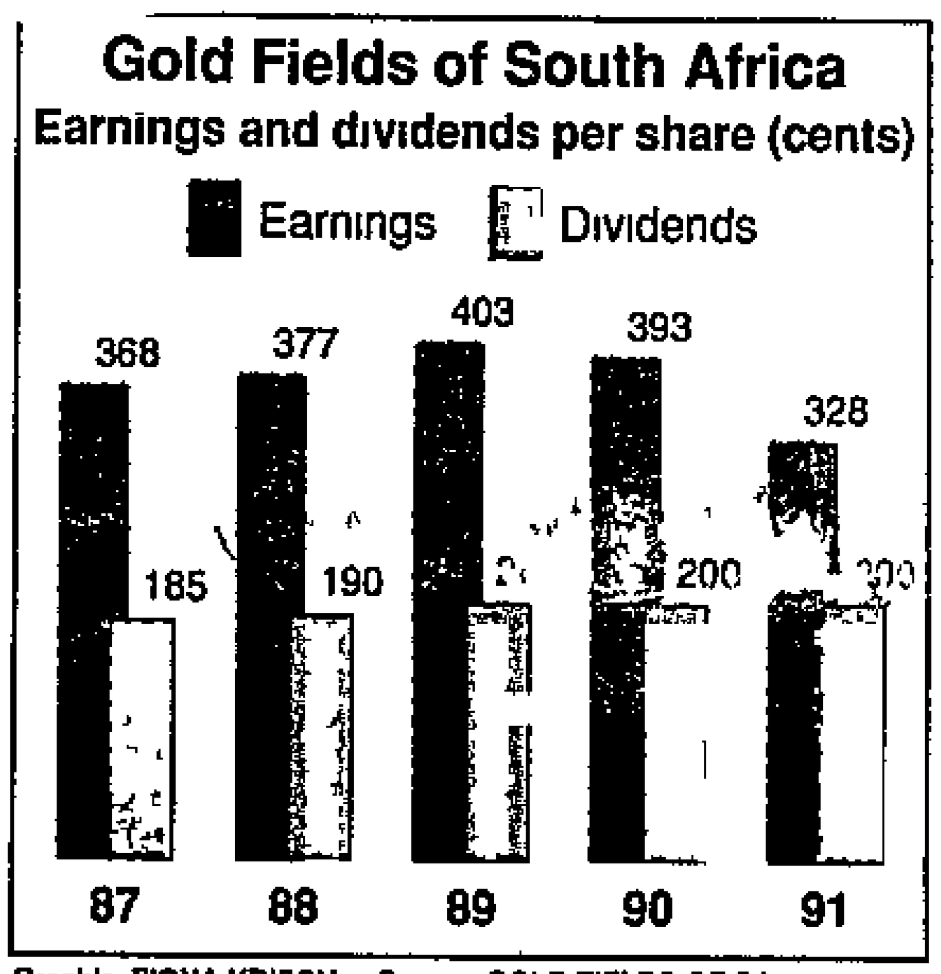
Frankel Max Pollak Vinderine analyst Rob Gillan said the metal was no longer a protection against world events It was now only a commodity dependent on jewellery demand

He sees real support from central banks at $345

Gold Fields Mineral Services analyst Stewart Murray said the effect of Gorbachev's overthrow and impending civil unrest would be "neutral" on the international gold market

Despite mounting strike action in the Soviet mining industry, the Soviet Union had extensive bullion reserves to make up any shortfall in production

A conservative regime less interested in financing perestroika would need less foreign exchange and he felt Soviet gold sales would be negligible in the short-term



Graphic FIONA KRISCH Source GOLD FIELDS OF SA

No shine on Gold Fields earnings

MATTHEW CURTIN

LACKLUSTRE base metal and gold prices knocked the shine off Gold Fields' 1991 year-end earnings which slipped 16% from 393c to 328c a share

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The dividend was unchanged at 200c a share for the third year running

Corporate finance executive director Alan Wright said yesterday the group derived most of its income from its eight gold mines, but the general downturn in the mining industry had eaten into Gold Fields' profits B/Day 21/8/91

Gold Fields owns two of the lowest cost gold mines in Driefontein and Kloof, but its three marginal mines — Venterspost, Doornfontein and Libanon — were "hanging on for grim life" in April until the rand gold price improved in the June quarter, executive director Alan Munroe said

Copper, zinc, lead, and coal prices recovered in the same quarter, but only after six month poor prices had wiped out profits at the group's Black Mountain base metal operation at O'okiep Copper and at Gold Fields Coal

Wright said the outlook for commodity prices did not point to a sharp upturn in the short term He expected prices to improve only six months after the world economy

To Page 2

Gold Fields B/Day 21/8/91.

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From Page 1

pulled out of recession

The major task facing the group in the coming year was to keep cost increases down The below-inflation wage increases accepted by employees at Gold Fields operating companies "must make inroads against inflation this year", he said

White mineworkers at the group's gold mines accepted wage increases of between 4% and 6,5% on Monday, after black mineworkers accepted wage hikes of between 6,5% and 9% earlier in the month

Wright said the group was able to pay an unchanged dividend.

The group's revenue in the year to end-June 1991 tumbled from R582m in 1990 to R518m The group's expenditure rose R30m to R150m, but was more than offset by a lower tax bill of R73m against R31m in the previous year.

After-tax profits fell from R374m to R327m, with attributable earnings dropping from R361m to R314m

GFSA weathers storm

(214)

Star 21/8/91

By Derek Tommey

Gold Fields of South Africa (GFSA), one of the country's major gold mining groups, has come through the difficult times of the past 12 months with satisfactory results — helped by a sharp drop in tax payments, and an only slightly lower investment income

Attributable earnings were down 13,7 percent at R314 million The company is paying an unchanged final dividend of 130c, making an unchanged 200c for the year

Income from investments dropped 5,9 percent to R285 million, reflecting the top quality of most of the group's mines

However, investment profits were down 34 percent to R21 million — probably as a result of the depressed state of the gold share market

Other income was 14,2 percent lower at R212 million

Expenditure rose by R30 million to R160 million, resulting in pre-tax profit dropping 20 percent from R452 million to R358 million

Tax payments were more than halved, falling from R73 million to R31 million, leaving taxed profit of R327 million (379 million)

Earnings per share were 328c (393c) and the net asset value of the company's shares at the end of June was R92,28

GFSA FM 23/8/91

Golden handcuffs (214)

Gold Fields of SA (GFSA) recovered some lost ground in the second half of its financial year to June but the range of the house's interests ensured there were no surprises in the results

This is the mining house that is the most exposed to gold Though it has two of the best mines in the business — Driefontein and Kloof — if the gold price does not perform, there is little management can do about finding profits elsewhere, particularly when the group's base metal interests are also under pressure

GFSA depends heavily on just three mines — the two already mentioned and Deelkraal — for the bulk of its investment income This year, all three cut their dividends

Its final dividend was maintained to make an unchanged total distribution as the gold price received by the group's mines for the year averaged out at R32 150/kg — hovering just above the critical R32 000/kg level GFSA executive director Alan Wright indicated at the interim that a drop below this level for a sustained period could result in management reconsidering the house's traditional dividend policy

Cover dropped to 1,6 from 2,0, to maintain the dividend This was in line with GFSA's traditional approach of using funds held

FM 23/8/91 (214)

back in previous good years to prop up dividend payouts in the lean years

Exploration expenditure for the year was 23% up at R37m (R30m) as the house continues to spend money looking for new projects to maintain its long-term growth

Northam Platinum is scheduled to kick in this year But, even if all goes according to plan, its contribution will be minimal at this stage So GFSA will continue to depend on gold's fortunes for the foreseeable future

On the current outlook for gold and other commodity prices, that would appear to indicate at best another pegged dividend At R74, the share yields 2,7% and looks fully priced given the sector average of 3,9% and the uncertain outlook for gold *Brendan Ryan*

S1 Times 25/8/91 214

Mine crisis talks

By DAWN BARKHUIZEN

CRISIS talks were continuing last night between National Union of Mineworkers officials and management at the Doornfontein Gold Mining Company over the future of at least 6 000 fired workers

The miners were sacked from the Carletonville mine Many were still on mine property yesterday

Miners downed tools on Tuesday after being refused permission to hold a march on mine property

NUM general secretary Marcel Golding said mine officials would reinstate the men only if the NUM agreed to retrenchment.

A Goldfields statement said the strike was in protest against a company offer of alternative employment

R500m bonanza for gold mining

S/Times (Bus/T) 25/8/91 (214)

By IAN ROBINSON and TERRY BETTY

VAT SHOULD save the gold mines about R500-million a year.

A Chamber of Mines spokesman says gold mines spent R8-billion on stores in 1990

About 6%, or R480-million, of this amount was spent on GST because only some gold production inputs are exempt from it

When GST is replaced, the mines will be able to reclaim all their Vat payments from the Receiver of Revenue

Because all exports will be zero rated, gold mines and other exporters will not charge Vat, even though they can reclaim payments on their inputs This will reduce costs and allow them to reduce prices or raise profit margins

Krugers

A Trans-Natal Coal spokesman says Vat will lower costs of mining export coal by 3% to 4% Total value of SA coal exports is between R3-billion and R4-billion a year

In spite of the fact that Vat is meant to help exporters, many — including some of the biggest minerals exporters — have not yet calculated its benefits Neither has the South African Foreign Trade Organisation (Safto) which is preparing a briefing for its members

When the GST rate was 12% the Margo Commission reported that it comprised an average of 4,8% of the cost of producing export goods With the present GST rate of 13%, the figure is estimated at 5,2% This will be the average reduction of costs to exporters under Vat

More good news for gold mines is that Vat will not be applied to Krugerrands The timing is appropriate because the chamber is preparing a relaunch of the coins on international markets after the decision by ECC parliaments this year to lift sanctions against SA

The chamber was worried that Vat would affect the legal tender status of Krugerrands which are tradeable across international borders

Inland Revenue director Norman Patterson stresses that the zero-rating concession to exporters will not necessarily be a bonus from day one

"The advantages will be felt over time once businesses invest in capital and intermediate goods"

Zero rating will have varying implications for different exporters South African Nylon Spinners (Sans) financial director Jan Hofmeyer, says only about 5% of his company's costs carry GST

The advantages for textiles will be partly offset by the negative cash flow of giving extended terms to the clothing industry This means textile producers will have to pay the Receiver Vat they have not yet collected

Liquor co-operative KWV financial director Nico Kotze says its cost structure will benefit from Vat, allowing it to be more competitive internationally This is particularly beneficial to the liquor trade because the international market is price sensitive due to world wine surpluses

Citrus

A spokesman for the Citrus Board says reducing the tax liability on operating costs will give a maximum 1% cost saving on exports He says fuel is a major cost to producers The 13c/l petrol-price increase has partly offset Vat input credits

He says a positive cash flow will be the main advantage to farmers if they plan correctly

Dried Fruit Corporation general manager, finance, Gerhard Visser is not as optimistic He says only about 12% of citrus costs carry GST, so Vat will produce maximum savings of only 0,5%

Venters looks around for the R50m it sought

S/Times 1/9/91. (214) (Business)

DIAGONAL STREET by Julie Walker

VENTERSPOST Gold Mining Company is unlikely to collect the R50-million it hoped for when options were issued in January 1990

The ageing Western Transvaal mine issued linked units comprising three options and 10 deferred shares valued at 650c each and raised R160-million to develop a new area in the lease

The shares were deferred because they would not rank for dividends until production from the extension to the mine began The options, exerciseable in November 1991 at 650c into deferred ordinary shares, were issued at no cost.

Before the rights issue, deferred shares had been issued for certain mineral rights, but there was virtually no market for them on the JSE The price in January 1990 was above R7 An exercise price of 650c 22 months later had some merit.

But since then, the price of the deferreds has fallen to 155c and that of the ordinaries from R11 to only 200c

The options dived from 300c to 3c before speculators lifted the price to 16c Technically speaking, the options have had no value since the deferreds fell below the take-up price of 650c — it happened in the first quarter of 1990

Managing director Mike Tagg agrees that it is reasonable to assume that the options will not be exercised in November without an unexpectedly large increase in the gold price

But the expansion will not be halted even though the hoped-for R50-million will probably not be raised

Mr Tagg says the shaft has been developed down to 14 level and is being equipped Production from 10 level is expected to begin early next year when about a quarter of the orebody will have been opened up

The R50-million had been earmarked for deepening the shaft This will probably go ahead next year and methods of funding it are being considered

Mr Tagg says the project is going ahead well. About six months were lost because ground had to be stabilised, but most of that has been recouped

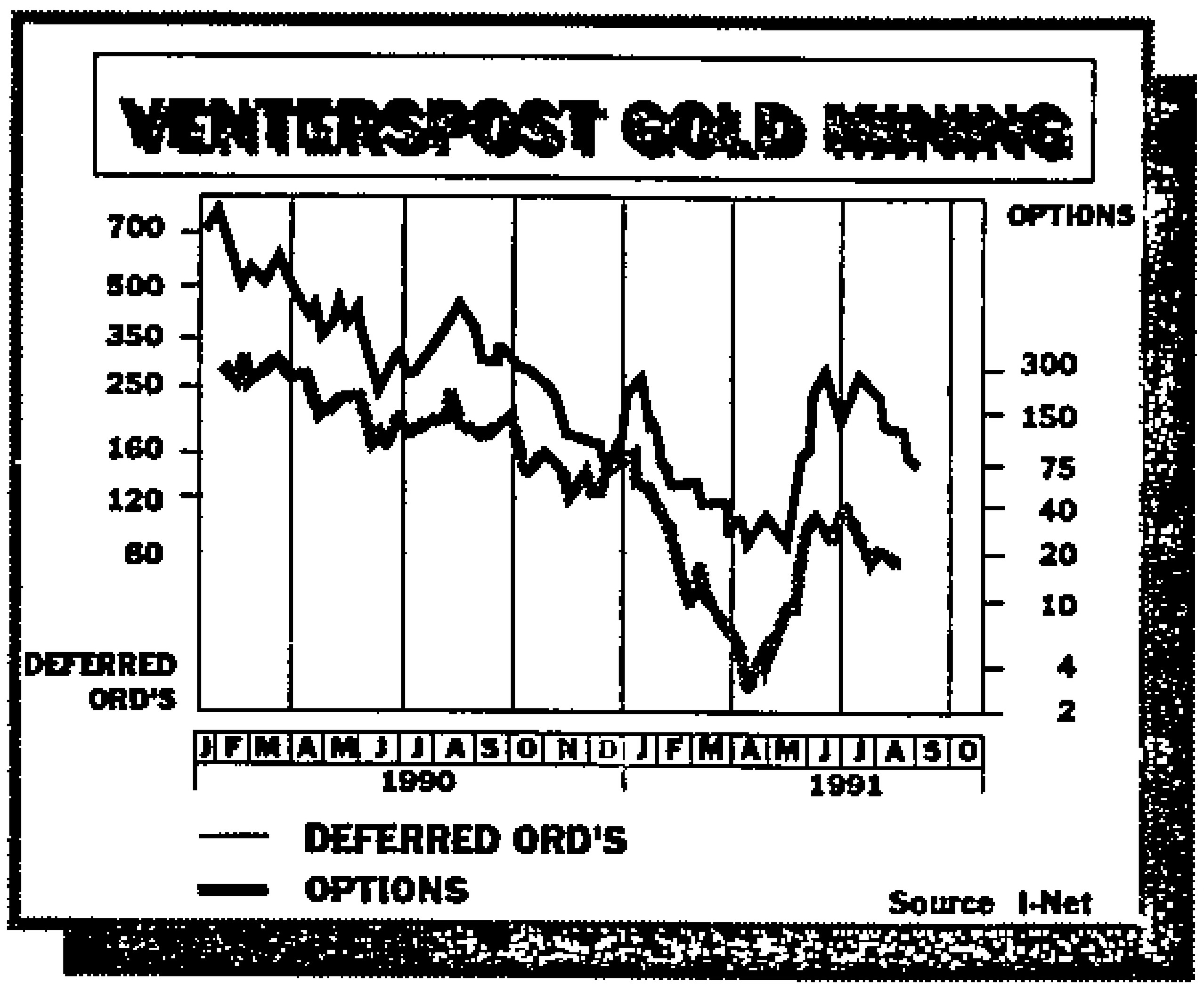
At June 1991, and at a pay limit of 7,3g/t, Venterspost's reserves totalled 1,1-million tons at 1 300 centimetre-grams a ton The average grade is 8,7 g/t, twice the value recovered in the June quarter

Mr Tagg says pay limits on mines have risen by perhaps 50% in three years because of increasing costs and a stagnant gold price. The trouble is that few operations can mine to the average of the reserves only Most are obliged by technical and practical considerations to take out lower-grade ore too

Faced with little flexibility as Venterspost aged, management opted to develop the extension area to give the mine a new lease on life Whether there is a return on that investment remains to be seen — the gold price has been less than kind

Venterspost lost R6-million in the year to June and tonnage has been cut to allow the mining of better grades until the new area is open

Mr Tagg says not a single person has lost his job out of the more than 1 500 discontinued Alternative employment at other Gold Fields group operations, lower-grade jobs at the same mine, early retirement and natural wastage made up the numbers



Since the options came for free, losses to original holders have been limited to the 77% fall in the price of Venters deferreds

This underlines the modern view that gold shares are for trading, not for investment. There have been several trading opportunities in the past two years

● Referring to the illegal strike at Gold Fields' Doornfontein mine, Mr Tagg says only 21 workers had to be retrenched out of almost 1 700 jobs lost Those who were offered other jobs at one category lower were not offered a retrenchment package Mr Tagg says negotiations were under way with miners' union representatives when the strike was called

Ronald's highlight

ANGLOVAAL has accepted Claude Neon marketing director Ronald Nel's offer of R4,20 a share for its 65% stake in the company he has served for 23 years Minorities will be offered the same Claude Neon's share price jumped from 230c to 400c on the news Claude Neon managing director Brian Bain, who has led the company's recovery in the past two years, is not involved.

Leaner gold sector 'can cope with price plunge'

B/Day 3/9/91. (214)

MATTHEW CURTIN

THE rand price of gold tumbled to a five-month low yesterday, but industry sources said the gold mining sector was better placed to deal with weak prices than when they last collapsed earlier in the year

Gengold MD Gary Maude said the industry was more efficient than it had been, but warned conditions were tough for marginal operations He said there could well be casualties among marginal gold mines before fundamental market conditions improved to bolster prices.

Margins

The rand gold price fell to R31 756/kg yesterday, its lowest level since April 5, nearly 10% down from the year's high of R34 500/kg and back at September 1990 levels

Low prices are again cutting margins given that average working costs stood at R26 100/kg for the industry as a whole in June, and R27 900/kg at Gengold and R30 900/kg at Rand Mines, the mining houses with the highest production costs

Davis Borkum Hare analyst David Giese said the mining houses still had room for manoeuvre to improve efficiency, despite being leaner than before the spike in the gold price Cost cutting would remain a priority, with management ready to cut unprofitable shaft areas and close marginal mines if necessary

Simpson McKie analyst Rodney Yaldwin said gold mines would benefit in the current quarter from their retrenchment programmes earlier in the year and the low wage settlements reached with unions last month

Maude said when Gengold started to protect itself against the low gold price three years ago, it found many areas where progress could be made. The SA industry had had a longstanding approach to employment which had led to overmanning.

Gengold had sought to improve grades, put a stop to mining unpayable areas and put its workforce to better use.

Growing interaction between management and mineworkers meant improvements which were thought impossible three years ago were now being implemented Marginal mines were finding new ways of cutting costs beyond eliminating unprofitable production

Anglo, Minorco set sights on Australian gold

8/8 cy. 4/9/91

(214) MATTHEW CURTIN

ANGLO AMERICAN and its cash-flush foreign investment arm, Minorco, were in the hunt for investments in Australian gold mines as the groups' acquisition drive accelerated, market sources said yesterday

An Anglo spokesman said the group did not comment on speculation of this sort

At its year-end in 1990 Minorco had almost US$2bn in cash reserves In the past year it has bought US gold mining company Independence Mining, Canada's Hudson Bay Mining and Smelting, and former East German gravel producer Elbekies.

It was reported on Monday that Anglo had increased its stake in Australian gold operation Normandy Poseidon from 15% to 19,8% at a cost of A$20m.

Mathison & Hollidge analyst Barry Sergeant said yesterday Minorco could expect "rich pickings" in Australia because that country's gold mining sector was in a trough The high gold price in the early '80s prompted the development of several new shallow, low-cost but low-grade gold operations which had reached peak production

However, he said the fall in the gold price, dropping gold production, the economic recession and the end of the gold mines' tax holiday had put pressure on Australian mines The London-based Mining Journal reported in July that Australian mine production could fall from 239 tons in 1990/91 to 219 tons in 1991/92 as a result of mine closures and the impact of company tax on marginal operations

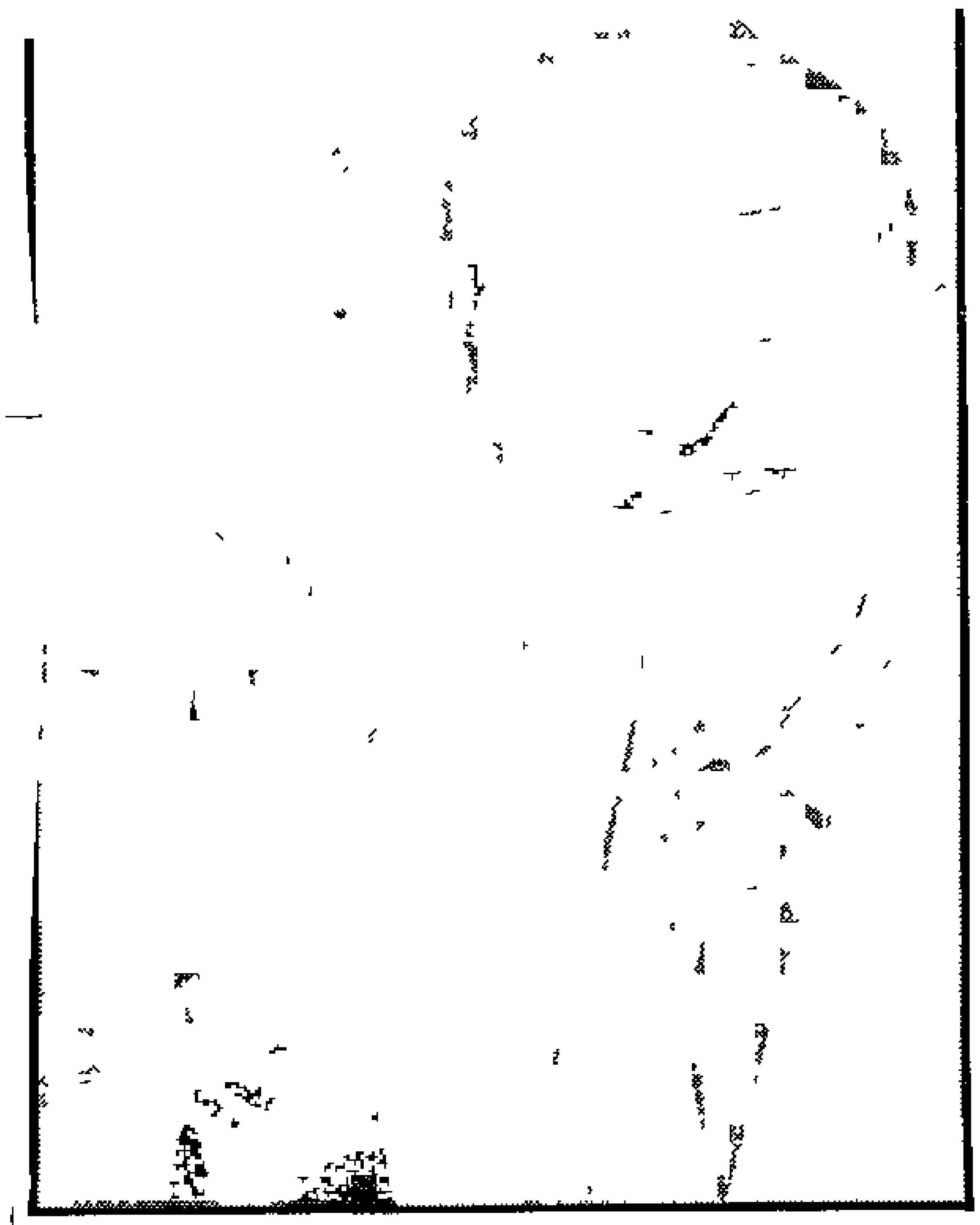
Sergeant said the low political risk of investing in Australia made it a particularly attractive area for Minorco.

Analysts said that in Minorco's 1991 annual report, new information would emerge on the group's new investments particularly in the Pacific Rim countries

One said it would make sense for Anglo and Minorco to invest in Australia which would be in line with Anglo's optimistic long-term view of the gold price and belief in soaring jewellery demand

However, Anglo announced the closure last month of its Marte gold operation in Chile because of high working costs

● See Page 3



HARRY SCHULTZ Banking on inflation Picture COBUS BODENSTEIN

Harry's still wild about gold

214

S/Times (B'wn)

8/9/91

By IAN SMITH

UNABASHED gold bug Harry Schultz, who publishes one of the world's most influential subscription investment letters, is not perturbed by the gold price's dismal performance in the past three years

The price is now 33% lower in real terms than it was three years ago The Persian Gulf war and turmoil in Eastern Europe barely budged it

Mr Schultz says that in the short term there is a risk that the price could fall to $300 an ounce

But in the longer term it should rise to $500 and then more slowly to the historic high of about $800 The big move should be in mid-1992, says his newsletter HSL

Disillusion

Mr Schultz, on his first visit to South Africa in four years, says gold will come into its own again as the world moves into another inflationary spell

Governments, intimidated by taxpayers' disillusion with their falling standards of living, will be tempted to reflate economies, leading to another period of runaway inflation

That will be good for all commodities, particularly gold

Mr Schultz is already telling HSL readers in 72 countries to start buying SA stocks and bonds, particularly Eskoms

"Investors should be buying gold shares now while no-one really wants them Even if I were certain that the gold price was going down to $300 I would still be buying gold shares "

Mr Schultz, named by the Gold Newsletter the most accurate gold and silver forecaster in 1983, has been a staunch supporter of gold since he first called the shots for the price to be freed from the fixed $35 an ounce

"My commitment to gold has become the stuff of legend, but it has proved its value as an invesmtment vehicle Inflation has helped prove its value as a standard "

He now campaigns for the introduction of a full or partial gold standard to help stabilise world monetary systems

Mr Schultz says there are several reasons why gold did not react much to recent events, including the Soviet putsch attempt

The latest newsletter says "the cynical Soviets sold into the move" and there is a younger generation of investors since the 1970 gold-rush days who are not conscious about it

It is easier to hedge through currencies and the world economy is in "deflation"

HSL says the Arabs are "too poor to buy these days" and Taiwan and Japan are staying out of the market because of the credit crunch

"Our R&D still says the big move for gold is mid-1992, and while no-one was looking, the supply-demand gold ratio has turned golden "

Disclosure

Production has slipped from the 7,4% increase in 1984-1990 to 1% or 2% and some commentators claim it will decline in 1993 But demand grew by 6% last year

HSL says that the USSR's disclosure of gold holdings of 374 tons is far less than either private or American CIA estimates of 3 000 to 3 500 tons

Mr Schultz, claimed to be the world's highest-paid financial consultant at $2 400 an hour, says he has seen many changes in SA, but he is disappointed that so many South Africans have become insular

"Because sanctions shut them out, they have shut out the world "

Laing buys Rand Leases, South Murch

B Day 9/9/91 (214)

MATTHEW CURTIN

MINING entrepreneur Glenn Laing has paid R1m for gold operation Rand Leases, and has acquired control of South Witwatersrand Exploration's gold mining subsidiary South Murchison for R1,2m

The deal marks the establishment of a new West Rand gold mining and dump retreatment group under the control of Laing's as yet unlisted company Revere Resources South Murchison, which is listed on the JSE, will be renamed Revere Resources

Laing has made his mark in the past few years as a dump retreatment operator through his former company, Southgo, which became the gold operating division of Consolidated Mining Corporationm (CMC) He resigned from CMC earlier this year over differences concerning the long-term strategy CMC should pursue

Operations at Rand Leases, formerly one of the two gold operations owned by Severin Mining Development (SMD), stopped earlier this year as SMD was unable to raise funds to proceed with development work The company also had debts of R5m

In taking over Rand Leases, Laing has agreed to repay the debts, refurbish the mine's metallurgical plant, while mining of Rand Leases 11 shaft pillar began last month

Laing is currently negotiating with the overseas consortium which controls independent gold mining companies Simmer and Jack, Knights and Waverley Gold

In the complex deal announced at the weekend, Laing has bought the 80% controlling stake in Rand Leases owned by Swiss company Ossory Limited which would be disposed of to Revere Resources via South Murchison Laing, through the sale of 12-million shares in CMC in exchange for the issue of 30-million new South Murch shares, acquired a 67% controlling stake in South Murch

JCI, Soudex conserve cash at South Deep

Star 10/9/91

By Derek Tommey (214)

The low gold price and, one assumes, the poor rating of gold shares on the world's stock exchanges, is making JCI even more cautious in its plans to open the South Deep mine

It has announced a change in its development plans, which should enable the South Deep Exploration Company (Soudex), which is prospecting the mine, substantially to conserve its R168 million in cash for the next three or four years

This will also enable Soudex to postpone for some time any decision to go ahead with full-scale mining

The proposed South Deep mine is potentially extremely rich

But it will also be a deep mine with high rock temperatures and a "massive" reef, which could make mining operations difficult and expensive

JCI's approach to South Deep all along has been one of extreme care

Instead of sinking a shaft to get at the gold revealed by boreholes, it arranged first to have a twin haulage driven into the prospect area from Western Areas to confirm the high borehole values This it has done

Once the haulage arrived at the proposed shaft area, Soudex originally had planned to develop a twin-ramp system to open the area for mechanised mining

But it has now announced that instead it will work the Ventersdorp Contact Reef with conventional mining methods from cross-cuts from the twin haulage

It says this will provide revenue and enable the reef to be developed and worked at less cost than developing the twin-ramp system

As a result, Soudex should still have a considerable portion of the its current cash holdings in three or four years' time

This change of plan will also improve the rock engineering design and the gold values when South Deep starts full-scale operations

When Soudex was listed last year the first dividend was said to be nine years away

The current change of plan suggests that this forecast was somewhat optimistic

Loraine to cut production by 20%

B/Day 11/9/91. (214)

MATTHEW CURTIN

ANGLOVAAL is to cut production by 20% at its Loraine gold mine and lay off almost 1 000 workers as the marginal operation strives to stave off closure

An Anglovaal spokesman said yesterday if the latest in a series of restructuring programmes at the mine did not eliminate monthly financial losses by the end of November, Anglovaal would consider a phased programme to close the mine

He said despite reducing monthly production at the mine to 113 000 tons of ore from 126 000 tons in April, a static gold price and rising costs meant that the mine's readily accessible, payable ore re-

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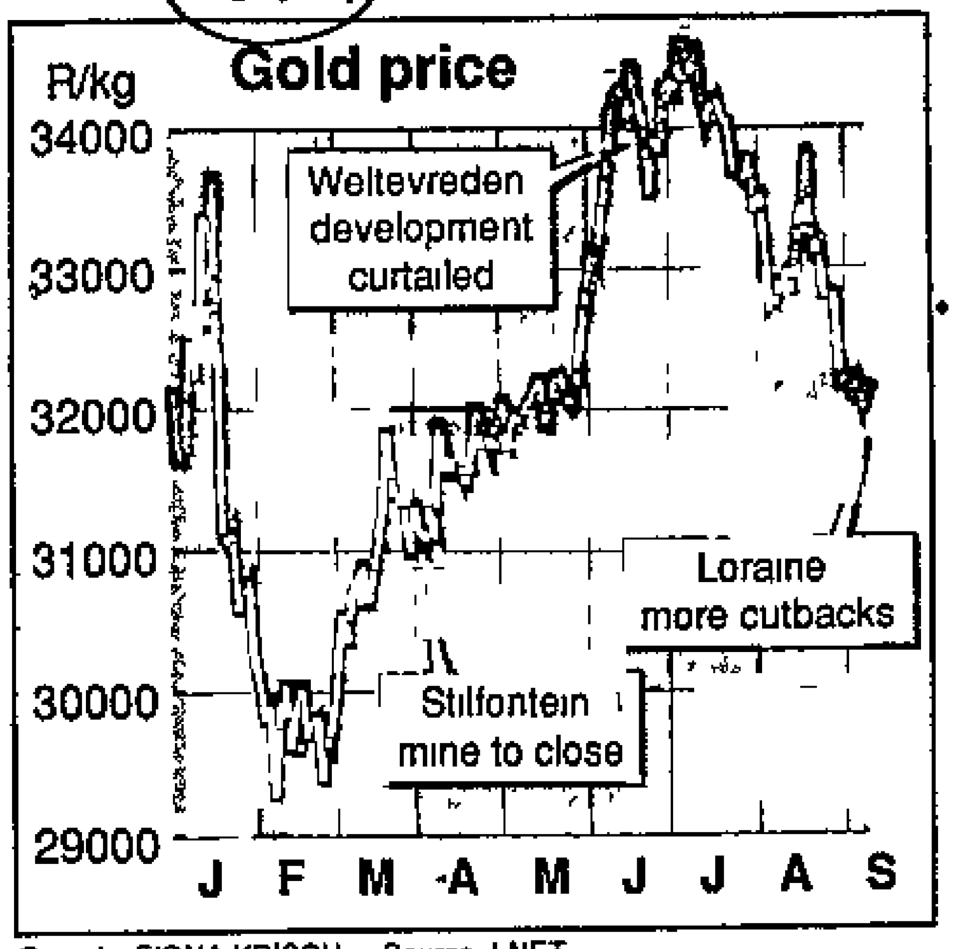

Graphic FIONA KRISCH Source I NET

Loraine B/Day 11/9/91

(214) ☐ From Page 1

serves had fallen to such an extent it could not sustain the cost of the 113 000 tons milling rate

Milled throughput would be reduced to 90 000 tons a month, entailing the retrenching of 14% of mineworkers and 11% of senior staff at the mine

Loraine, the most northwesterly mine of the Welkom gold mining complex, produced 7,7 tons of gold in 1990, against the 605 tons produced by the SA gold mining industry Gold production peaked at 14 tons a year in 1968

The weak dollar gold price and the recent static rand-dollar exchange rate have wiped off the rand gold price gains the SA mining industry enjoyed in June and July Weak market conditions have seen the gold price drop from an average of $384 in 1990 to around $350 now

High working costs and low prices saw Gengold announce the closure of its Stilfontein gold mine in April and the curtailment of development work at its new Weltevreden mine in June

J D Anderson analyst Bruce Williamson said yesterday that given Anglovaal's previous cutbacks at Loraine and the inability of the gold price to keep up with inflation, yesterday's announcement was not a surprise

He said "SA's marginal gold mines are all in the casualty ward, and current market conditions beg the question as to who will finance their losses" The mines were not in a position to raise loans or shareholder capital to finance losses

Loraine turned in an after-tax loss of R162 000 in the June quarter, an improvement from a R5,2m loss in the previous quarter After-tax profits in the year to end-September 1990 were R3,4m, down from R17m in 1989 and R48m in 1987

Frankel Kruger analyst Rob Gillan said in a report on Loraine earlier this year that since the mine first began production in 1955, it had had to contend with problems ranging from the over-evaluation of its reefs, to high operating costs, lower than expected gold prices and unsuitable mine design

Randex consolidates with R76m write-off

B/Day 11/9/91. (214)

MATTHEW CURTIN

MINING exploration company Randex has written off R76m from its mineral rights holding as the result of depressed conditions in the gold mining industry

Chairman Tom de Beer said in his annual review that Randex would consolidate its position and make few new acquisitions in the near future

He said that through a change of accounting policy mineral rights ventures would now be reported at their nominal value rather than at the value of their potential in terms of prevailing metal prices, technology and geological characteristics

The move did not detract from the "actual value of the assets concerned"

De Beer said "The board decided to cut back on certain exploration expenditure, which will lead to the dilution of Randex's holdings in certain ventures"

He said dilution would be limited because Randex's mining house partners were also reassessing their spending on these projects

In 1990/1991, Randex spent 75% of its total expenditure of R14m on six key gold projects They included participation in Gengold's developing mine Weltevreden and several Witwatersrand basin gold exploration projects

Study

At the Sevplats project detailed feasibility studies were under way, but De Beer said that the uncertain nature of the platinum industry and prices were having an adverse affect on the viability of the project

A mining feasibility study at South Witwatersrand Exploration's Southplats development of the Platreef for platinum group and base metals was yet to be finished

Randex, which had an option to acquire 60% of Southplats' share capital once the study was completed, would be able to make an announcement on its involvement in the project only next year

De Beer said that although Randex was originally seen as a precious metals exploration company, it had decided to support limited involvement in base metal projects

Randex's joint venture to explore with Rand Mines base metal prospects at Tsongoari in Namibia would be intensified

Randex had also entered joint venture agreements with several parties on a large tract of "highly prospective ground" in the northwest Cape, the Delta Rand project The area contained occurrences of copper, lead and zinc as well as molybdenum, fluorite and gold

De Beer said the ground had the potential for the discovery of a base metal deposit

US frees imports of uranium

Bday 11/9/91 (214)

MATTHEW CURTIN

THE US Nuclear Regulatory Commission (NRC) has freed imports of SA uranium from sanctions regulations which prohibited the import of SA uranium concentrate

SA Nuclear Fuel Corporation spokesman Charles Scorer said yesterday that the move, effective from mid-August, would not boost SA uranium exports because of depressed market conditions

However, the international playing field for SA uranium exports was now level and SA producers would be better placed to capitalise on any upturn in the market

Scorer said the uranium market was in a slump thanks to high inventory stocks built up in the '80s on the basis of over-optimistic demand forecasts

Nuclear power expansion programmes had proceeded more slowly than expected Prices had also been knocked recently by the sale of international stockpiles

He said demand was likely to pick up only in the mid-1990s when uranium inventories neared exhaustion

The 1986 Comprehensive Anti-Apartheid Act prohibited US nuclear trade with SA The NRC changed its regulations to conform with the CAAA, deleting its requirement that importers needed a specific licence for imports of nuclear material from SA

The US Federal Register reported last month that the reinstatement of the general licence provision by the NRC would have "a minor but positive impact on the public"

Last month Nufcor, through a US importer, asked the NRC for a licence to import 1-million kilograms of natural uranium from SA for processing by US facilities as a temporary measure in the wake of the lifting of the CAAA, a move now made redundant by the new NRC regulation

Spot uranium prices have drifted downwards in the past few days, after a month of activity which analysts said included much speculation about the market effects of the Soviet coup

The coup saw a purge of the top officials in the Soviet nuclear establishment, but analysts said there was no immediate threat to nuclear fuel and services supply from the Soviet Union

August uranium prices rose from near $8,50/lb to reach $9/lb, but then slipped to the $8,80/lb level That compares with levels of above the $11,50 mark in mid-1990

Goldfields region gets incentive to diversify

BDay 11/9

(214)

ANDREW GILL

THE Free State Goldfields yesterday became SA's fifth region to join an industrialisation programme offering widespread government and regional incentives to lessen dependence on mining.

The programme was launched at a two-day conference in Welkom and seeks to broaden the Free State Goldfields' economic base by establishing industries not dependent on mining.

Incentives include a 100% subsidy on industrial property purchases, attractive tax rebates, a variety of free and subsidised municipal services, and assistance with the relocation and establishment of industries.

The programme is complemented by tax-free incentives from the revamped Regional Industrial Development Programme, including an establishment grant for two years based on operational assets not exceeding R15m.

A three-year profit-based incentive and a R1m reimbursement package for relocation costs of approved foreign companies are also offered.

About 30 incentives are offered, many negotiable according to the needs of individual enterprises.

The region has also succeeded in having the N1 between Johannesburg and Cape Town rerouted through the heart of the area, giving easier access to most major centres.

State Expenditure and Regional Development Minister Amie Venter, who opened the conference, said the Free State Goldfields would qualify for all the regional incentives.

The regional programme, he said, had a market orientation and should be rewarding enough to entice new investment in industry.

The mining sector constitutes 87,6% of the region's gross geographic product compared with manufacturing's 1,8% and services' 7,2%.

Explorer Randex makes cutbacks

By Derek Tommey (214)

The low gold price is not just affecting the operations of gold producers, it is also causing exploration companies to cut back on their activities

Looking for gold is a costly business and if nobody wants it at the moment, it is pointless spending large sums of money on finding it Star 11/9/91.

It is not unexpected, therefore, that Tom de Beer, chairman of Randex, SA's largest mineral rights participation group, says the company is cutting back on expenditure, is limiting new acquisitions and is writing off R76 million on its mineral rights

He says the bulk of Randex's assets consist of participations in mineral rights which could, given the right environment, be developed into producing gold mines

But turning these prospects to account depends largely on the profitability of the gold mining industry As the infrastructure still has to be funded, the value of the exploration assets has fallen significantly in the past year, he says

It is not possible to put any accurate value on these assets or to assess whether or not the drop in value is permanent

Therefore, the board has decided to report mineral rights ventures, prior to their development in viable ventures, at a nominal value

This has resulted in an extraordinary write-off of R76 million

But Mr de Beer says this changed basis of reporting does not affect the actual value of the assets concerned

Randex was originally envisaged as a precious metals exploration company

It is now diversifying its portfolio into base metals projects

It has entered into a joint venture holding 60 000ha in the north-western Cape and containing occurences of copper, lead, zinc, molybdenum and gold

It has also acquired a 10 percent participation right in a consortium developing a selected small, high-grade copper-zinc deposit in the north-eastern Transvaal

Managing director MG Saner says that current cash resources of R22 million should be enough for the foreseeable future, and that they place Randex in a good position to take advantage of any exciting new projects

BUSINESS

R3 billion Sasol shares could come on market

ARG 11/9/91

Business Staff

THE Industrial Development Corporation (IDC) could decide within the next month to sell some of its 170 million Sasol shares, which are worth almost R3 billion at current pricers.

Sasol has risen strongly in the last few days, after reporting good results. The share closed 25c up at R17,50 yesterday and there is still good demand.

At yesterday's closing price, the IDC's stake in Sasol is worth R2,98 billion. At R20 it will be worth R3,4 billion.

Managing director Carel van der Merwe said yesterday: "We have made it known that we intend selling some of our Sasol shares in the future.

"The current share price looks attractive. We are carefully looking at the situation and we will look at our cashflow situation. A decision could be made within the next month.

"The shares would be offered in terms of the original prospectus. But no decision has been taken yet," he said.

When the IDC decides to sell its Sasol shares, they have to be offered proportionally to existing shareholders.

Analysts say a proportional offer could result in a few institutions taking large blocks of shares, resulting in a distortion of their investment portfolios and leaving them exposed to the counter.

David Meades of Meades De Klerk says State pension funds, reported to have R40 billion, which could soon be freed for investment in equities, might underwrite the IDC offer.

He reckons that Sasol shares could still go up to R25. Even at that price, the shares would be cheap relative to other blue chips.

A R25 price would place Sasol on a historic P/E ratio of 13,5 and a dividend yield of 2,86.

"Sasol managing director Paul Kruger says Sasol is worth R23 a share, which hints at the possible level at which the IDC could pitch its offer.

"If Sasol shares reach R23, the IDC could offer its shares at R20," says Mr Meades said.

He says the IDC offer could be on the basis of 30 shares for every 100 Sasol shares held.

■ **SUNCRUSH** maintained its unbroken record of real profit increases with preliminary results showing turnover up 25 percent at R445 million and earnings up 35 percent at R43,4 million.

The market value of the group's portfolio of listed investments jumped to R200 million from R111 million.

The low-profile bottler of Coca-Cola, Fanta, Sprite, Krest, Schweppes and Sparletta increased its final dividend by 32 percent to 335c, making 460c (350c) for the year ended June 30.

Margins were maintained as the group's operating profit rose by 25 percent to R70,7 million.

■ **MACPHAIL**, the nation-wide coal distributor, reported marginally increased earnings of R2,5 million for the six months to June and the interim the dividend has been maintained at 5,5c.

Turnover rose by 5 percent to R101 million.

Bid to save ailing gold mine Loraine

Business Staff (214) ARG 11/9/91

MINING house Anglovaal has embarked on a last-ditch effort to save the ailing gold mine Loraine from closure.

It said yesterday that it was to scale down mining operations in an effort to cut down on continued losses.

If the situation did not improve by November, the mine might have to close down, it said.

In total, about 900 workers will lose their jobs under the latest cutbacks.

This decision was taken by the Anglovaal board as a result of continuing weakness in the rand-/gold price as well as escalating costs on the mine.

In April the monthly milled throughput was reduced to approximately 113 000 tons, which led to the retrenchment of about 900 workers.

"Recently, the rand gold price has been relatively static and this, combined with the negative impact of the ongoing inflation rate, has resulted in the mine's readily accessible payable ore reserves diminishing to the point where a milling rate of 113 000 tons monthly cannot be sustained without substantial increases in the mining and processing of other than payable ore.

"This would lead to unacceptable monthly losses," Anglovaal said.

"Therefore it has become necessary to mine on a more selective basis and the mine is now implementing phased reductions in underground operations, which will lead to lowering the milling rate to 90 000 tons monthly, with the objective of at least eliminating monthly losses.

"Regrettably, the phased reduction in underground mining and mill throughput necessitates further retrenchments of about 14 percent of officials and union men, and some 11 percent of category 1 to 8 employees and staff."

This would affect about 900 workers in total, a spokesman for Anglovaal said yesterday.

Loraine has been threatened by closure many times in recent years, but escalating losses as well as sharp increases in working costs have made the closure imminent.

Only a sharp and sustained increase in the rand gold price in the next two months can save the mine.

Judging from yesterday's announcement, Anglovaal appears to consider this unlikely.

During the first (December) quarter of its financial year, the mine reported a taxed profit of R312 000, but capex and loan repayments totalled R1,427 million.

In the March quarter there was a loss of R5,169 million and outgoings of R1,111 million.

For the June quarter the losses were R162 000 and R1,228 million respectively.

Thus the cumulative loss for the first nine months of Loraine's current financial year to September 1991 was R5,019 million, to which must be added R3,766 million for capex and loan repayments, making a total loss of R8,785 million.

Another gold mine likely to go under

Star 11/9/91.

Finance Staff (214)

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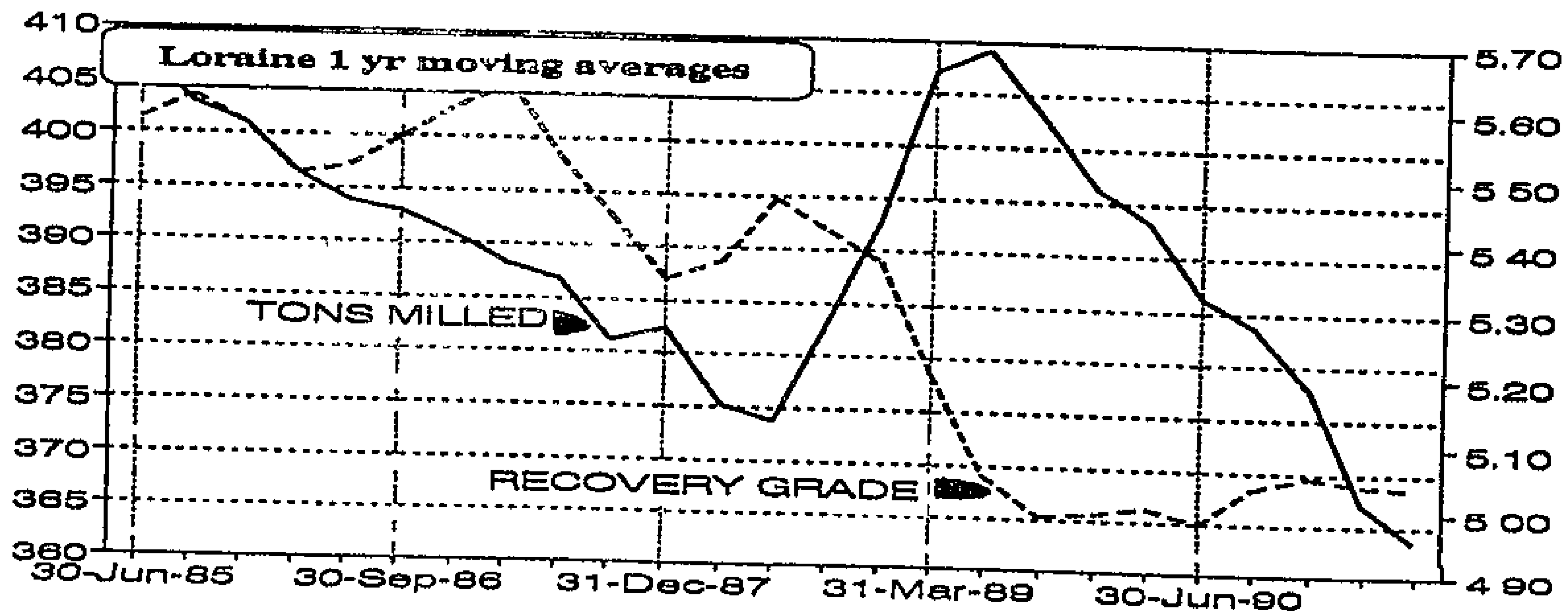


OFS gold mines face tough times

Star 11/9/91

Finance Staff (214)

If the gold price remains at R32 000 a kg all but one of the Free State gold mines will fall into a loss-making situation, says Mr JJ Geldenhuys, a vice-president of the Chamber of Mines.

Addressing a conference on the OFS goldfields yesterday, he said only one gold mine would possibly close in the OFS in the next five years if the gold price rose by six percent a year.

While there was unlikely to be a fall in gold production in the OFS during 1991, there would, however, be production losses from 1992 to 1995 ranging between three and 37 percent a year.

Some shelter for gold producers

2/4

B/Day

LIZ ROUSE 18/9/91

MARGINAL gold producers are now heavily hedged — selling forward part of their gold production — because of their vulnerability to a lower gold price.

Most mines increase their exposure on a quarterly basis and calculations by Davis Borkum Hare analyst Dave Giese show that a marginal producer such as Loraine has hedged up to 68% of its gold production in the September quarter. However, the effect will be only to reduce the mine's working loss

Loraine's earnings loss would be 30,5c a share, reduced to a loss of 6,6c a share with hedging

Durban Deep, which will sell forward 48% of its production, will convert a possible loss of 30,1c a share into a profit of 32,87c a share But the mine will not declare a dividend while receiving state assistance for pumping, says Giese.

Harmony stands to benefit substantially from its hedging activities, says Giese. 12/9/91

It is hedging 58% of its output, which will push earnings to 52c a share from 33,3c without hedging.

ERPM can expect its earnings loss to narrow to 88,9c a share from 92,3c

(214)

Gold price is key to firm's dividends

B/Day 12/9/91

Business Day Reporter

THE rand gold price will be the key factor in determining earnings and dividends for Anglovaal's Eastern Transvaal Consolidated (ETC) Mines, chairman Rob Wilson said yesterday

Increased working costs, a constant recovery grade and a slight increase in mill throughput are expected in the current year, he said in his chairman's statement

He estimated higher capital expenditure for the year at R7,7m from R4,8m The capex will go towards Sheba's low-grade cyanide circuit (R1,9m), environmental control measures (R1m), Sheba's return airway and pumping (R1,4m), and shaft sinking (R1,5m)

Prospecting expenditure is set to fall to R7m from R8,8m Included is R1,2m to complete the initial drilling programme at Slaaihoek

Village Main Reef, of which Wilson is also chairman, is expected to treat about 800 000 tons of sand and ore with an average head value of 1,25g/t This compares with last year's 777 000-ton throughput and average head value of 1,13g/t

Underground exploration accounted for most of last year's R300 000 capex

R700m Gengold project called off

(214)

B/Day 12/9/91

MATTHEW CURTIN

GENGOLD, the Gencor group's gold mining arm, has stopped a R700m shaft development project at its Winkelhaak gold mine because of the low gold price

MD Gary Maude said yesterday that current and foreseeable gold prices were substantially lower than anticipated when the project was approved Work would be stopped so that management could reassess the timing and design of the project

The news comes after Anglovaal's announcement on Tuesday that it might have to close its Loraine gold mine at the end of November if the latest in a series of cutbacks did not reduce financial losses

It is also the latest in a series of blows to Gengold mines, which have suffered more than 40 000 job losses as production has been cut in the past three years

In April, the group announced the closure of its Stilfontein gold mine, followed in June by a decision to reduce development work at its new Weltevreden mine. In May, the group decided against a rights issue to finance the Oryx developing mine because of the depressed market Oryx's major shareholders opted for R900m in bridging finance instead

Winkelhaak was the first gold mine to be established in the Evander area, and it is the largest and most profitable of the four mines there In 1987, Gengold embarked on a major shaft-sinking programme to open up the eastern part of the mine through the new No 6 shaft complex, at a cost of about R300m

The company gave the green light to the R700m No 6 subvertical shaft project, to open up reserves down to a depth of 2 400m, early in 1990 Development work started at the beginning of this year

Maude said the new area would provide 21-million tons of ore reserves at a grade of 5,7g/t, which translated into 121 tons of gold Only R26m had been spent on the project and the sale of R41m worth of plant would help the mine recoup past expenditure and R28m of outstanding commitments He said no jobs would be lost at the mine, and the move would improve the Winkelhaak's cash flow

☐ To Page 2

Winkelhaak

B/Day 12/9/91 (214)

☐ From Page 1

The mine posted an after-tax and after-capex profit of R6,7m in the June quarter, against R11m in the same period in 1990

Winkelhaak produced 2,8 tons of gold in the June quarter, 15% of Gengold's total production The mine's production in 1990 of about 13 tons of gold amounted to 2% of SA's production of 605 tons

Signs that the demands of capital expenditure were putting Winkelhaak under pressure emerged in the March quarter, when Maude said the company's dividends were at risk

Gengold obtained R52m in bridging finance in April, raised from Japanese group Mitsui, and Maude said in July the mine would be able to finance capital expenditure through working profits He warned that the mine was vulnerable to gold prices

BUSINESS

Mines in trouble as gold price plunges

(214) ARG 12/9/91

Business Staff

TWENTY-THREE South African gold mining companies employing thousands of workers are now producing gold at well above the latest price levels.

Another 20 companies have working costs below current levels

Gold's price fell to its lowest price in five years yesterday after a wave of Middle East selling shook a market becoming increasingly nervous about the implications of the gradual break-up of the Soviet Union, the world's third-largest producer of the precious metal

At the afternoon formal price fixing session in London, gold ended at $345,25 an ounce, down $5,35 on the overnight level

The price fell further, to $341, before recovering to close in London at $345,25, but slipped today to $344,55 in Hong Kong

The South African Reserve Bank bought gold in London in an effort to stablise the price, according to The Argus Foreign Service,

Apprehension in the market increased after Mr Eduard Gostev, deputy head of the Bank for Foreign Economic Affairs (Vneshekonombank), warned that wildcat gold sales by the increasingly autonomous republics could damage gold's prospects

He said "Hasty and unco-ordinated activities can very easily spoil the gold market and lead to a fall in prices"

Yesterday's Middle East sales, rumoured to be by the same syndicate, operating through the National Commercial Bank of Jeddah, that has hit the market on other occasions, quickly triggered copy-cat selling

Traders suggest it took very little volume to set off the fall What was slightly disappointing, said Mr Andy Smith, analyst at the Union Bank of Switzerland, was the absence of bargain hunters They usually move in at this level The market seems to have taken Mr Gostev's comments very badly.

Sentiment in London was not improved by a report in yesterday's Guardian newspaper that nearly 11 million ounces of gold worth $4 billion had been secretly moved out of the Soviet Union this year in an unofficial gold drain

Gold has performed badly because there has been a buyers' strike, said Edwin Arnold, metals analyst at London brokers Merrill Lynch

He said that fabricators were holding back purchases on expectation that there would be distress Soviet selling

Once the market consolidates and jewelers and other fabricators return, there could be a sharp rally, said Mr Arnold. Especially since operators are taking speculative bear positions and selling gold that they do not own in the hope that they will buy it back at lower prices.

A London bullion manager who has been pessimistic about gold's prospects for most ot this year commented that "bullion remains in a bear trend"

Winkelhaak halts R701,5-m project

By Derek Tommey (214)

Star 12/9/91

Winkelhaak shareholders will breathe a little easier today on the news that the Evander mine has called a halt to a R701,5 million expansion programme at its No 6 Shaft.

The news brightens prospects for a better dividend than the market is expecting.

Gary Maude, managing director of Gengold, which operates Winkelhaak, blames the decision on the low gold price

He said yesterday the ruling and foreseeable gold prices were substantially lower than had been expected when the project was approved. It had been decided to stop the project and reassess its design and timing

Capital expenditure to date had amounted to R26 million and future expenditure on outstanding capital commitments would be R28 million.

Of this R54 million, R41 million could be recouped if some items already bought were sold.

Mr Maude said that no one would be retrenched at Winkelhaak as a result of the decision.

Analysts said the project, which involved sinking a a sub-vertical shaft, was intended to prevent Winkelhaak running short of ore towards the end of the century.

Winkelhaak has only enough reserves to maintain current levels of production until 1998 Ore from the proposed No 6 sub-vertical shaft would have enabled it to maintain production at its present rate until at least 2003

Halting the project is not good news for already severely depressed mining industry suppliers, but it should enable Winkelhaak to follow the current wide-spread policy of consolidating finances and building up its cash holdings because the project was being financed out of Winkelhaak's retained earnings.

It should also enable Winkelhaak to be a little more generous when it declares its final dividend next month.

A report by Winkelhaak in July that it was committed to spending R81 million on capital expenditure in the ensuing six months at a time when its quarterly working income was only R17 million had a big impact on its share price.

It dropped from above R60 to below R37 as gold analysts forecast a sharp drop in dividends

However, in the past few days Winkelhaak's share price has started to recover on rumours that the project might be shelved and capital expenditure slashed. The share closed yesterday at R42

At this stage, the decision to halt the shaft should not have too serious an effect on Winkelhaak It could mean that when the gold price improves at some future date Winkelhaak might have to accelerate work on the shaft and accept substantially higher costs

But this would not matter too much if the gold price were substantially higher

● Eastern Transvaal Consolidated, another gold mine which the share market has generally viewed with favour, reports that its pre-tax profit was halved in the year to June, falling from R55,9 million to R27,3 million

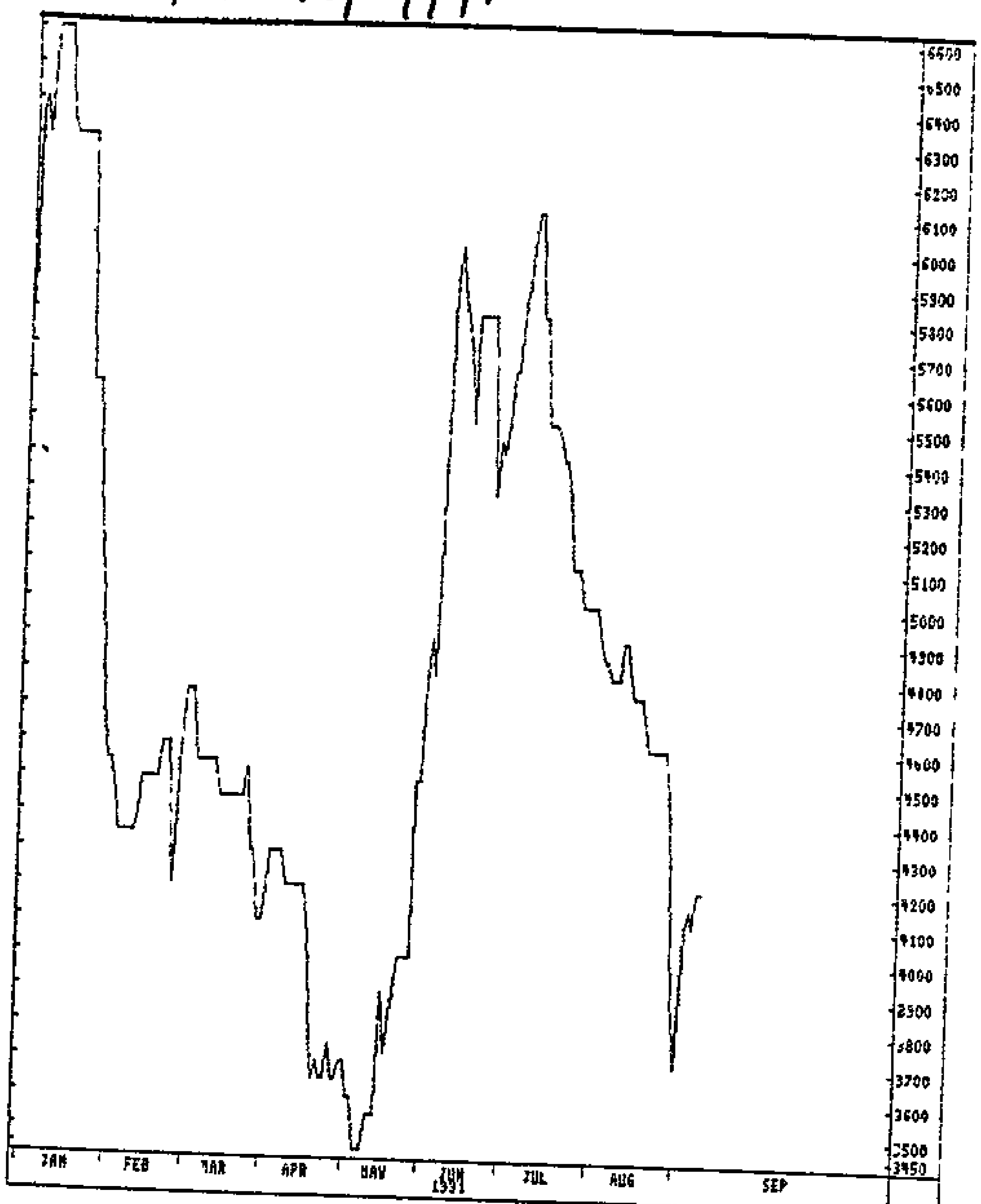
However, tax was also halved — from R20 million to R12,2 million — and capital expenditure slashed from R18,7 million to R4,8 million.

This limited the drop in attributable earnings to R12,2 million (last year R17,2 million), equal to 14,2c (19,9c) a share.

Chairman RAD Wilson says that ET Cons expects a marginal increase in production in 1991-92. The recovery grade is expected to remain constant, but working costs will continue to increase.

Mr Wilson says the same consideration applies to another Anglovaal gold producer, Village Main, of which he is also chairman.

Village Main expects to treat this year 800 000 tons (777 800) of sand and ore with an average head value of 1,25g/t (1,13g/t), with recoveries of 77,5 percent (79,7 percent) at an average cost of R29,60 (R27,39) a ton treated.



Winkelhaak's share price tumbled when it announced in July a huge capital expenditure programme But it has started to recover on speculation, subsequently confirmed, that the programme is to be shelved.

Star 12/9/91

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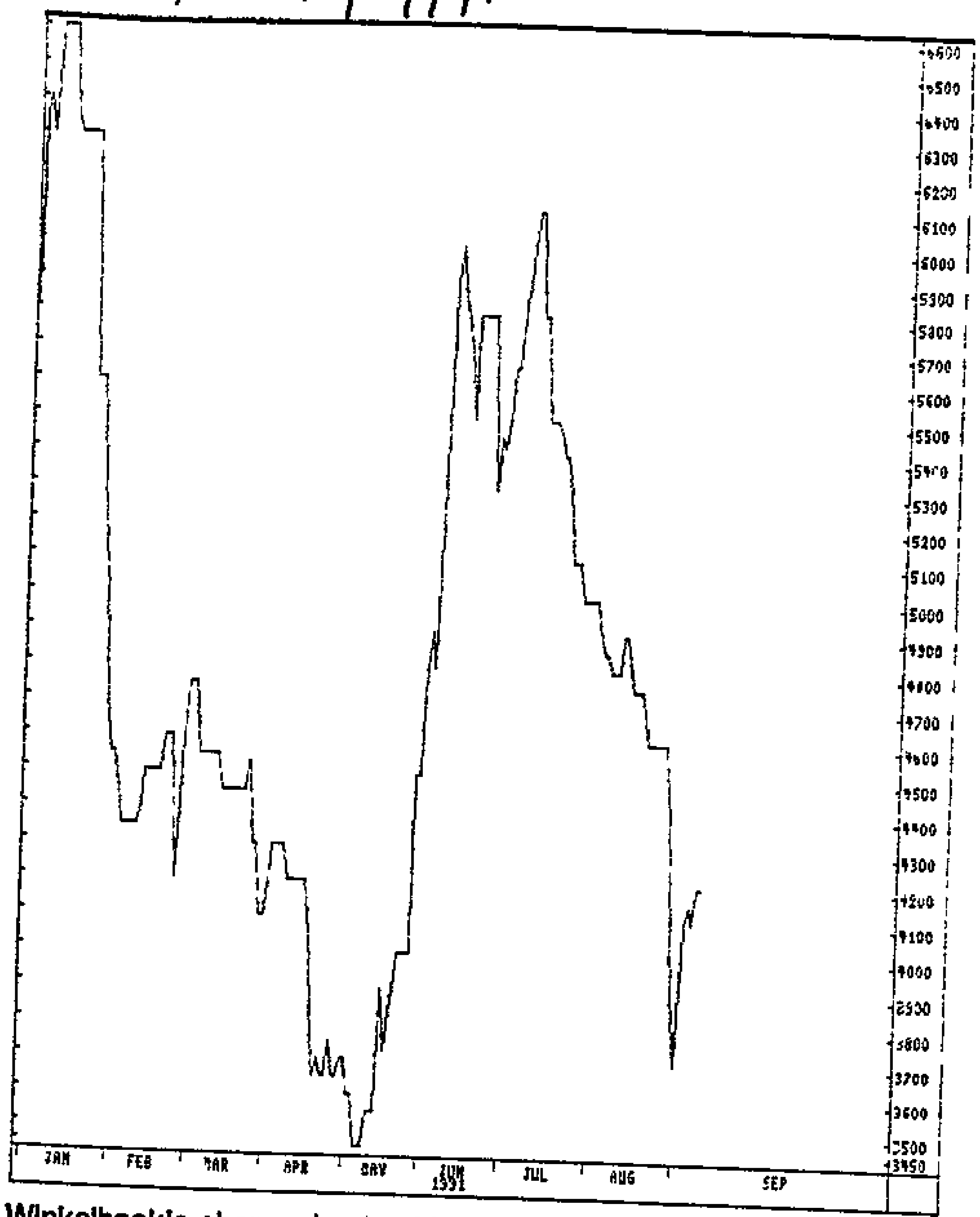

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LORAINE FM 13/9/91

On the brink (214)

Anglovaal's marginal gold mine Loraine stood out in the June quarterly results as one of the most vulnerable in the industry (*Fox* August 2), so the announcement of further production cutbacks was not unexpected The mine made a working loss for the June quarter of R2,7m (March quarter — R8,7m loss), despite attaining one of the highest gold prices in the industry on its sales thanks to its hedging programme

Loraine showed a gold price received of R35 010/kg for the June quarter compared with the average of R32 166/kg received by Gold Fields of SA's mines which do not hedge Loraine's costs, however, were R36 610/kg (R36 820) Cumulative losses for the nine months to June totalled R5m, while the mine spent another R3,8m on cap-

FM 13/9/91. (214)

ital expenditure and loan repayments, giving a total negative cash flow of R8,8m

Management cut back milled production in April to about 113 000 tons a month, but working costs did not come down in line with the reduced scale of operations Rising paylimits have since reduced Loraine's available ore reserves to the point where the 113 000 tons a month throughput cannot be maintained and mining operations are being cut again to 90 000 tons a month in hope of making the mine break even

If that does not work, it looks like the end of the road for Loraine Management is giving the plan until November but, if the mine is not in the black by then, and there is no immediate prospect of achieving it, "there may be no alternative but to consider a phased mine closure programme " *Brendan Ryan*

Gold's drop puts mines in danger

(214)

B\Day 13/9/91

MATTHEW CURTIN

THE plunge in the rand gold price to less than R1 000 an ounce meant that nearly half of SA's gold mines were making operational losses and as many as 250 000 jobs were at risk, Silvis Barnard analyst Robinn Kearney said yesterday

In a report on the effect of low prices on the industry, she said if costs rose 2,8% in the current quarter, 15 mines would be losing money while 20 would be making overall losses if capital expenditure was taken into account

The gold price touched a five-year low of $342 on Wednesday before firming to the $346 level Yesterday it closed at $346,25 in London, but fell $0,90 to $344,35 in New York later

Kearny said that with a rand gold price of R978/oz, about 48% of SA's output or 8,6-million ounces of annualised production was being produced at a loss

Chamber of Mines external relations GM Johan Liebenberg said a sustained gold price of less than R1 000/oz was cause for concern

However, the gold mining industry was not run as a short- or even medium-term business. It was impossible to predict where the industry was going on the basis of weekly movements in the gold price

Liebenberg said the industry was fitter than it was 18 months ago and had weathered low prices in February and March well Job losses so far in 1991 had fallen short of predictions Employment on gold mines affiliated to the chamber fell from 505 262 in 1989 to 473 685 in 1990, the lowest figure since 1980

Low prices were affecting all producers If gold production fell worldwide and demand remained static, prices were likely to recover, he said

Kearney said the impact of outstanding forward sales contracts on earnings was crucial Estimates showed that of the 11 loss-making operations which had locked in forward sales, only Rand Mines' Durban Deep and Harmony mines, and Anglo American's Freegold operation had contracts which would protect bottom line earnings

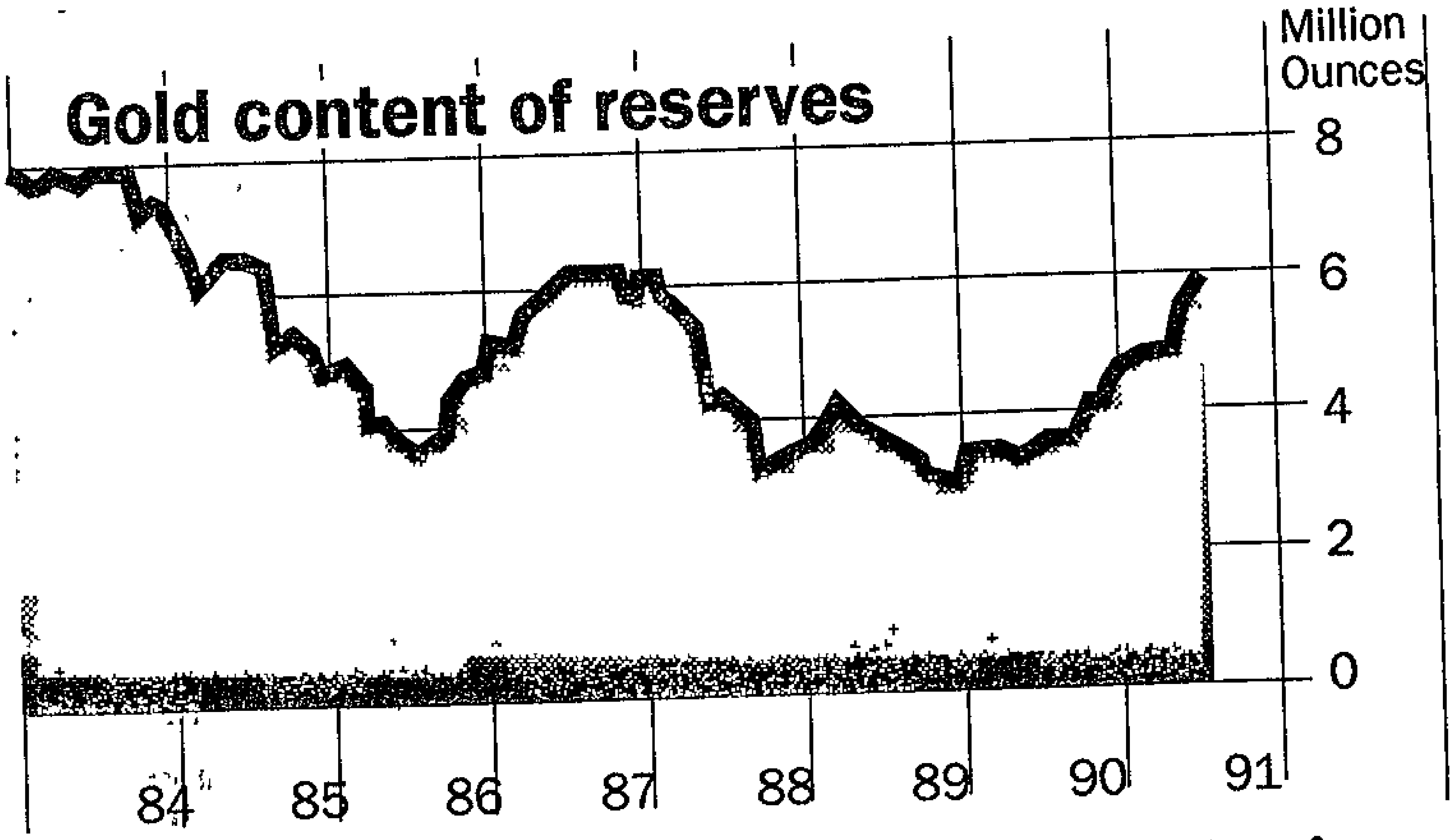
"Far more worrying for SA than the impending closure and restructuring of low-cost producers is the impact the weak gold price has on the development of future reserves Major projects such as Anglo's Moab, JCI's South Deep, and Anglovaal's Sun projects, representing more than 1 500 tons of potential reserves, will not be given the go-ahead," she said

Kearney said pressure was also mounting on the US and Australian gold industries Almost half of US gold was produced at a cost of more than $345/oz

Based on the average cost of production from North America and SA, Kearney said a base level for the gold price was $355

Prices had been volatile in recent weeks, and the current slide might be an over-correction

● Comment: Page 8



Stals plays fairy godfather to gold mines

Finance Staff Star 13/9/91.

Because of his tight money policies, Dr Chris Stals, Governor of the Reserve Bank, is not universally popular among businessmen.

But he is proving to be the fairy godfather to the gold mining industry

He is waging a war against inflation, the outcome of which will be crucial for the industry

And for the past one-and-a-half years he has also been steadily building up the Reserve Bank's gold holdings

This has substantially reduced the amount of newly mined South African gold which has been entering the market and this must have had a significant effect on the gold price

Significant

214

The latest Reserve Bank statement shows that its gold holdings rose by 262 557 ounces in August to 5,93 million ounces, the highest level since early 1988

Since the beginning of this year, the bank's gold holdings have risen by almost two million ounces, or about 50 percent

Since the end of 1989 they have risen by almost three million ounces, which is a virtual doubling of the holdings

In this period the gold mining industry produced about 32 million ounces

Reserve Bank action, therefore, prevented about 10 percent of this output reaching the market

Forward selling softens gold mines' price crunch

B/Day 17/9/91 (214)

MATTHEW CURTIN

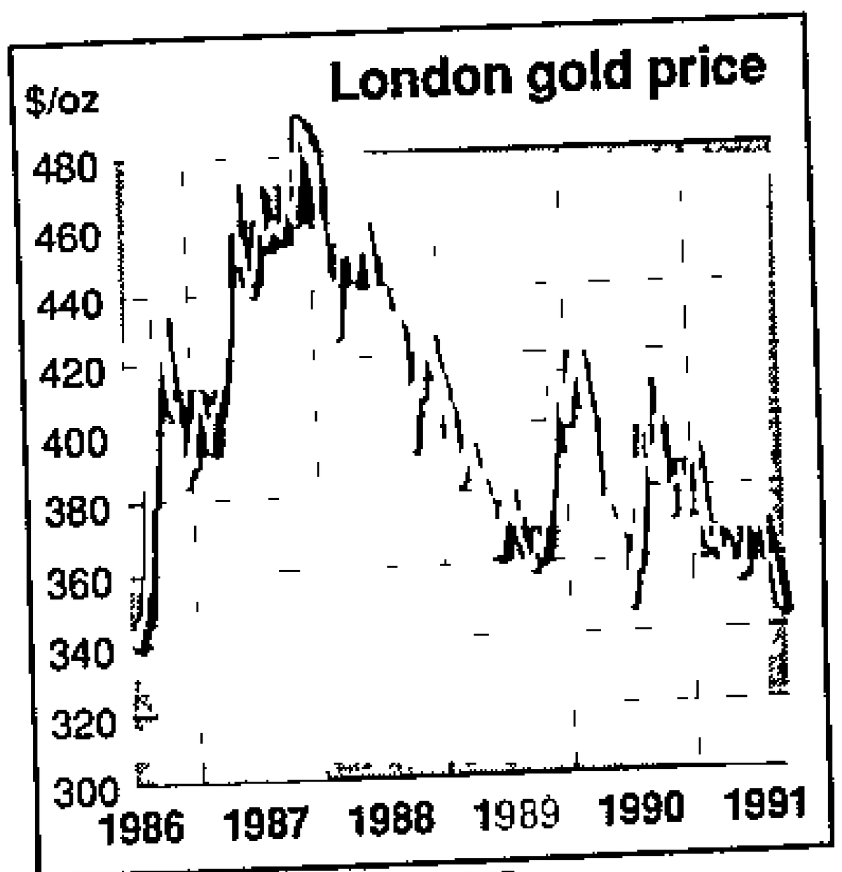
GOLD mines which sold their production forward were benefiting more than those which had not, and would continue to do so while the gold price showed no significant improvement, Davis Borkum Hare analyst David Giese said yesterday

As gold hovers around the five-year low of $344 an ounce touched last week, Giese said SA producers had become more active in the forward selling market in the past few years in order to protect themselves against weak prices

With the rand gaining in value against the dollar, the rand gold price has slumped to R31 300/kg, its lowest level since the start of April this year

Giese said in his report on gold hedging "The debate as to whether hedging places a cap on a rising gold price remains unsolved, but the short-term benefits are evident"

Anglovaal's Loraine gold mine, which announced cutbacks last week in a bid to stave off closure, had sold 68% of its September quarter gold production forward at R36 700/kg



Graphic FIONA KRISCH Source I NET

The effect would only be to reduce the operation's working losses Loraine had sold 42% of production for each of the next three quarters, and had won a price of R39 000/kg for 14% of the September quarter production next year

Giese said hedging would help Rand Mines' Durban Deep convert a possible loss into profit in the current quarter The mine had sold almost half its September and December quarter production forward at R36 000/kg

The group's Harmony operation would also benefit substantially from forward selling, with 58% of September quarter production sold at R35 000/kg, compounding the success already derived from cost-cutting and restructuring at the mine

He noted that the most relevant period for earnings calculations was the current quarter as most mines increased their exposure on a quarterly basis

He said hedging was likely to boost earnings a share at Durban Deep, Harmony, Loraine and Village Main Reef by 210%, 56%, 78% and 78% respectively

Earnings at Randfontein Estates, E T Cons and Hartebeestfontein mines would improve from between 8% and 18% in the quarter thanks to forward sales

□ The Chamber of Mines reported yesterday that SA gold production rose by 781kg or 25 000oz in August to 51 839kg or 1,7-million ounces from July levels

The figures are 1,2% higher year on year, and contrast with July figures which were 1,6% higher than in July 1990

Mid Wits chalks up record after rights offer

BDay 17/9/91 (214)

LIZ ROUSE

MIDDLE Witwatersrand (Western Areas) achieved record profits in the year to June as a result of interest received on funds from the May 1990 rights offer of R438m

Attributable earnings shot up 77% to R46,6m from R26,3m Earnings a share rose 34,3% to 14,5c (10,8c previously) on increased issued share capital

Dividends paid were unchanged at 6c so that funds available for future opportunities in the minerals field could be augmented

Mid Wits chairman Clive Menell said in his annual review that the current year's expenditure on exploration, feasibility studies and acquisition of mineral rights would be R21,1m The past year's spending on exploration and mineral rights purchases amounted to R27,1m (R32m)

Drilling to delineate ore body boundaries and reef /grade continuity on the Sun project in the Free State was expected to be completed during the first half of 1992

Mid Wits would contribute about R4m (R12,7m) to Sun exploration, feasibility studies and acquisition of mineral rights

Certain mineral rights had been bought in the Oribi area, where a drilling project was nearing completion

The company's share of exploration and mineral rights expenditure for Oribi for the current year was expected to be about R7,6m (R9,7m)

Menell said initial stages of platinum drilling in the eastern Bushveld had been completed, but the nature and extent of further work would depend on detailed evaluation of the results

Venetia diamond mine's upgraded bulk sample plant came on stream in August 1990

By the end of the year it had treated 110 00 tons of ore, which yielded 61 451 carats — averaging 55,5 carats/100 tons The mine's main plant was scheduled to be brought into production in the second half of 1992, with full production of 4-million carats a year being achieved in 1993

Given current metal market conditions, the group's income from mining investments for the year was budgeted to be about the same as last years

Earnings would also be subject to the timing of any material new investments and the level of interst rates received on surplus funds, Menell said

Hersov's outlook for Harties is tempered with caution

(214)

B Day 17/9/91

LIZ ROUSE

THE ability of Anglovaal Group's major gold producer, Hartesbeestfontein Gold Mining Company (Harties), to maintain earnings and dividends will be determined principally by the rand gold price as well as the extent of cost increases

This cautious projection of the mine's prospects is made by chairman Basil Hersov in his annual review for the year to June Development is planned at a reduced level with none planned for the lower-grade sections of the western area of the mine unless there is a marked increase in the gold price

At lower activity levels, careful consideration is being given to a reduction in the current labour complement, says Hersov

Harties' attributable taxed profit for the year to June was R116m (1990 R149m), equal to earnings of 103,1c a share (132,9c) and the dividend total was 100c (130c)

The annual report shows that Harties' operating costs rose 14,3% to R24 225/kg (R21 194) — due to additional costs associated with operating No 8 shaft, increased haulage support costs and general cost escalation — while the average gold price received was R32 114/kg (R32 749)

The decision to halt underground operations at neighbouring Stilfontein gold mine, means Harties will incur additional charges as it will have to bear water-pumping costs absorbed by Stilfontein

Harties' operating expenditure would be affected adversely by general cost escalations, despite the marginally beneficial impact of VAT

The uranium market continued to be weak throughout the year and the company had decided to close its south uranium plant in order to reduce losses

A rising pay limit caused the mine to curtail operations in its low-grade sections and this led to reduced mill throughput of 3-million tons (3,2-million tons), which, in turn, reduced gold production to 27 003kg (28 831kg) from underground sources

While the low-grade plant's mill recovery was slightly higher at 1,74-million tons (1,72-million tons), its gold production decreased to 2 370kg (2 391kg) because of the lower recovery grade of 1,36g/t (1,39 g/t) The current year's grade is expected to be marginally lower at 1,3g/t

Harties' capex was cut to R29m (22m), compared with the planned level of R48m

This year's spending is estimated at R39m

Hersov says that under prevailing conditions of a relatively static gold price and escalating costs, operations will continue to be focused on the higher grade areas with a reduction of the underground mining rates and, in turn, of the milling rates

□ Zandpan Gold Mining Company — the Anglovaal Group's investment company which holds 19,6% of Hartebeestfontein's equity — received dividends totalling R22m from these shares during the year to June (1990 R28,6m)

EXECUTIVE SU

...'s steel-making skills.

...red Boshoff, who heads the ...umbus project, said a detailed ...y would be made of the Mid-

Michael King, executive director of Anglo American, said the transaction was noteworthy as it extended the partnership that un-

Hartebeestfontein mine considering more lay-offs

Star 17/9/91.

214

By Sven Lunsche

Anglovaal's largest gold producer, Hartebeestfontein, is considering more lay-offs, given the static rand gold price and escalating costs.

Chairman Basil Hersov says in the annual report that the prevailing gold price and higher costs will force the mine to focus operations on higher-grade areas and reduce the underground mining rate.

The mine plans to reduce underground tonnage by 5,4 percent to 2,84 million.

At these lower levels, "careful consideration is being given to a reduction in the labour complements", Mr Hersov says.

In the past year operating costs rose 14,3 percent and are expected to rise further because of additional expenses in water-pumping costs incurred after the closure of Stilfontein mine.

Capex was limited to R29 million, substantially below the planned level of R48 million. In the current year capex is budgeted at R39 million.

Anglovaal's exploration company Middle Witwatersrand had a successful year, with earnings rising to a record R47 million.

Chairman Clive Menell says the major reason was interest received on funds from last year's R440 million rights offer.

In the current year expenditure on exploration, feasibility studies and the acquisition of mineral rights will be R21,1 million (R27,1 million)

Rerouting of Free State road approved

ANDREW GILL

THE Transport Department has approved the rerouting of the planned N1 from Kroonstad to Bloemfontein through the heart of the Free State Goldfields (214)

Instead of running alongside the current N1 route, as originally planned, the road has been moved west BDay 17/9/91

The change had been lobbied for by, among others, the recently launched Free State Goldfields Development Centre, which seeks to create a significant manufacturing base in the mining-dependent area.

Centre director Dawid Vermeulen said the construction from Kroonstad to Welkom would cost R78m

This stretch was the priority, he said, while the Welkom-to-Bloemfontein stretch was less urgent.

The prime objective of the rerouting was to link the Goldfields to the PWV area

A Transport Department spokesman said construction would not start within the next five years

Date change spurs flurry of interest in Venterspost

B/Day 20/9/91 (214)

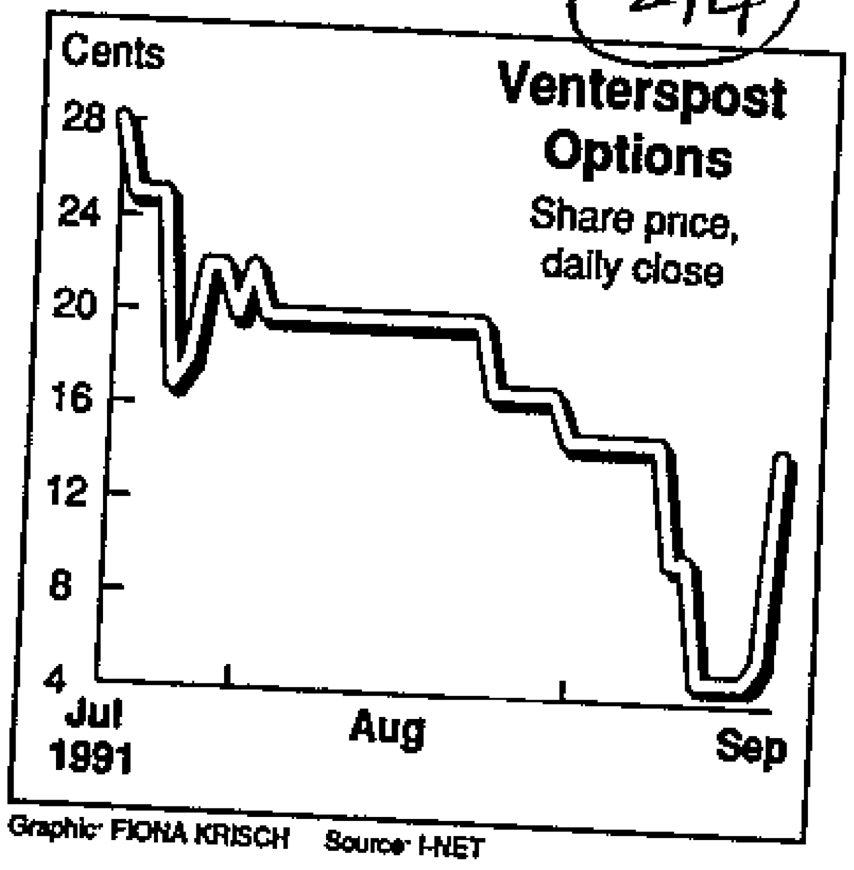
MATTHEW CURTIN

SHARES, deferred shares and options in Gold Fields of SA's marginal gold mine Venterspost burst into action on the JSE yesterday, recording price rises of between 3% and 150% In contrast the all gold index dropped eight points to 1 145.

The market reacted to yesterday's company announcement that the dates when option holders were entitled to subscribe for deferred shares would be put back from November this year to November next year, subject to shareholders' approval.

The price of the options hit a high of 20c yesterday morning before closing at 15c, up 6c from Wednesday's close of 9c Venterspost deferred shares rose 5c to finish at 185c, while the shares themselves jumped 9% from 230c to 250c

Some analysts said investors in the options had a right to feel aggrieved as the Gold Fields announcement came without warning They said the group should have issued a cautionary announcement to alert the market that the dates might be changed, which would have discouraged speculators from selling short on the basis of the 1991 deadline



Graphic: FIONA KRISCH Source: I-NET

However, others said the move was not unprecedented Venterspost needed to raise money for vital development work to secure its future, which was not possible in the current depressed market

Venterspost raised R160m in 1990 from a rights offer designed to finance the extension of the mine's No 4 shaft to improve mining flexibility and open up new reserves

The mine needs an extra R50m to complete the expansion programme, cash which was supposed to come from the options

However, an exercise price set at 650c turned out to be unrealistic as the prices of shares and deferrred shares have tumbled this year Only speculation pulled option prices up from 3c to near the 10c mark recently, against an original 300c

Venterspost chairman Mike Tagg said in his annual review that although development of the new section was ahead of schedule, alternative plans for deepening the shaft to open up deeper levels would have to be considered if the R50m was not raised in November

The mine's directors said yesterday it would be unrealistic for option holders to exercise their options in the current market

EW Balderson analyst Nick Goodwin said Venterspost was near the end of the money originally raised, and if the gold price did not recover sufficiently to lift the mines shares prices next year, the exercise dates for the options might be delayed again

Gold Fields' marginal mines under pressure

(214)

B/Day 20/9/91.

MATTHEW CURTIN

GOLD FIELDS of SA's three marginal gold mines struggled through financial 1991, battered by a weak gold price, and dulled by forward sales and climbing working costs, gold division executive director Alan Munro said yesterday.

Aggregate after-tax profits for the mines in the year to end-June dropped 14% from R1,1bn to R922m

In his annual review, Munro said the low gold price prevalent in the year exerted "extreme pressure" on the marginal mines

Investors

Unlike Anglovaal, Rand Mines, Anglo American and to a lesser degree Gengold, which have adopted extensive hedging operations to protect marginal operations in particular from the weak gold price, Gold Fields does not sell gold forward

Munro said that despite a volatile gold price during and after the Gulf crisis, "a major factor affecting the market was the capping of the price rises after relatively heavy hedging activities by producers around the world"

Estimates put net forward sales in 1990/1991 at about 200 tons of gold, about a third of total production in 1990, in effect adding that amount to current supplies

"These accelerated supplies not only capped the rises (in the gold price) but also kept potential investors out of the market," he said

However, forecasts for gold supply and demand suggested the outlook for the gold price in the medium term was favourable

Munro said jewellery demand had been strong in the year despite a weak world economy, the rate of growth in mine supply had slowed, and this trend was expected to continue, lifting gold prices in the process Better grades at Driefontein and Kloof pushed production up from 109 600kg to 115 200kg in 1991

The average rand price of gold received at Gold Fields was R31 600, against R32 600 the previous year

Cost cutting strategies saw the group shed nearly 6 000 jobs, or 7% of its gold mining workforce, and keep the average rise in working costs down to 4% Working costs rose from R20 300/kg to R21 000/kg on average

Margins were squeezed throughout the group, but at Venterspost working losses rose from R1 519/kg to R4 604/kg, while at Doornfontein a profit margin of R1 324/kg fell to a loss of R2 096/kg Libanon continued to hover around the break-even point

Difficult mining conditions pushed up costs at Deelkraal by 25% and the mine's after-tax profits were halved in the year

Driefontein and Kloof remained two of SA's lowest cost producers

GFSA gold mines find going tough

(214)

Star 20/9/91.

By Derek Tommey

Although the Gold Fields group remains optimistic about an improvement in the gold price, the annual reports issued today for its six producing gold mines are, with one exception, not cheerful reading

Gold Field's executive director in charge of gold operations, Alam Munro, sees a number of reasons for expecting a better gold price

He says the weakness since the mid-Eighties has led to reduced exploration

This, together with the maturing of a lot of the relatively shallow operations outside South Africa, is expected to lead to a levelling off in production

But jewellery demand, which grew 12 percent last year, is expected to grow further in the recovery that will follow the present recession

Thus the foundations are being laid for an improved balance in the fundamentals and this is expected to lead to a strengthening in the price

He adds that a reduction in the rate of increase in forward sales could accelerate the price recovery

"It is not unreasonable to draw a parallel between today's position and that which prevailed in the late Sixties before central banks stopped maintaining the gold price at $35 by selling from their reserves"

The brightest of the annual reports is from **KLOOF** Expected improvements in performance by Kloof and the increased contribution from the newly developing Leeudoorn should allow dividends to be increased progressively, concurrently with a strengthening of the financial position of the company

However, the rate at which this happens will depend on the gold price

While the outlook for the medium term is positive, that for the ensuing year is less certain

DEELKRAAL is striving for increased work face, which will result in an improvement in yield and curtail the unacceptably high rate of increase in working costs in the past few years

But Mr Munro says the dividend cannot be expected to changed unless there is a significant increase in the gold price

In this event the company would still need to build up capital to secure the ability of the mine to produce beyond the next decade

A modest improvement in profit and reduced capital expenditure enabled **DRIEFONTEIN** to declare an improved dividend

But the reduced level of capital expenditure was acheived largely by the deferment of immediate non-essential work Chairman CT Fenton says it will not be possible to maintain the relatively low levels of expenditure on capital works without ultimately limiting production capacity

A modest increase in the gold price is needed for the dividend to be maintained

VENTERSPOST chairman Mike Tagg says the improvement in results in the June quarter will have to be sustained if further rationalisation is to be avoided

Without the assistance of a highr gold price, the situation of the existing mine is bleak Its future lies in the extension area where development is continuing

But alternative plans for deepening the shaft to open up the deeper areas will have to be considered if the budgeted R50 million is not raised in November this year

Venterspost said yesterday it had extended for a year the date for exercising the options, which are expected to produce the R50 million So it would seem that alternative plans would be needed

Unless there is a substantial recovery in the gold price in the next year or two, **DOORNFONTEIN** will have to reassess its plans

The curtailment of capital expenditure at **LIBANON** means that considerably larger amounts will have to be spent if production is to be maintained

If the position of the company does not improve to allow for this, some reduction in operations will be inevitable

FM 20/9/91 (214)

WINKELHAAK FM 20/9/91

Adapt ... or else (214)

Change of plans for Winkelhaak's No 6 sub-vertical (6SV) shaft reflects the continued pressure on gold mine management to adapt to the stagnant gold price or suffer the consequences

Work on the R701,5m 6SV shaft project has been stopped because, at current gold prices, the mine cannot afford to pay for it and would run at a loss The good news is that other plans are being looked at, which will allow Winkels to maintain its monthly production target of 1 000 kg of gold That way it could buy time to revise the programme and gain access to the deeper 6 shaft ore reserves

Gengold MD Gary Maude says management has approved a plan to sink a sub-incline at the 2A shaft This will be in operation by the end of 1992, opening up alternative ore reserves, and will postpone the need for the 6SV shaft by about four years The original schedule was to have production from the 6SV shaft going by 1998

"That buys us the time to reassess the overall design of the 6SV shaft, and avoids having to borrow money to pay for the capital expenditure on the project," says Maude

Principal cost of sinking the 6SV shaft is the huge amount of development work needed to cut the chambers for the hoisting gear This involves duplicating underground the massive winder house and headgear installations needed on surface for the main shaft systems

Gengold is now looking at a number of other plans, one of which involves doing away with the SV development completely Instead, the main shaft would be deepened from its present depth of 1 376 m, to the final depth of 2 286 m that would have been reached by the SV shaft system

"It would be simpler to sink to these depths with the SV system because deepening the main shaft means running a shaft-sinking project concurrently with normal mining operations," says Maude "However, we believe we can do the shaft-sinking work and still hoist 100 000 t a month of ore and 20 000 t a month of waste through the No 6 shaft "

He adds that the time bought by the 2A subincline development means that Winkels can deepen the No 6 main shaft using its own labour and on a double-shift basis working six days a week This will be far more economical than the usual way of sinking shafts, which is to use outside contractors working three shifts a day around the clock

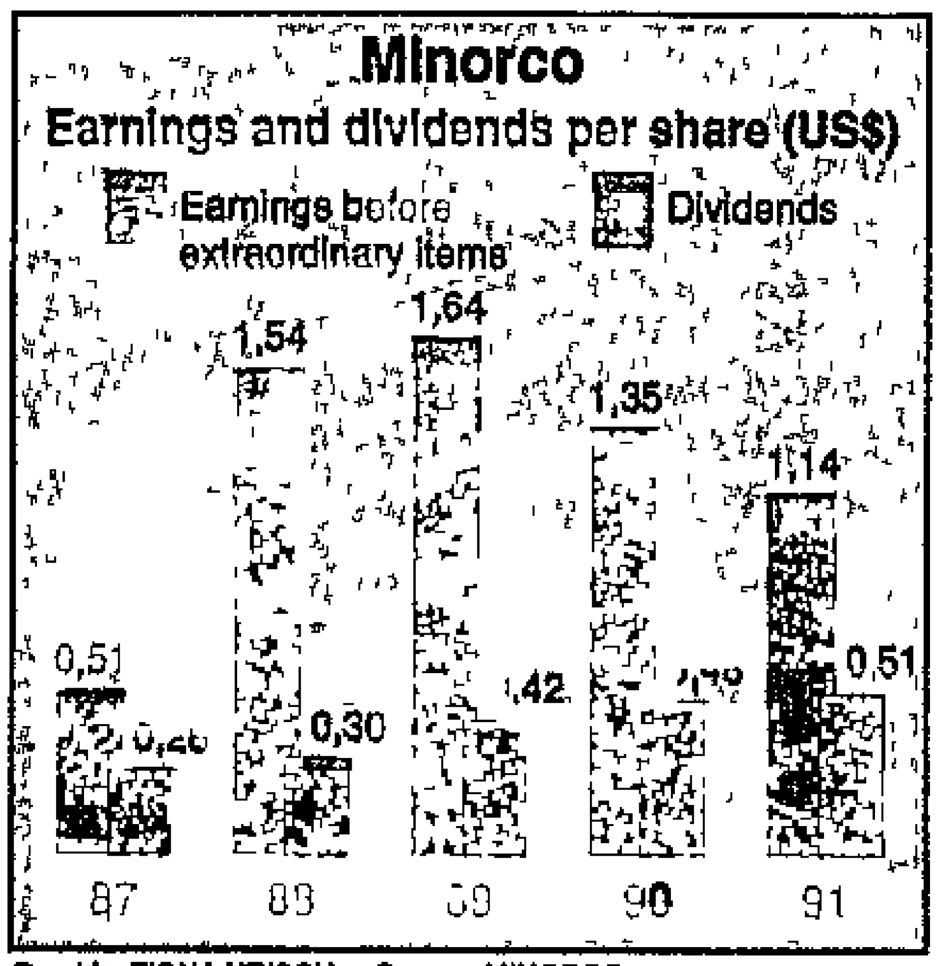
A number of analysts are concerned about the potential effects of Winkels' capex commitments on its dividends, with some expecting the mine to pass its final for the year to September. But Maude says a major management consideration is to ensure the mine will remain able to pay dividends

Some analysts are also concerned about the future of the Oryx mine under current gold prices Maude says development of this mine has reached the point where it would not make sense to stop it

"If Oryx was in the early stages of development, it would be threatened under current conditions," he says "However, we are within spitting distance of producing ore and, provided the grade is 7 g/t plus, it will be a profitable mine even at today's gold prices It would not make sense for the shareholders to get cold feet at this stage "

Oryx is stockpiling ore ahead of commissioning its treatment plant and development is being funded through R930m in interest-free loans from shareholders Genmin and Anglo American Corp

The depressed gold price has meant this project has cost the developers about R340m more than they expected The initial plan was to offset some of the Oryx costs against the tax shield provided by St Helena, of which Oryx is a division It was previously estimated that the tax shield meant the State would pay about R400m of the cost of Oryx in forgone tax revenues, but the low gold price chopped St Helena's profits Only about R60m of Oryx's costs have been funded by using the mine's tax base *Brendan Ryan*



Graphic FIONA KRISCH Source MINORCO

Minorco results take a knock (214)

MATTHEW CURTIN

LOW interest rates worldwide, poor commodity prices and the cost of restructuring North and South American operations dented year-end results at Minorco, Anglo American's cash-flush Luxembourg-based associate. B/Day 20/9/91.

Chairman Julian Ogilvie Thompson said yesterday the year's results were "a creditable performance".

While the countries in which Minorco had interests had almost all been affected by the recession, Minorco's financial strength and spread of interests had reduced the impact on results

He said in a statement that Minorco's transition to an operating company had made significant progress with $1bn invested in natural resource businesses in the past two years.

The group had $1,9bn in cash and short-term investments at year-end, against $1,7bn in 1990.

Extraordinary items amounted to a net loss of $57m compared with net gains of $555m in the previous year because of the restructuring of Canadian operation Inspiration Resources and losses at Anglo American South America (AMSA), which closed its Marte gold mine in Chile two weeks ago. Last year Minorco's extraordinary gain was related to the sale of its stake in Consolidated Gold Fields.

In the year to end-June, Minorco benefited from a maiden full-year contribution from US gold mining company Independence Mining. Gold production reached record levels, although operating hitches meant gold produced was below forecasts.

☐ To Page 2

Minorco B/Day 20/9/91.

(214) ☐ From Page 1

The group acquired Portuguese tungsten producer Beralt Tin and Wolfram and former East German gravel and sand producer Elbekies

Minorco concluded a deal which saw it take over Inspiration's base metal operation Hudson Bay Mining and Smelting in August this year

The group announced as part of the restructuring of its investment portfolio that it intended to dispose of a 47% interest in US oil and gas company, Adobe Resources

Equity accounted earnings fell in the year because of the restructuring

Minorco's main holdings at year-end were in Charter Consolidated, Engelhard Corporation and AMSA

New bill to scrap coal export controls

27 214 CT 23/9/91

By BARRY STREEK

STATUTORY controls over the export of coal are to be scrapped in terms of a new bill which has been tabled in Parliament

The bill follows a finding by the Coal Advisory Committee that statutory control over coal exports was no longer necessary, "as the objectives of these measures are adequately addressed by market forces"

The committee, which was appointed in terms of the 1985 Coal Resources Act had earlier recommended the deregulation of the marketing of coal, the Department of Mineral and Energy Affairs said in a memorandum attached to the Coal Resources Act Repeal Bill

The six-year-old law provided for the regulation of the price, production, acquisition, storage, distribution, supply, sale and delivery of coal, but these provisions were scrapped in 1986 and 1987

The only provision still in force is the control over the export of coal

"In order to give effect to the deregulation policy and the recommendation of the Coal Advisory Committee, it was decided to repeal the Coal Resources Act, 1985," the memorandum said.

New bill to scrap coal export controls

(214)

CT 23/9/91

By BARRY STREEK

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New outlook 'key' to gold mining's survival

BDay. 24/9/91. (214)

MATTHEW CURTIN

THE key issue which the SA gold mining industry had to address was the capital intensity of underground operations, and swift action had to be taken to maintain the industry's international competitiveness, Gold Fields of SA chairman Robin Plumbridge said yesterday

In his annual review, he said the industry was under extreme pressure because of the low gold price Gold Fields, in common with other mining houses, had restructured marginal operations to enable them to survive the current depressed conditions Its Doornfontein and Venterspost mines had shed 4 000 jobs in the past year.

"Considerable success has been achieved, but much remains to be done", he said "It is painfully apparent that many dyed-in-the-wool traditions of the SA mining industry must be jettisoned " Such action would prolong the life of marginal mines and improve the prospects for opening up new mines

The current practice whereby mines operated only 11 fully productive shifts in any fortnight's working cycle of 42 shifts was untenable

For the industry to stay competitive, mines had to operate 24 hours a day, seven days a week Shifts should be rostered to allow for the continuous operation of mining assets

Government had to eliminate all legal and regulatory restrictions which impeded the continuous operation of the industry, already standard in the beneficiation sector of the industry Mineworkers and unions had to realise the long-term benefits of adopting internationally recognised working practices

Plumbridge said that while the gold price was still under pressure, there were clear signs the fundamental conditions in the industry were changing The 1980s era in which the number of new gold mines being developed shot up worldwide was now over Gold production from new mines would tail off in the near future, with total production dwindling thereafter

Gold jewellery consumption had grown quickly, thanks to the fall in the real price of gold and growing prosperity in the Middle East and Far East

Once the current world recession was over, demand for gold would continue to grow, spurring the gold price

He said Gold Fields had spent R2,2bn on developing Northam platinum mine and the new Leeudorn section at its Kloof gold mine, "a clear and unequivocal statement of the group's commitment to mining in SA during a period of great uncertainty"

Gold Fields invests in Africa

B Day 24/9/91 (214)

MATTHEW CURTIN

GOLD FIELDS of SA was set to invest in a Zairean gold mining company which had a major concession and a first option to mine the balance of Zaire's gold mining district, chairman Robin Plumbridge said yesterday.

In his annual chairman's review he said Gold Fields had embarked on a cautious expansion programme outside of SA in the last year, and, of the projects it was considering, the Zairean venture was at the most advanced stage pending the completion of financial arrangements.

Gold Fields would be in partnership with a Zairean state company, a group of Belgian-based entrepreneurs and international finance agencies. The mine would start as a small operation, but it had the potential to expand rapidly if a proposed exploration programme was successful.

Gold Fields's expansion into Africa follows Gencor's announcements of investigations into mining possibilities in Zambia and Engen's forays into oil exploration off the African coast.

Plumbridge said the economic future of SA and the rest of the continent were inextricably linked. "We must sink or swim together," he said.

Many developing countries were in the grips of a full-scale depression, the lack of international demand for their products accentuating the despair of peoples facing abject poverty. "Regrettably the developed nations are so concerned with their own economic conditions and those of the countries surrounding them .. that the less developed countries are being fed little more than a diet of rhetoric," Plumbridge said.

African countries faced a "well-nigh impossible situation" In a national and regional context, it was critical that the SA economy should recover rapidly from the recession.

The current economic policy mix with its heavy socio-political overlay needed urgent review, he said

Genmin puts seal on worldwide mining deal with French group

214

B Day 24/9/91

MATTHEW CURTIN

BRGM chairman Maurice Allegre, left, and Genmin chairman Brian Gilbertson at yesterday's signing of an agreement on joint mining and exploration ventures. Picture CATHERINE RO

GENMIN, the Gencor group's mining arm, and French mining group Bureau de Recherches Geologiques et Minieres (BRGM) yesterday signed a wide-ranging agreement which will see the organisations participate in joint mining and exploration ventures worldwide.

The two companies have just been awarded the rights to mine gold at Montagne Tortue in French Guyana in South America.

Genmin chairman Brian Gilbertson and BRGM chairman Maurice Allegre signed the agreement yesterday evening shortly before the deal was officially announced by French Trade and Industry Minister Dominique Strauss-Kahn, at the end of his week-long visit to SA.

Genmin mineral resources CE John Raubenheimer said the Guyanan prospect was "extremely exciting" and could see the establishment of a large opencast, low-cost gold mine.

A geological team was currently investigating the site and exploration would start before the end of the year.

Gilbertson said Genmin and BRGM, whose activities include geological survey work financed by the French government and commercial and industrial operations involving the provision of mining services, were well-suited partners.

Genmin would benefit from BRGM's mining experience and links to the French government, helpful for investigating mining in Francophone Africa and overseas.

Genmin has taken a 10% or R5m stake in BRGM's French gold mining operation, Salsigne. Genmin will provide mining and metallurgical advice.

Expertise

Allegre said with dwindling mining opportunities in France, BRGM was keen to expand its overseas operations Co-operation with a SA mining house, given the country's wealth of mining expertise, was a natural choice.

Both parties would be able to announce more details of joint ventures later in the year, and he said yesterday's agreement was the start of what would be a long-standing relationship

Gold producers cut back hedging

Star 25/9/91.

By Sven Lünsche 214

South African Gold producers sold only 10 percent of their 1990 production forward, despite the volatile performance of the bullion price

This compares with 77 percent and 83 percent for North American and Australian producers, says the economist of the Chamber of Mines, Ivor Leibowitz, in the chamber's latest newsletter.

Mr Leibowitz bases his findings on research by two overseas financial institutions, Barclays de Zoete Wedd and First Boston

"The research estimates that North American and Australian producers hedged some 356 tons and 201 tons respectively in 1990 while, in the same year, South Africa's producers hedged only an estimated 64 tons"

Few SA producers, however, publish information on their exposure to gold hedging because they fear that this could reflect a lack of confidence in the metal's price and thus depress the price even further

Mr Leibowitz says that while fundamentals are turning in favour of a firmer gold price, this is being hampered by the effect of forward sales.

"Gold supply is continuing to be augmented by accelerated forward selling by producers, who are anxious to lock in higher prices for their output

"Forward selling is thus tending to 'cap' any gold price rise, since producers are encouraged to become active in the market whenever a rally in the price occurs," he says

He acknowledges that investor interest in the metal has been virtually absent over the past few months, but adds that the supply/demand situation has been tightening

The supply of newly mined gold is expected to peak either this year or in 1992 after the sharp increases of the last decade, in which supply rose from 988 tons in 1981 to 1 734 tons last year.

On the other side of the equation, an expected upturn in economic growth could boost jewellery demand in OECD countries.

"However, worldwide demand for gold for investment purposes is only likely to increase if renewed economic growth releases inflationary pressures," Mr Leibowitz says.

● The gold price rose through the $350 barrier yesterday on the back of a stronger silver price Gold was fixed at $351,75 in London yesterday afternoon, $2,50 up on Monday's close.

Bullion dealers said yesterday gold was poised to move higher if silver could break through the $4,30 an ounce price barrier, Sapa-AP reports.

Silver prices jumped by more than 10c to $4,23 yesterday after a bout of overnightbuying in the Far East

Fewer miners face the hatchet

BDay 26/9/91 (214)

MATTHEW CURTIN

THE number of mineworkers whose jobs are at risk on SA's gold mines has been reduced from 100 000 in June last year to just 30 000 at the end of June this year

The reduction has been possible due to effective cost-cutting measures undertaken by the industry, says the Chamber of Mines in its August newsletter In that time the size of the industry's workforce has fallen by 57 000 mineworkers from 483 000 to 426 000

Chamber economist Ivor Liebowitz says the percentage of the gold mines' workforce at risk has fallen from 22% in the June quarter last year to just 7% in the same quarter this year

He said that at an average gold price of R32 695/kg, less than 5% or seven tons of the 143 tons of gold produced in the quarter was produced at a loss This compared with 17% of gold output, about 25 tons, in the same period last year when the average gold price was R31 139/kg

The cumulative labour and production improvements reflected the generally improved operating conditions which the gold mining industry experienced in the June quarter

Liebowitz said that while the dollar gold price was trapped in a narrow range between $350 and $372 an ounce, the rand depreciated 6,6% against the dollar boosting the rand/dollar price of gold

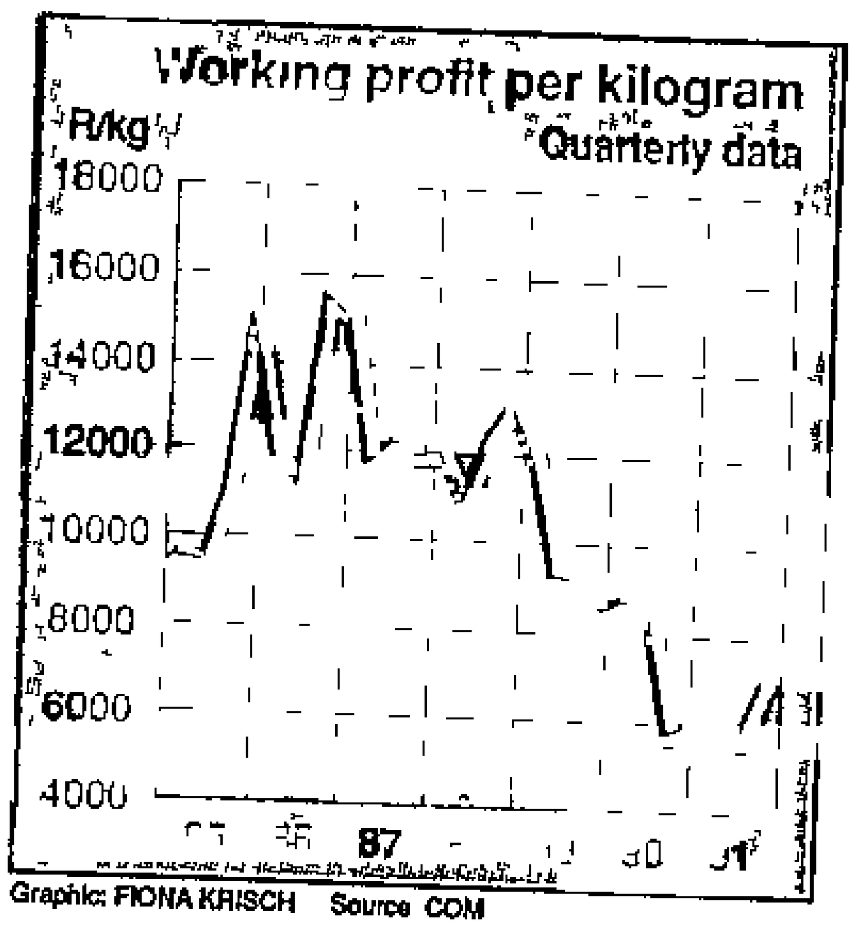
Working revenues improved and working costs were contained, increasing the average working profit in the quarter from less than R6 000/kg earlier in the year to R7 008/kg

Working profits which had fallen to 18% of working revenue, their lowest level in 20 years, in the March quarter, recovered in the next three months to 21%, due to the fall in the rand's value

Liebowitz says the fundamental conditions affecting the gold market are turning gradually in gold's favour However, the gold price, hampered by the effect of forward sales of the metal, continues to perform poorly in dollar terms

Gold supply is being increased by forward selling by producers keen to lock in higher prices for their output Forward sales tend to cap any price rise because producers are encouraged to become active in the market whenever a price rally takes place.

SA producers sold 10% or 64 tons of gold production forward in 1990, against sharply higher forward sales from other producers Research showed North American and Australian producers sold 356 tons and 201 tons forward, worth 77% and 83% of total production respectively



Graphic: FIONA KRISCH Source COM

JCI to delay mining at South Deep

MATTHEW CURTIN

JOHANNESBURG Consolidated Investment (JCI) would delay full-scale mining operations at its South Deep gold prospect, one of the world's largest unmined ore bodies, for some time, chairman Pat Retief said yesterday B/Day 26/9/91

He said the decision had been taken because of weak gold prices and the huge capital cost of the project

In his chairman's review, Retief said although there was a gradual recovery in world economies, gold and platinum markets would probably remain unsettled and the improving conditions were unlikely to benefit JCI's export-oriented interests in 1992

The short-term outlook for the SA economy was not encouraging

In this environment, JCI's industrial interests would find it hard to make "significant progress", said Retief

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JCI had made a strategic appraisal of its operations. One result was its decision to sell the Lennings industrial group

The group had made large commitments to Rustenburg Platinum, the new Platreef platinum project and Consolidated Metallurgical Industries to strengthen the position of its platinum and ferrochrome operations as low-cost producers.

Joel poised to exploit higher grades

Star 27/9/91

(214)

By Derek Tommey

Higher grades at Joel, a start to be made on a low-cost shaft at Randfontein and more details of changes in development plans at South Deep are the main features of the annual reports of JCI gold mines

Kennedy Maxwell, chairman of all JCI gold mines, says the higher development grades encountered at **Joel** should be realised this year. The recovery grades will fluctuate, but will be above a higher mean than has prevailed to date

With the build-up in the milling rate from 85 000 tons to 95 000 tons a month, it should be possible to contain some of the escalation in unit costs and the cost a kilogram should decrease

The mine is well placed to take advantage of the expected rise in the gold price in the next year or two

A decision is likely to be taken before then to raise production to 130 000 tons a month to optimise profitability

The mine has achieved a notable safety record with a million fatality-free shifts, with no reportable injuries from the fall of ground for 41 months

At **Randfontein** work is to start on an exploration/ventilation shaft to the South Reef at Doornkop Borehole results suggest the South Reef may provide an attractive addition to future reserves. The shaft will be able to confirm this assessment

It would be ideal if production from this source could start in 1997 and enable the mine to maintain underground production at a rate of 600 000 tons a month

South Deep is to hold back to a minimum development on the proposed twin-ramp system Instead, incline development will take place from the north and south crosscuts to access the reef in the shaft pillar area

This will result in much lower capex and the R168 million available will be more than adequate to meet financial requirements for the next three to four years The mining of the reef will also make a useful contribution to the company finances

SA mines face new blow as gold falls

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ARG

Business Editor

A WAVE of Middle East gold sales and the prospect of wild-cat sales in Balkan states and new independent Soviet republics knocked $9 off the gold price and sent it to a five-year low of $341 an ounce yesterday.

It staged a modest recovery in early trading today, edging up to $345,45 an ounce in Hong Kong.

But if this does not improve, most of South Africa's gold mines could run into heavy losses because their working costs are higher.

The South African Reserve Bank bought gold in London yesterday in a bid to support the market, reports The Argus Foreign Service.

Western banks are worried that without Western financial help Soviet central gold authorities might not be able to redeem gold swaps when they fall due and might also be forced to renegotiate R174 billion of foreign debt.

● See page 21

GENMIN FM 24|9|91 (214)

French connection

Genmin's agreement with the French mining house Bureau de Recherché Géologiques et Minières (BRGM) does not yet represent a major financial commitment, and nor are any concrete benefits imminent The only firm purchase has been 10% of the Salsigne gold mine in France, for FFr10m (about R5m) Salsigne's output has similar qualities to the refractory ores in Barberton, so Genmin can put its own experience to valuable use

More significantly, BRGM and Genmin have been given the right to explore and exploit the gold prospect at Montagne Tortue in French Guiana, where exploration activities have already begun

Steve Oke of London brokers Smith New Court says that it makes sense for Genmin to get into bed with groups which already have good mining prospects He says that there are signs that Gencor is ultimately planning an international exposure, in line with rival Anglo American Corp There are mineable economic deposits in nearby Costa Rica, says Oke, and the outlook for French Guiana is quite promising.

Genmin will own 42,5% of the joint venture, with the right to buy up to 50% later According to John Raubenheimer, CE of Genmin Mineral Resources, the geochemical soil sampling is promising and there is potential for a low-cost opencast mine Genmin could hope for 50 Mt of reasonable grade ore, if the mine follows the pattern of existing South American gold mines Genmin's Sao Bento mine in Brazil produced 2,5 t of gold in the year to August 1990

Raubenheimer says that, though there is no exclusivity in Genmin's relationship with BRGM, the relationship will spread to other ventures and to other mineral exploration Ironically, when the agreement was announced by French Trade Minister Dominique Strauss-Kahn, he said that France would maintain sanctions on coal, which rules out joint ventures between BRGM and Trans-Natal at this stage Though BRGM is not State-owned, it has State-funded geological

continue

FM 24|9|91 **FOX**

and consulting arms

Raubenhiemer says about 30% of Genmin's exploration funds are spent outside SA, principally in Brazil and Turkey As opportunities diminish in SA, he expects this to increase to half its total funds *Stephen Cranston*

MID WITS FM 24/9/91 (214)

Looking far ahead

Activities: *Holds investments in companies with interests in the mining industry, and participates in and provides finance for mineral prospecting operations and for mining development*

Control: *Anglovaal 53%, ultimate holding company is Anglovaal Holdings*

Chairman: *C S Menell*

Capital structure: *321,6m ords, 1,3m 8% red cum prefs, and 50m var rate red cum prefs Market capitalisation R2,22bn*

Share market: *Price 690c Yields 0,9% on dividend, 2,1% on earnings, p e ratio, 47,6, cover, 2,4 12-month high, 760c, low, 410c Trading volume last quarter, 3,9m shares*

Year to June 30	'88	'89	'90	'91
Investments				
Listed (Rm)	485	617	612	659
Unlisted (Rm)	11	53	95	188
Turnover (Rm)	48	46	47	104
Taxed profit (Rm)	31 3	31 0	33 8	54 0
Earnings (c)	12 9	12 7	10 8	14,5
Dividends (c)	6 4	6	6	6
Net worth (c)	233	293	372	361

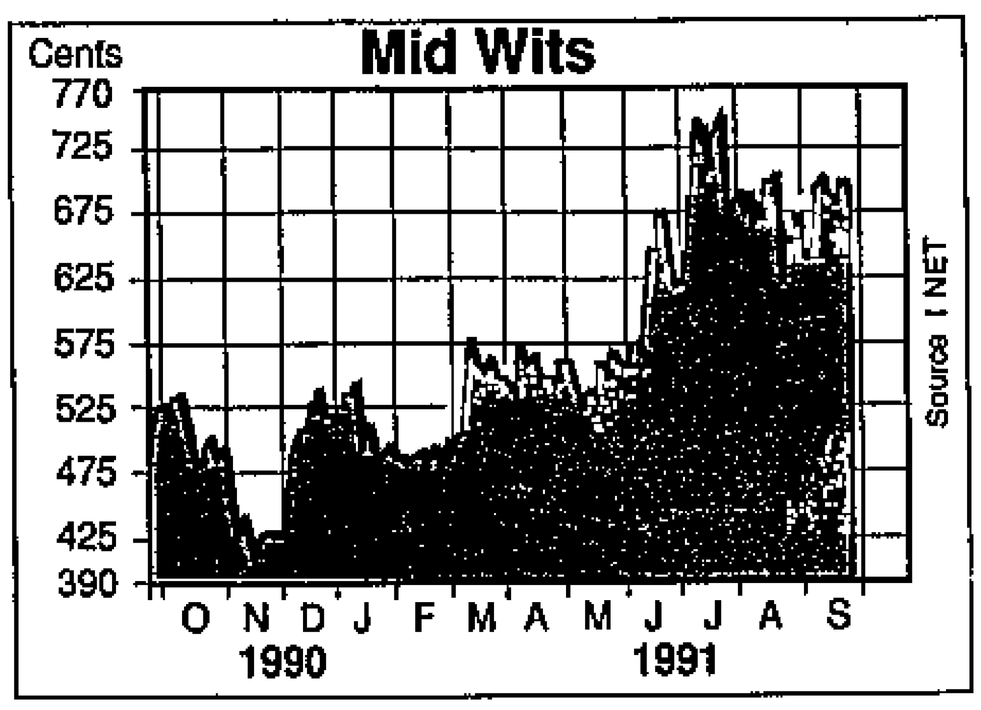
A year ago, Mid Wits was trading on thin yields at prices well above tangible NAV The same applies now, only more so At 690c, the share yields a mere 0,9% on dividend and the price is almost double the year-end net worth

On present indications, however, any growth in dividend income from the investment portfolio of listed investments — mainly in gold and other mining stocks — will remain limited this year Dividend income from listed investments dropped last year from R24,7m to R15,7m, while dividends from unlisted investments were slightly down, at R2,2m

In the 1991 year the contribution from the investment portfolio to income dropped from 81% in 1990 to 26% of the total, interest on the cash pile provided the rest of the income and all the growth EPS were 34,3% higher, after taking into account the additional issued shares after the rights offer in May 1990, which raised R438,9m

At June 30 the balance sheet showed deposits and cash of R364,3m, down from R438,4m at the previous year-end The cash flow statement shows that purchases of investments (including short-term prefs) absorbed R110,2m New listed investments comprised 794 362 shares in South Deep Exploration and 570 002 shares in Target Exploration A 49% interest was acquired in the unlisted Rhino Andalusite Mines with effect from January 1 1991

Mid Wits's Menell *exploration programme continues*



Rhino, formerly Wheedons Minerals (Pty), mines andalusite near Thabazimbi, and is the world's largest single producer of high quality andalusite — a refractory raw material used in the manufacture of refractory bricks and shapes

In line with the weakness in international chrome markets, there was a sharp drop in profitability at 49%-held Lavino (Pty), the chrome ore producer acquired by the Anglovaal group in 1989 Turnover fell from R45,5m to R35,9m, EPS dropped from 2 079c to 1 022c and the dividend was cut from R10 to R6 a share The directors note that the after-tax profit of R6m for the year was somewhat higher than originally expected, due to the success in increasing market share in Japan

Shareholders are still not favoured with any concrete information, such as borehole results, on the gold prospects in the northern Free State Chairman Clive Menell simply says that the major exploration programme continues He adds that in the southern part of the Sun area, the drilling designed to further delineate certain ore body boundaries and reef/grade continuity is ongoing and is, notwithstanding drilling delays, expected to be completed during the first half of 1992 The results will then be evaluated The regional drilling programme in the northern parts of the Sun area of interest has been completed

The drilling programme in the Oribi area is nearing completion Expenditure on exploration and mineral rights in both Sun and Oribi areas has declined

Menell also notes that the initial stages of the drilling programmes for platinum in the eastern Bushveld have been completed, and the nature and extent of any further work will depend on the detailed evaluation of results

Another new source of income for Mid Wits is diamonds Menell says that the development by De Beers of the Venetia mine — in which the mineral rights are held by Saturn Mining Prospecting & Development, which is in turn held 65,6% by Mid Wits — has continued according to plan The main plant remains scheduled to be brought into production in the second half of 1992, with full production at an annual rate of more than 4m carats achieved early in 1993 Pending recoupment of the capital, Saturn is receiving a minimum royalty of 12,5% of the mine's profits before appropriations for capital spending

Prospects being attached to new ventures may offer one explanation for the strong share price But both Venetia and the new gold prospects are difficult to value at this stage Income from the group's mining investments is budgeted to remain about static this year, and Menell notes that earnings will also be subject to the timing of new investments as well as the level of interest rates All indications are that the dividend will again be pegged at 6c On the known fundamentals, the share is overpriced *Andrew McNulty*

JCI rules out all but the hottest investments abroad

B/Day 27/9/91. (214)

MATTHEW CURTIN

JOHANNESBURG Consolidated Investment (JCI) would consider overseas investments only if they were really hot, gold division chairman Kennedy Maxwell said yesterday

He said JCI was giving preference to home investments Any overseas prospect would have to have "emphatic" benefits for the group for JCI to pursue it JCI was looking worldwide for interesting opportunities, in developed and developing countries, and was evaluating the mass of information it had gathered

Gold Fields chairman Robin Plumbridge announced on Tuesday the group was close to investing in a Zairean gold mine with Belgian and other overseas investors, a day after 3 000 Zairean troops mutinied in the capital Kinshasa, killing 30 people

Genmin signed a deal with a French mining group on Monday for exploration of a gold prospect in South America and other opportunities worldwide Genmin is investigating mining opportunities in Zambia

At a Press briefing yesterday, Maxwell said the highlights in 1990/1991 for JCI's gold division were developments at the South Deep prospect and Randfontein Estates' Doornkop shaft At South Deep, management originally planned to develop the Ventersdorp Contact Reef by way of a twin ramp system

Examining local investment JCI gold and uranium division MD Bill Nairn, chairman Kennedy Maxwell and GM Bill Conn Picture CATHERINE ROSS

Maxwell said that in view of the unfavourable climate for proceeding with a major new gold mine, JCI was reducing development of the twin ramps to a minimum

Production at Randfontein's new Doornkop shaft became uneconomical in the last year because of faulting underground and low grades on the Kimberley reef Maxwell said capital expenditure at the mine would be curbed again in 1992 — it fell from R70m to R53m last year — but work would continue as far as the mine's tax shield allowed, with an exploration-ventilation shaft to the South Reef at Doornkop

Borehole results suggested the South Reef held attractive extra mineral reserves

Management at Randfontein, Western Areas and developing mine H J Joel said all gold mines had scope to cut costs further in 1992

The introduction of VAT would cut the cost of stores by 5% and overall costs by 2% at the mines

Maxwell said all the mines would survive current low prices and were well placed to take advantage of any upswing in gold prices The gold market would turnaround in the next two years because of the growing jewellery consumption.

The two federations, for many years

Gold mines cost-cutting drive pays dividends

W Mail 27/9/91 – 3/10/91

(214)

Weekly Mail Reporter

LESS than seven percent of goldminers now risk losing their jobs — down from 22 percent in the second quarter of last year — partly as a result of a cost-cutting drive in the industry.

This means that some 30 000 miners were employed on mines at risk at the end of June, as against 100 000 at the same time last year. Over the same period, the total work force fell from 483 000 000 to 426 000

The Chamber of Mines' latest newsletter traces "a marked improvement in the health" of the industry both to an improvement in working revenues and the containment of working cost increases to an "absolute minimum", as the gold sector comes to grips with the cost crisis hitting profits in the past three years.

Although the dollar gold price had remained trapped within a narrow trading range, of between $350 and $372 an ounce, a 6,6 percent depreciation of the rand against the dollar had been a major factor in raising rand revenues.

Competition Board clears Anglo on GFSA holding

Monopolies: shot across the bows

S/Times (Bus) 29/9/91

(214)

THE Competition Board has ruled that Anglo American and De Beers' purchase of shares in Gold Fields of SA last year does not constitute a restrictive practice.

In a finding which has the force of law, it has also ruled that the purchase did not result in an acquisition or a monopoly.

But in a postscript, which has no legal weight but conveys the views of the authors, the board warns that the big financial houses must get their houses in order or the Government will intervene to end excessive economic concentration.

By DAVID CARTE

The board says "Some measure of corporate conglomeration or diversification is not only tolerable but desirable. However, the indications are that both from an economic and a political perspective, the degree of economic concentration in this country is probably too high.

"The captains of industry should be in the vanguard of reform. If as a result of a lack of action or resolve, there should be no discernible improvement in the situation in the short term, it is conceivable that a few years hence more dramatic steps akin to those introduced by the Supreme Commander for the Allied Powers in Japan after the Second World War, which included the Elimination of Excessive Concentration of Economic Power Act of 1947, are likely to be implemented."

Waters

Anglo has taken strong exception to certain statements in the board's "judgment".

Spokesman Michael Spicer says "We are pleased that the Competition Board has found so unequivocally for Anglo American and De Beers on all three grounds of its investigation — but many of its incidental statements are highly debatable.

"The chairman of the board got into highly controversial waters earlier this year when he proposed an administrative system of competition policing which would enable him and his board not only to be judge but to be prosecutor and executioner at the same time — with retrospective powers to boot.

"Many of the assertions in the postscript have an almost polemical flavour and would be highly debatable in the SA and international context."

Gold Fields of SA accepts the judgment and agrees with most of the points raised, says director Bernard van Rooyen.

The board is severely critical of directors sitting on the boards of competing companies and says "Many South African directors who serve on the boards of competing companies are not concerned about or perhaps unaware of their tenuous legal position or the dictates of commercial morality.

"For example, various forms of collusion, namely price fixing, market sharing and collusion on conditions of supply have been outlawed.

The collusive activity can be effected by means of an agreement, arrangement, understanding, business practice or method of trading.

"The possibility cannot be excluded that a board meeting could be used for that purpose, and persons serving on the boards of rival companies cannot blame other business associates or the general public for being sceptical about such a state of affairs."

Mr Spicer says Anglo's holding in GFSA and its representation on the board date to the formation of the West Wits mine in 1932. GFSA came out of West Wits.

By 1971, when GFSA became the listed holding company, Anglo had two directors on the GFSA board. They were not there to thwart competition.

Anglo has a policy of not allowing its directors to sit on non-group companies. Few exceptions to this rule are permitted and they have been cases where companies approached Anglo to have representation on their boards so as to benefit from the experience of relevant individuals — the raison d'etre of the non-executive director.

The Competition Board reports that GFSA contended the purchase of shares by Anglo and De Beers was a restrictive practice and/or an acquisition and/or placed the companies in a monopoly position.

Voted

GFSA contended that Anglo's holding was "not a portfolio investment but a mechanism to ensure it had veto power to counteract Rembrandt Group's increased stake in GFSA (which was not to their liking) in accordance with their philosophy of 'who needs takeovers when you can control with a minority stake?'"

GFSA asked the board to ensure that Peter Gush, Anglo's representative on its directorate, vacate his position. Mr Gush was voted off the GFSA board on January 15, 1991.

The Competition Board interprets this as vindication of Anglo's point that it has no right or power to appoint directors to the GFSA board.

In its submission, Anglo

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