

MINING — OTHER

1996 — 1997

Royalties row - mine stops dues

Lawetan 4/1/96

(217)

Mine stops operations for four hours and starts dialogue with tribesmen

By Isaac Moledi

A CRISIS that could have resulted in the complete closure of a vanadium mine in a North West village was averted yesterday after mine management agreed to stop the payment of royalties until the dispute between rival committees had been resolved.

The row between the Vametco Mineral Corporation and the Bakgatla tribe near Mothutlung revolves around royalties worth R9 million apparently paid by the mine since 1988 to an eight-man committee representing the community.

One faction claiming to have been elected in 1993 to represent the community has accused the eight-man committee, led by a well-known North

West businessman Mr Gabriel Mokgoko, of failing to properly account for the royalties.

The eight-man committee has been in office since 1985 and has allegedly consistently refused to call elections.

This is despite the condition set out by the two Vanadium-rich areas, Krokodilkraal and Uitvolgrong farms, that elections be held after every five years.

Two weeks ago Vametco ignored the two committees and paid royalties totalling R4 million directly to the individual co-owners of the two areas despite the insistence by the new committee not to do so.

Yesterday the mine was forced to stop its operations for more than four hours as the new committee and Vametco managing director Mr Hein Enslin were locked in fierce negotiations.

Enslin relented and agreed to stop further payments to the co-owners until the mineral lease had been registered and the dispute between rival committees resolved.

Vametco also agreed to negotiate with the new committee provided "no unlawful action" was taken against the mine operations. The new committee, however, yesterday threatened to close the mine on January 13 if Enslin reneged from his undertakings.

Anglo poised to take back its copper power

(217) ST 7/1/96

ANGLO American looks set to return as one of the world's copper leaders by taking a controlling interest in the Zambian copper industry

Last month Anglo, whose Zambian mines were nationalised 15 years ago by former president Kenneth Kaunda, submitted plans to the debt-laden government of president Frederick Chiluba to develop the huge deep-level Konkola copper mine. Konkola is the key asset of state-owned Zambia Consolidated Copper Mines and could be worth about \$2-billion (about R7-billion)

Anglo's plan is to "ring fence" Konkola from ZCCM and develop it separately, possibly with Japanese finance, and list it on the London Stock Exchange

The deal would effectively put Anglo back in control of one of the world's biggest copper areas

Informed reports suggest that Lusaka will give its blessing

ZCCM is in an appalling state, with its finances in crisis, production falling, mining equipment in disrepair, employee morale at rock bottom and tramloads of valuable cobalt disappearing

The Konkola mine could be the saving of Zambia. It has proven reserves of 380-million tons, with a further, larger ore body to the north thought to contain one billion tons

The World Bank and the International Monetary Fund donor club have put huge pressure on Zambia to privatise mining

But how it privatises this vital asset has threatened to spark a

By **BILL JAMIESON**

furor. The government is torn between "unbundling" and selling to a wide number of companies — and a "closed deal" with Anglo

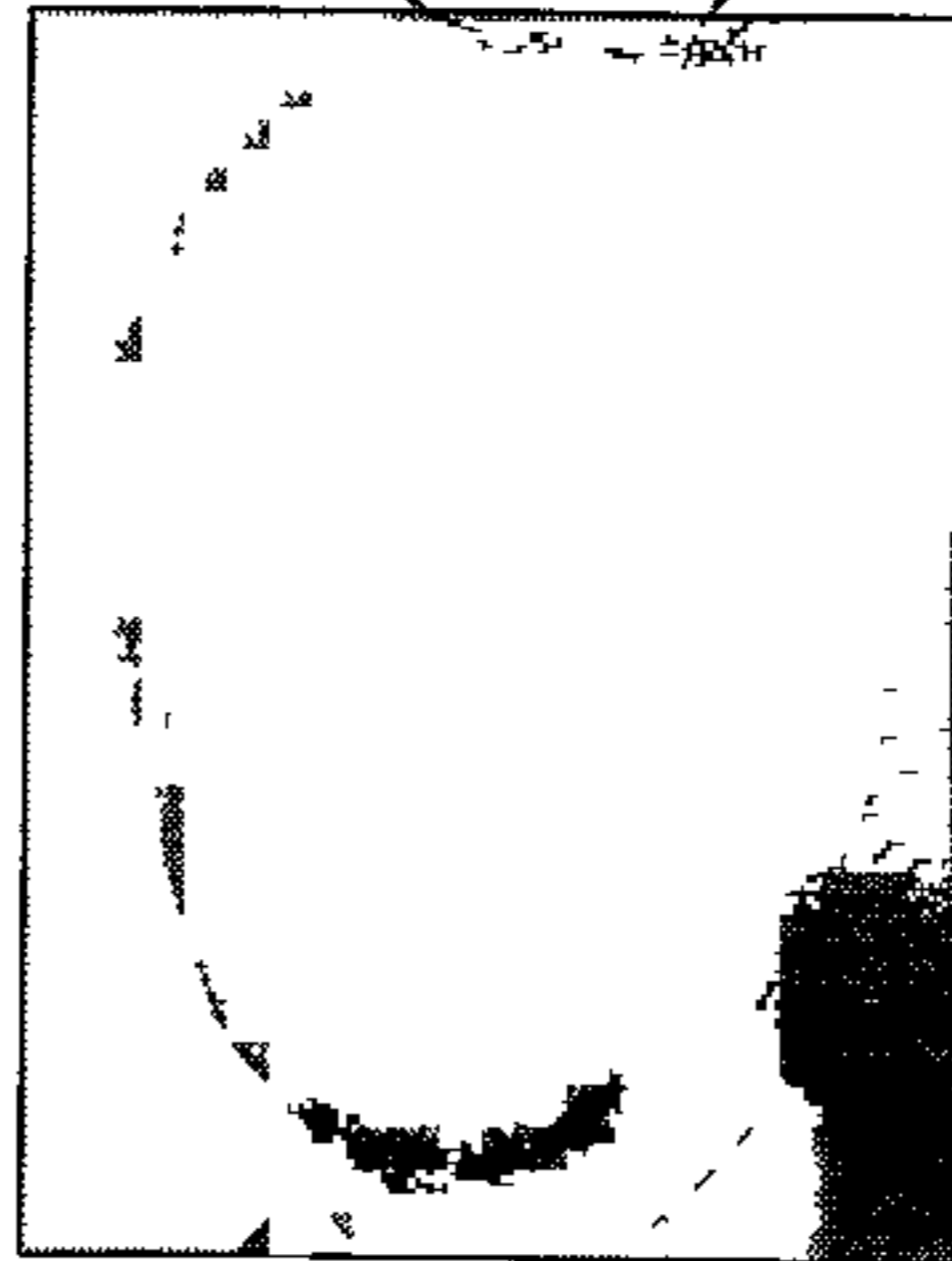
Copper from Konkola, which lies 300 miles north of Lusaka, cannot come soon enough for Zambia, which is \$6.2-billion (about R22.3-billion) in debt. The mine could be worth \$2-billion (about R7-billion) on sale and fresh output is needed to replace production from Nchanga which will be exhausted within nine years

Zambia was once one of the world's top five copper producers, with annual output of more than 800 000 tons. That has now slumped to 350 000 tons. But it still accounts for more than 80% of Zambia's foreign exchange.

The World Bank has urged Zambia to break up ZCCM and encourage other outside investors to come in. RTZ, Gencor, BHP and Phelps Dodge have all acquired extensive licence areas in a second copper belt to the west of Nchanga, and need infrastructure to open what could be a hugely lucrative "second front"

They would prefer to see ZCCM sold to a group of companies, fearing a sale to Anglo at a knock-down price could starve them of road and rail development

But Anglo has two vital levers. First, it still holds 27.3% of ZCCM (and two seats on the board) through Bermuda-registered Zambia Consolidated Investments, once part of Minorco



FREDERICK CHILUBA

And second, it has a pre-emption right on the government's 60% shareholding. It is believed Anglo has proposed to waive this right in return for the chance to develop Konkola — a move that would effectively break the deadlock

Zambia has called in Rothschild to advise on privatisation. A detailed report, with policy options, is nearing completion and is due in Lusaka by the end of March

The report will make grim reading. ZCCM is surrounded by intense intrigue and political infighting. With 45 000 on the payroll, it is by far Zambia's largest employer but is at least 10 000 over-staffed. It also employs 6 000 of Zambia's total 8 000-strong police force. Equipment and infrastructure have fallen into disrepair and new investment is critical

Elections next October mean Mr Chiluba would like to delay radical surgery. But the former mines deputy minister, Mathias Mpande, warned last week ZCCM was in danger of collapse because of the failure to privatise

To cap it all, seven truckloads of cobalt, used in the production of nuclear weapons, have recently disappeared amid allegations of senior ZCCM staff involvement. Well-placed Lusaka sources tell of a final scramble before sell-off and the involvement of an internationally-known dealer in the smuggling of cobalt out of the country. Recently, other wagons bearing cobalt to Dar-es-Salaam, were found to contain mud and stones on arrival. America is the exclusive buyer and will want to know for security reasons where its cobalt has gone

Anglo sources in Johannesburg this week declined to comment on the Konkola deal, but earlier this year Anglo chairman Julian Ogilvie Thompson, and his predecessor Gavin Relly, chairman of ZCI and an old Zambia hand, held talks in Lusaka with Mr Chiluba

ZCI's accounts reveal losses, a huge investment write-down, and no ZCCM dividend for three years

With the economy shrinking, inflation back above 30% and an election pending, Zambia has reached a moment of truth

It needs Anglo American even though other mining groups may feel miffed as Anglo poises to snatch the jewel in the copper crown — *Sunday Telegraph*

Anglo 'permitted to develop Konkola'

(217) BA 11/1/96
LUSAKA — Anglo American and Zambia Consolidated Copper Mines had signed a letter of intent giving Anglo permission to develop the Konkola deep copper mine, a Western diplomatic source said yesterday.

Reuter reports the diplomat said: "A letter of intent has been signed and Anglo has been given permission to develop the Konkola deep copper mine."

"But there has been no firm decision on what is going to happen to the rest of ZCCM."

He said Zambian President Frederick Chiluba had told ambassadors of the signing during meetings last month, confirming recent British news reports of the letter's existence.

Madden Cole reports that Anglo American spokesman Charmaine Russell would confirm only that the company was still in discussions with the Zambian government.

Industry sources in Johannesburg said last week Anglo was close to agreement with the Zambian government on plans to develop Konkola.

Zambia was expected to ask Anglo to prepare a feasibility study and lead a consortium to develop the new mine.

Anglo has a 27,3% stake in state-controlled ZCCM, the cornerstone of the Zambian economy.

Mining threat to Macassar dunes

(217)

PRG 29/1/96

ANDREA WEISS
Municipal Reporter

ECOLOGICALLY sensitive dunes near Macassar are under threat because of increasing demands for building sand, and because the land is still earmarked for urban development.

This was revealed after application was made for a temporary departure to allow sand mining on two farms owned by the State

Portions of the farms have been leased for sand mining, and the dunes are also still earmarked for the expansion of Khayelitsha, Town 4

Hippo Quarries and Ready Mix Materials have mineral leases in the area. Hippo Quarries also has seven prospecting permits, including an existing sand mine

But now the planning committee of the Cape Metropolitan Council has urged that a management plan for the dune system be drawn up to determine "if and where" sand mining should take place, and to establish the environmental importance of the dunes

The CMC previously issued

applications for temporary departures because plans were to build Khayelitsha, Town 4, in the place of the dunes

Now the CMC is reconsidering this position because of a shift in planning thinking embodied in the Metropolitan Spatial Development Framework (MSDF), which argues against continued urban sprawl at the expense of the environment

Instead, the MSDF maintains that people should be housed closer to employment in high-density corridors of activity

The Metro South East Plan, derived from the MSDF, suggested that the housing of people far from job opportunities should not be perpetuated, and that plans to expand Khayelitsha Town 4 should therefore not proceed

In addition, the local Macassar community development forum has expressed concern about the absence of consultation in the issuing of mining rights

It points out that participants in an RDP self-build housing scheme of 600 units about two kilometres from a

demarcated mining area are paying R40 a cubic metre for sand, which is more than 500 percent higher than the base price of R8 from the sand mine

The CMC proposal is that Cape Nature Conservation, the Department of Mineral and Energy Affairs, local authorities and affected communities be involved in drawing up a management plan for the dune area

While the environmental sensitivity of the dunes has been recognised, a report on building sand in the Western Cape says the dunes are a significant source of high-quality sand for the future.

A 1993 report by the Minerals Bureau said the Western Cape was likely to experience a critical shortage of high-quality building sand by about 2002. Mining of the sand deposits at Macassar would relieve this shortage considerably

Barrie Low, of the National Botanical Institute, found 210 indigenous plants in the dunes, two of which are threatened. In addition, the dunes have the only milkwood trees remaining on the Cape

Flats, and these are protected by the Forestry Act.

He suggested that the area should be managed as a multiple-use conservation area and that a moratorium be placed on any future development to allow consultation with affected parties to take place

During an on-site inspection recently, the CMC found that the area was environmentally degraded and that mining operations had already started on one of the two sites for which application was made.

"This is cause for concern as it implies that the applicant is not concerned with the findings of the CMC and considers itself above the relevant planning procedures," the CMC report said.

The CMC said the dunes were seen as a "strategic building sand resource" and as such needed to be exploited, but this should not happen at the expense of the environment

"It is also obvious that current mining is not properly managed, as can be seen by the lack of rehabilitation of the present mining site and a disused mine"

Demand for vanadium expected to continue

(217) 80 29 11/96
David McKay

WORLD vanadium demand would be sustained in the current quarter, despite the predicted downturn in the steel market, industry sources said at the weekend.

Leading SA producer Highveld Steel & Vanadium (Hiveld) declined to comment, but sources close to the industry said SA producers' stock levels were minimal, suggesting that demand for value-added ferrovanadium was still good. They said vanadium demand in the next quarter would continue to flourish.

Vanadium is used primarily in the production of steel and can be bought as slag, vanadium pentoxide or beneficiated ferrovanadium.

London-based Metal Bulletin said the vanadium market looked set for a bumpy first quarter as steel mills in Japan and Europe adjusted production downwards. There were also market fears that vanadium users in Japan would roll forward contracts in ferrovanadium purchases.

The journal quoted one trader as saying it would concentrate on sales within Europe because the market appeared less bearish there than in the Far East.

Another fear was that the Chinese would flood the market with vanadium pentoxide, pushing the price for ferro-

vanadium down and probably creating an oversupply.

Talks between Japanese and SA producers about future sales and a marketing agreement for ferrovanadium are continuing.

SA producers, led by Hiveld, control the vanadium market and are trying to focus on exporting ferrovanadium. This move would cut out certain Japanese vanadium pentoxide converters.

The talks with Japanese buyers have been characterised by efforts to maintain secrecy over the details of any possible agreement.

European ferrovanadium was trading around \$16/kg, although consumers said it was possible to buy at levels below this.

Ferrovanadium of Chinese origin was being offered around \$15,90, with SA material at similar price levels, according to market sources.

Meanwhile, pentoxide prices appeared to have stabilised around \$2,95/lb, although some buyers said it was possible to buy below these levels.

Hiveld, part of the Anglo American Industrial Corporation, lifted attributable earnings to R98m for the six months to June 1995 from a previous R49m on sales of R1,1bn. The performance was propelled by the ferroalloys division, which operated at full capacity amid a significant improvement in world prices.

Northam pins hopes on higher platinum price

David McKay

(217) BO 30/11/96
NORTHAM Platinum needed an average platinum price of \$430/oz this year, a 2,1% increase over last year's average price, to break even at the operating level, Gold Fields of SA base metals GM Helgo Kahle said yesterday.

He said the platinum operation would be "cash neutral" at \$430/oz, assuming a R3,80/dlr exchange rate. Platinum was currently selling at \$419,25/oz, but could move in sympathy with gold.

However, apart from gold, prices for the entire basket of metals, including other platinum group metals — rhodium, palladium and nickel — would have to show a corresponding increase over last year to see the mine cover its operating costs.

The average palladium price received in the previous year was \$156/oz, propelled by the increased use of palladium in the manufacture of electronics, with average rhodium price coming in at \$628/oz. Latest London Metal Exchange spot price fixes reported palladium trading at \$127,25/oz, with rhodium at \$292,5/oz.

Northam notched up a R22,7m loss

for the three months to December against a R7,6m loss the previous quarter after lower metal prices swamped operating gains.

Kahle said a strong nickel price would further bolster Northam's fortunes. Nickel accounted for 7-10% of total revenue at the mine.

However, analysts were sceptical that a platinum price of at least \$430/oz in conjunction with a rand-dollar exchange rate around R3,75-R3,80/dollar could be maintained. They believed a depletion of cash resources was another worry at Northam following the mine's massive R500m rights offer in January last year.

Negative sentiment for platinum reigns at the moment with expectations that high Russian sales would cause another supply surplus in 1996.

Analysts said the outlook for platinum was good in the long term. An economic recovery in Japan, strong economic growth in emerging economies and the possibility that Russian stock sales could decline were likely to play a part in the metal's fortunes.

Northam shares closed 10c higher at 320c on the JSE yesterday, having gained 50c or 18,5% so far this year.

Iscor suspends legal action over Namibian zinc mine

CT (AR) 30/1/96 (217) (18711)

BY FIONA LENEY

Johannesburg — Steel giant Iscor has backed away from a threat to close its small but strategically important Rosh Pinah zinc mine, at the centre of a long-running dispute with the Namibian government over mineral rights.

Rosh Pinah, Namibia's sole zinc producer, sells all its zinc production to South Africa's galvanised steel producers.

Iscor started legal proceedings in November to challenge the government's decision to award mineral rights at the mine to a Malaysian-Namibian consortium.

Days afterwards, it said it was

closing Rosh Pinah because the consortium, P&E Minerals, had refused to negotiate with it on a joint venture proposal for the mine.

Yesterday Harold Watkin, Iscor's senior legal consultant, said Rosh Pinah was still operating, with the consent of the Namibian government, while Iscor resumed talks with the consortium. His company had suspended its legal action.

The steel group appears to have abandoned hopes of persuading the government to change its mind on the ownership of Rosh Pinah's mineral rights. Instead, it is concentrating on striking a deal under which P&E Minerals would receive royalty payments and a share of equity.

MHANGURA COPPER (217)

COPPER PRICE PLAY

FM 2/2/96
 A year is a long time in the life of an insolvent company. Things have changed a bit for Mhangura Copper, a Zimbabwean producer which is being held up by its ultimate controlling shareholder, the government.

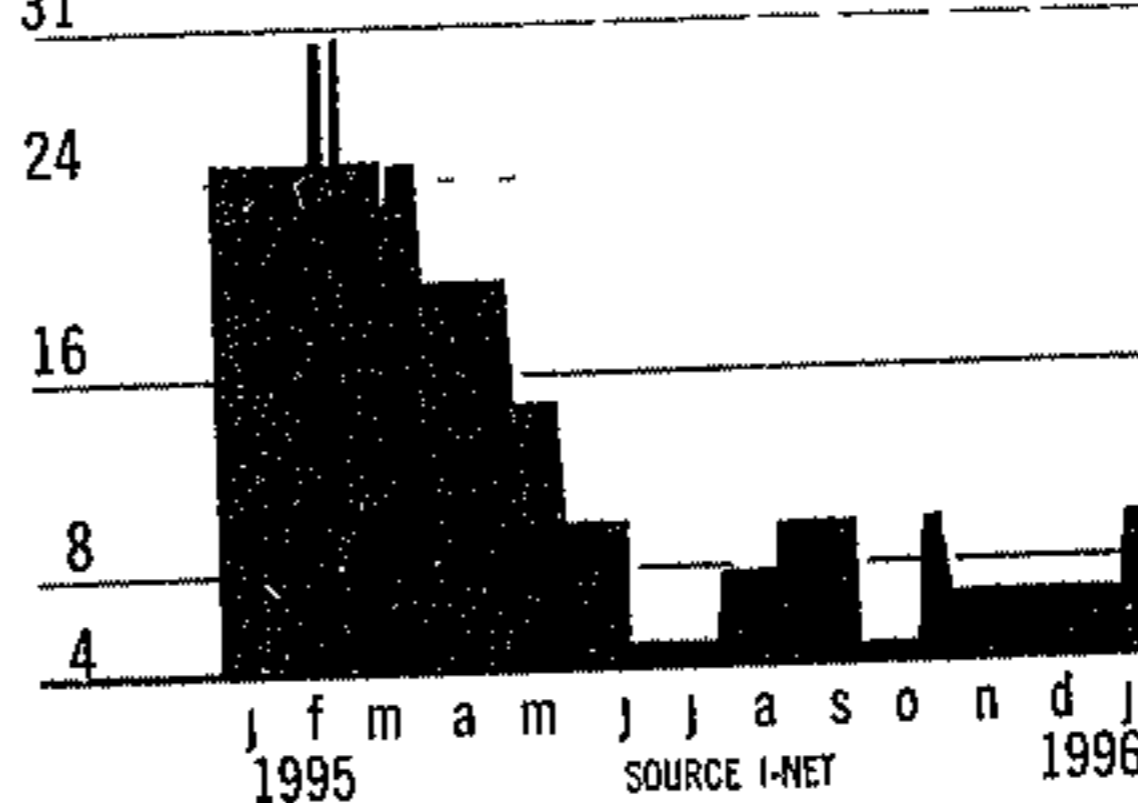
- ACTIVITIES. Zimbabwean copper mining company
- CONTROL. Zimbabwe government
- CHAIRMAN. S T Matema
- CAPITAL STRUCTURE. 20m ords Market capitalisation R1,4m
- SHARE MARKET. Price 10c Yields 261% on earnings, p e ratio, 0,38 12-month high, 30c, low, 5c Trading volume last quarter, 10 700 shares

Year to June 30	'92	'93	'94	'95
ST debt (Z\$m)	29,5	29,5	30,7	*34,3
LT debt (Z\$m)	10,8	8,4	46,4	44,0
Turnover (Z\$m)	162,9	102,0	119,4	166,5
Operating profit (Z\$m)	19,4	(2,5)	2,7	25,8
Interest paid (Z\$m)	10,8	20,6	19,9	20,5
Earnings (Zc)	42,7	(115,2)	(86,1)	26,1
Dividends (Zc)	5,0	—	—	—

*Excluding \$26m owed to holding company and fellow subsidiaries

Over financial 1994, Mhangura lost Z\$17,2m. It was insolvent to the tune of net current liabilities of Z\$15m. Over financial 1995, however, a dramatic improvement in the world copper price produced an operating profit of Z\$25,8m, interest swallowed Z\$20,5m but, even so, a net profit of Z\$5,2m is better than

Mhangura Copper Mines
 Cents



1994's kick in the pants

This doesn't exactly answer Mhangura's long-term problem. It is being sustained as a going concern by loans which now total Z\$78,3m, of which Z\$44m is long term. Needless to say — and properly — the auditor's report is qualified to the extent that attention is drawn to this

It is a condition which has been allowed to persist for too long. Now chairman S M Matema says "The long-standing issue will be addressed during this financial year as agreement in principle has been reached between ZMDC (the holding company) and government." Shareholders, however, must not hold their breath. They will be told about this only "in due course."

A feature of Mhangura's performance is the extent to which its working costs have escalated — from Z\$7 455/t at its principal source (Miriam shaft) in 1991 to 1995's Z\$18 122.

At 10c, this is a stock which offers a play on the copper price — especially if you think the Zimbabwean government's terms for restructuring the capital base will be generous. *David Gleason*

Rusplat and Northam flag the idea of a future merger

BO 6/2/96 (2/7)

David McKay

NORTHAM Platinum and Rustenburg Platinum have given their strongest indication yet that a merger would be an option if Northam was facing closure.

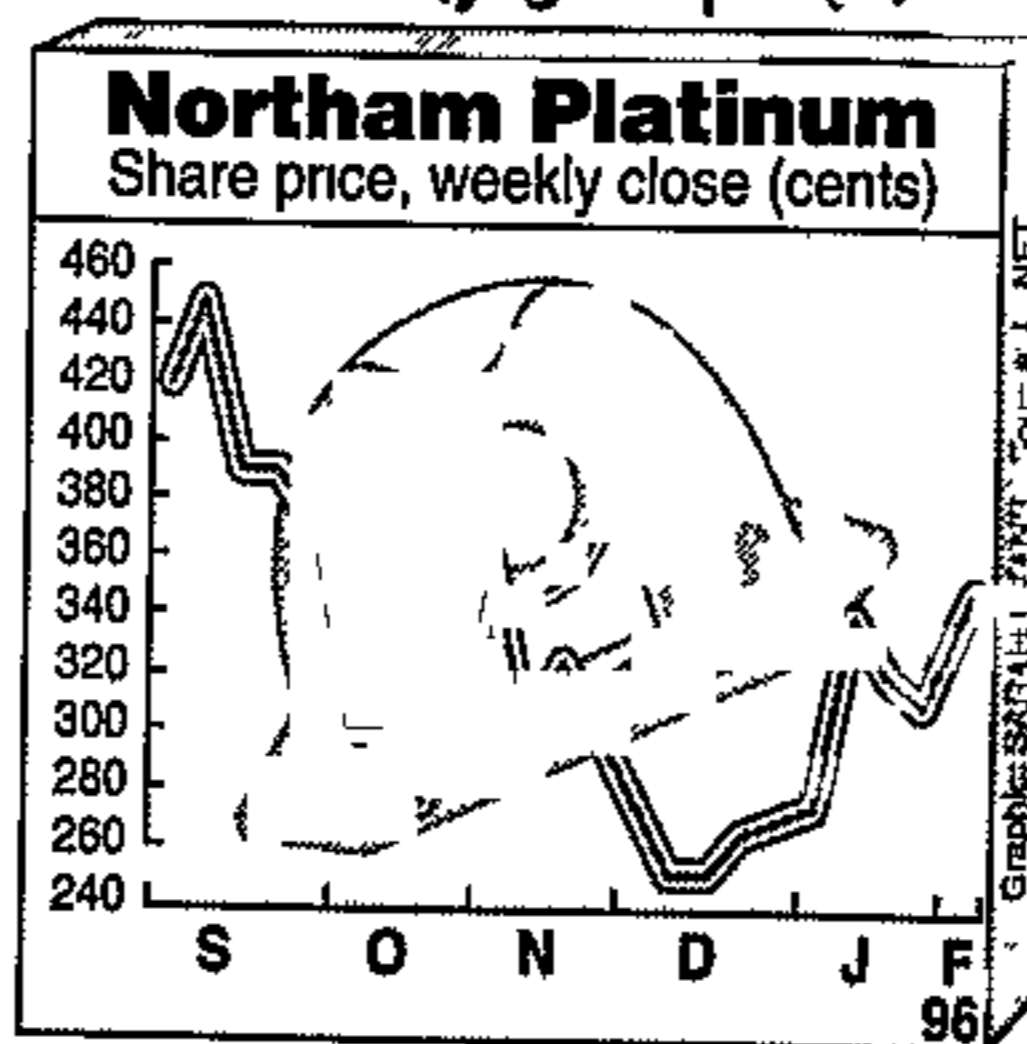
Northam chairman and Gold Fields of SA director Peter Janisch said yesterday the troubled mine would consider merging with Rusplat if its cost-cutting programme failed to hit recovery targets over the next six months.

Anglo American Platinum MD Barry Davison said Rusplats would be "provisionally interested" in gaining access to Northam's assessed tax loss — estimated by analysts to be worth R2bn.

The companies said there had been no talks between the two

But their comments nevertheless represent the first time the companies have formally flagged up the idea of a merger in public.

Hit by costs and lower platinum group metal prices, Northam posted a R22,7 loss in the three



months to December. The mine milled 1,24-million tons of ore for the year to June last year

Rusplats' distributable earnings were R378,4m (R287,4m) for the year to June last year, milling 15,7-million tons of ore.

Gold Fields, which holds 83% of Northam, has already said it would not pump further cash into the operation.

Janisch said that Northam would do everything to survive, including cutting fairly major costs.

"A merger with Rusplats is one option if six months from now Northam has not been able to realise the more immediate option of cutting costs. Another option is to simply close the mine and sell off its assets," he said.

Northam could shed between 5 000 and 6 000 jobs, incurring a bill of R11m in retrenchment costs if the mine was closed, according to some analysts. Northam axed over 2 000 jobs in the 1994/95 financial year.

Janisch said the average platinum price of \$430,80/oz could lead to some improvements in Northam's earnings. Analysts said the price could extend the life of Northam's available capital.

Analysts said Rusplats' Aman-delbult section would be a natural choice to merge with Northam, as the two were adjacent

Davison said, however, that any discussion about merging would hinge on gaining permission to lift the tax ringfence on the operations.

NEWS

Sharp drop in income for Impala Platinum

BY ROSS HERBERT

Johannesburg — Impala Platinum (Implats) yesterday announced a sharp drop in net income for the six months to last December and forecast that the next six months would be no better.

Implats's attributable income was R92,7 million, down 27 percent. Income before tax from platinum mining plunged from R229,5 million to R97,6 million.

Michael McMahon, the chairman, described the rhodium market as "an ongoing disaster" with prices falling 49 percent an ounce over the past six months. Market prices for platinum fell 7 percent and palladium fell 17 percent.

The average price Implats received for platinum rose from \$429 an ounce in the December 1994 period to \$453 during the past six months.

The company forecasts platinum prices will rise from the present \$420 range to between \$430 and \$440 over the next six months.

ET (BR) 14/2/96 (217)
But McMahon said the company would realise little benefit because most of its sales were set according to the average prices over preceding periods. Implats sells half its production under a contract for the average market price over the previous six months.

Turnover rose 1,4 percent to R1,18 billion, but the cost of sales jumped 16,8 percent to R1,05 billion. Implats declared a 30c interim dividend, down 40 percent from the previous 50c. Earnings were 149c a share, compared with 206c for the six months to December 1994.

"In view of the way we see the market going, we anticipate the next six months will not and cannot be better than the six months we have just had," said McMahon.

Implats suffered three worker fatalities over the period and had three more fatalities last month.

McMahon said he was "optimistic" that the European Commission would approve the proposed merger with Lonrho's platinum mines.

The EC's objections were due on February 21 and a final decision is expected on about May 5.

If the merger goes ahead, McMahon said no cost benefits could be realised until six to nine months later.

In August, the furnace used to process 80 percent of its output failed. McMahon said repairs took six weeks during which the company stockpiled concentrate powder.

The repair costs and lost profit amounted to R19 million but the company was insured and this did not affect results for the period.

Implats net cash position tumbled from R81,3 million in December 1994 to R24,6 million in December last year. McMahon said the net cash position could go negative in the next six months.

Legal action taken by the Bafokeng Tribe, which said previous royalty contracts were invalid, has been suspended while Implats considers a settlement offer from the tribe. McMahon would not specify details of the offer.

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Palamin benefits from higher prices

29/2/95 (217)

Edward West

PALABORA Mining Company (Palamin), SA's only copper producer, boosted taxed profit 72,4% to R370,2m in the year to December following increased copper prices and production.

Share earnings rose R13,07 from R7,58 in financial 1994 and a final dividend of 500c lifted total distribution for the year to R13 from R7,60.

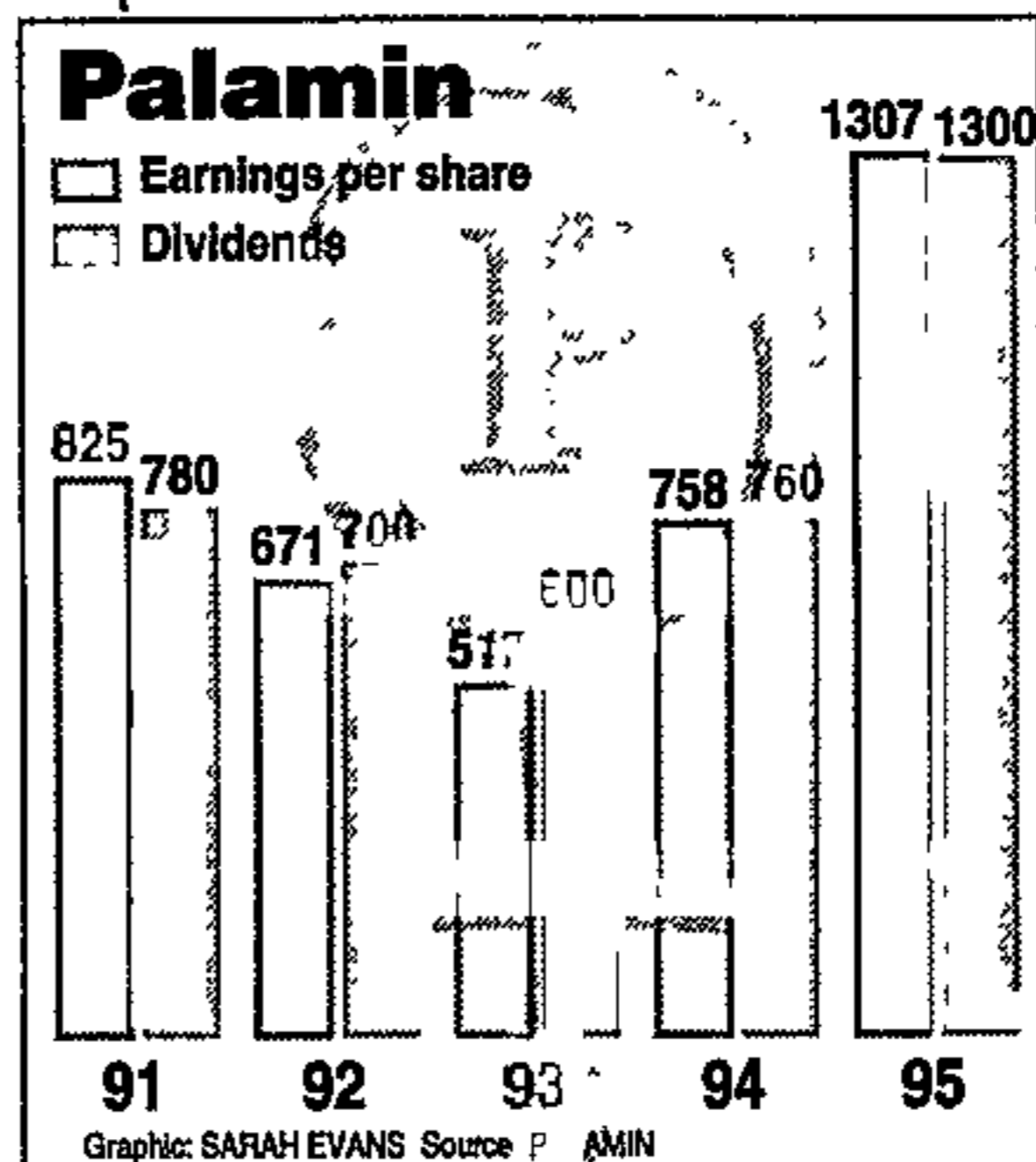
MD Frank Fenwick said yesterday that turnover had improved 25,2% to R1,74bn, benefiting mainly from a higher copper price, which averaged R10 859/ton (R7 954/ton). He said the copper price had dipped slightly since year-end, but was still looking strong.

Sales of non-copper products, mainly vermiculite, had exceeded those of 1994 because of higher volumes and price levels.

Margins improved substantially, lifting operating profit 74% to R727,5m. Interest received jumped to R38,4m (R13,8m) due to better cash flows generated by the higher copper price, but interest paid increased to R30m (R19,3m).

Fenwick said contained copper in concentrate production of 141 723 tons was well above 1994 production of 127 571 tons. The volume of material mined fell to 34,8-million tons from 38,2-million tons last year.

Operating costs had increased 4% over the previous financial year's, substantially below the inflation rate and sustaining a trend of real cost reductions over the past three to four years.



The average cash cost of cathode delivered to customers was R3 384/ton, just 5% higher than the previous year's R3 235/ton. Smelter performance was steady, with a gross smelting rate averaging 1 022 tons a day, marginally below the record rate of 1 036 tons a day achieved in 1994. No major work stoppages were reported during the review period.

Palamin had spent about R85m over the past five years on investigating the feasibility of mining underground. Fenwick said the company was in the final stages of evaluating the 30 000 tons-a-day underground project and results were more promising than those for the large-scale operation abandoned in 1994. The project was technically feasible, but economics and financing were still being evaluated.

Gold Fields' Gamsberg (217) zinc mine project on hold

David McKay

GOLD Fields' proposed R1,9bn Gamsberg zinc mine project was on hold because its orebody was too marginal at current prices, the group said yesterday.

The Northern Cape project, in which the Industrial Development Corporation has expressed interest, was grading 7% — just below the level needed at current prices, base metals MD Peter Janisch said.

Zinc needed to consistently sustain a price of about \$1 300 a ton, but an overhang of material in stock was keeping the price at about \$1 100 a ton.

It is understood the mine's development has also been delayed

by a shortage of smelters with the technology capable of processing the ore.

Gencor unveiled plans earlier this week for a zinc smelter in the Eastern Cape, with an initial cost of around R1,5bn. The ore would be supplied by Gencor's offshore arm Billiton.

The Gencor operation would be capable of smelting Gamsberg's output, and Gencor chairman Brian Gilbertson said this week the smelter would be willing to process Gamsberg's ore if the mine came on stream.

However, both companies said no talks had taken place.

According to a recent report from stockbroker EW Balderson the average zinc price last year at

DD 1/3/96
\$1 031/t was just 7% above its 1993 level.

London Metal Exchange stocks of zinc had fallen 590 000 tons from their peak in October 1994, but the pace had slowed and producer-consumer inventories had barely moved.

The proposed Gencor smelter, which is planning to exploit cheap electricity, would have the capacity to produce 200 000 tons a year with possible expansion to 400 000 tons a year. The project is also being pursued jointly with the IDC. The corporation's projects GM Ted Droste said the organisation would still be interested in supplying finance leading to the mine's development if Gold Fields made a proposal.

France, SA sign pact on uranium

BD 11/3/96

(217)

Mungo Soggot

SA AND France would collaborate on developing uranium enrichment technology in a pact which could add about R200m a year to SA's uranium exports, Minerals and Energy Affairs Minister Pik Botha said yesterday.

Botha said the two governments had signed agreements yesterday paving the way for the Atomic Energy Corporation (AEC) to work with French government-controlled company Compagnie Generale des Matieres Nucleaires (Cogema)

The AEC and Cogema would explore molecular laser isotope separation technology, used in the commercial enrichment of uranium. In September 1994, Cogema had signed a letter of intent expressing its willingness to pump R83m over the next three years into an SA-based programme.

Now that all the industry's bureaucratic hurdles had been overcome, the two companies could forge ahead with their work.

The International Atomic Energy Agency had been informed of the move and France and SA had signed a general agreement covering nuclear co-operation and trade. They had also signed a more specific agreement covering the industrialisation of the separation technology for peaceful and commercial purposes.

Botha said Cogema had spent the past 18 months studying the AEC's progress. Its involvement would cut SA's own investment in the project, which could "prove a key foreign exchange earner".

The work would be carried out at Pelindaba — the site of the AEC's Z plant which was used during the sanctions era to produce enriched uranium for Eskom's Koeberg nuclear power station. With the embargo on uranium exports to SA lifted, the plant

was shut down last year and 500 jobs were axed.

The AEC has been redefining its role and shifting its operations to the commercial sphere. It aims to become self-funding by 2000.

The AEC's board has been reshuffled. Don Ncube of Real Africa Investments is chairman and Waldo Stumpf is CE. The rest of the 11-man board are all new apart from Central Energy Africa chairman Roy Pithey.

Botha said the hope was that the joint programme would allow SA to raise cash by licensing the enrichment technology.

"It is widely recognised that laser-based technology will have a major role in the future.

"Should the outcome of the commercialisation programme be successful, a joint venture with Cogema would provide SA with the opportunity to globalise the technology and to gain access to the uranium enrichment business currently valued in the region of R15bn a year."

Cogema could also help market enriched uranium from SA, doubling the value of SA's current R200m uranium exports.

The tie-up with France would also help the AEC develop nuclear technology in the agricultural, medical and industrial fields, Botha said.

It could also help the AEC expand its work on nuclear safety, radiological protection and environmental protection.

"Support from a partner such as Cogema has become essential for the continuation of the programme which would otherwise have to be reconsidered — which in turn might lead to a considerable loss of commercial potential for the SA minerals industry as well as further loss of valuable knowledge and experience that was built up over more than a decade in the field of lasers."

Palabora to go ahead with R1,5bn mine

David McKay

(217) BO 7/3/96

PALABORA Mining (Palamin) had given the green light to developing its R1,5bn underground mine after a five-year, R85m feasibility investigation, MD Frank Fenwick said yesterday.

The mine, close to Phalaborwa in Northern Province, had been planned at a production rate of 30 000 tons a day of copper ore for 20 years.

It would exploit ore reserves below the current open pit, with material processed through the existing metallurgical plant

The underground mine would use the block cave mining method, in which ore was blasted and collected in automatic load-haul dumpers

Production was estimated at more

Continued on Page 2

Palabora

(217)

Continued from Page 1

BO 7/3/96

than 90 000 tons a year by 2003, ensuring a continuous supply of refined copper, Fenwick said. About 1,4-million tons of refined copper would be produced for sale during this period, with cash costs estimated to average \$0,50/lb of copper in real terms after by-product credits.

Shaft sinking and underground development would start in June this year, and full production had been timed to coincide with the closure of the open pit in 2002.

The underground mine would provide about 1 800 jobs, with 400 people used directly on the mine operation. Palamin currently employed 2 800 workers.

"Palabora is the only local producer of copper capable of meeting SA's current needs. The underground project represents a major benefit to the SA economy as it will maintain the national resource of copper, including continuous cast rod, well into the next century," he said.

RTZ-CRA is the major shareholder and manager of Palabora Mining Company and it holds 39% of its equity. Anglo American is its other significant shareholder



NEVER TOO LATE Cosatu president John Gomomo with general secretary Sam Shilowa

PHOTO JOHN WOODROOF

Still time to influence Budget, says Shilowa

By JAMES LAMONT

Johannesburg — Sam Shilowa, the Cosatu general secretary, said yesterday the labour movement could still influence the contents of the final Budget, which is to be announced next Wednesday.

Shilowa said "Cosatu still has an input at this late stage, it is never too late." He denied speculation that Cosatu would call for industrial action ahead of the Budget.

Labour representatives met the government on Tuesday night to discuss the controversial issues of the Budget, in what constituted the first direct, formal talks the unions have had on the Budget. A

further meeting with the finance ministry is expected before next Wednesday.

Shilowa would not comment on the substance of any of the talks without a mandate from his fellow negotiators — the National Council of Trade Unions (Nactu) and the Federation of South African Labour Unions (Fedasa).

He spent yesterday afternoon in last-minute discussions with top officials from Cosatu, Nactu and Fedasa about the Budget. The results of this meeting will be presented to the plenary session of the Cosatu labour negotiations school in Johannesburg today.

Representatives from the trade unions will then meet once more

with the government, said Cosatu president John Gomomo.

Trade unions were concerned over an increase in the VAT rate as this greatly affected lower-income earners. The unions also pushed for the zero rating of a greater number of items, particularly if VAT was increased.

They are also opposed to the government's use of the Budget to spur industrial restructuring initiatives, particularly as they related to social components and supply side measures.

The unions expressed concern in Neldiac that R2,9 billion had been rolled over in the Budget from the inefficient housing department.

R1,5bn for Palabora (217)

copper mine

By AP-DOW JONES

7/3/96

London — Palabora Mining Company has been given the green light to go ahead with the R1,5 billion development of an underground copper mine at Phalaborwa in the Northern province.

Palabora has not decided how it will fund the R1,5 billion project, but it said shaft sinking and underground development would begin in June 1996, with full production timed to coincide with closure of the open pit in 2002.

In another development, Anglovaal — the mining investment company — announced yesterday it would go ahead with the development of a new nickel, copper, cobalt and platinum mine in Mpumalanga province in a joint venture with Anglo American Corporation.

Anglovaal said in a statement the new mine would cost around R140 million to develop and that full production could be expected by the first half of 1997.

The Mpumalanga prospect is owned by the Nkomati joint venture comprising Anglo American and two Anglovaal subsidiaries, Middle Witwatersrand (Western Areas) and Eastern Transvaal Consolidated Mines.

"It is envisaged that the full production rate of 10 000 tons a month of ore milled, resulting in approximately 3 000 tons a month of concentrate, will be reached during the first half of 1997," Anglovaal said.

POLITICS

Huge expansion for copper mine

Sowetan 8/3/06 (217)

By Abdul Milazi
Labour Reporter

THE Palabora Mining Company is to develop a R1,5 billion underground operation in Phalaborwa, Northern Province, in a bid to extend the life of a copper mine for 20 more years

Palabora managing director Mr Frank Fenwick said the mine would exploit the ore reserves below the current open pit they had been mining and the copper would be processed through the existing metallurgical plant

Fenwick said shaft sinking and underground development would begin in June and full production was expected to coincide with the closure of the open pit in the year 2002.

He added that the decision was the culmination of years of feasibility studies and all stakeholders were pleased that the development was going ahead

The mine has been planned at a production rate of 30 000 tons of ore per day with a 20-year lifespan. Production of unrefined copper would be initiated at more than 90 000 tons per year in 2003, ensuring continuous production of about 1,4 million tons of refined copper

"Palabora is the only local producer of copper capable of meeting South Africa's current needs. The underground project represents a major benefit to the country's economy in terms of maintaining its own national source of refined copper well into the 21st century," said Fenwick

He added that the project also ensured continued employment in the province

The National Union of Mineworkers (NUM) yesterday welcomed the move, but cautioned that it should also benefit workers and not only shareholders

Cosatu and deputy finance minister meet

CT(BR) 8/3/96
BY JAMES LAMONT

Johannesburg — Representatives of South Africa's trade unions met again yesterday in Johannesburg with Alec Erwin, the deputy minister of finance, ahead of next week's Budget

Both Erwin and Sam Shilowa, Cosatu general secretary, declined to comment on the talks, which also involved officials from the National Council of Trade Unions and the Federation of South African Labour Unions

Shilowa, however, did confirm that the parties had discussed the forthcoming Budget. He said that he believed the unions could still influence the final contents of the Budget

He said the unions would issue a statement before the Budget announcement

A union source close to the talks said that the issue of income tax had featured prominently. He said income earners in the R40 000 to R100 000 a year range were taxed too heavily and incomes above R120 000 were proportionately better off. The unions were bargaining for a reduction in middle-income tax.

The source, however, believed the unions demands on the tax issue would be met over the next two to three years, but he said it was unlikely that they would be addressed before next Wednesday's announcement.

Spate of new mines to 'hit copper price'

CT(BR) 8/3/96 (217)
BY ROSS HERBERT

Johannesburg — Plunging copper prices were on the cards for the next three years as a result of a spate of recently announced new mines, analysts said yesterday

The pessimism was led by the London-based Bloomsbury Minerals Economics, which this week predicted a bloodbath in spot copper prices. The predictions cast a shadow on the R1,5 billion Northern Province copper project announced on Wednesday by Palabora Mining, Anglo American and Minorco

Anglo American and Minorco are studying or developing at least four major copper mines and further investment in troubled Zambian Consolidated Copper Mines (ZCCM)

Copper prices averaged about \$1,33 a pound last year, up 27 percent from 1994 levels. Prices of \$1,01 a pound this year and \$0,82 next year were forecasted by Bloomsbury. Another London forecast put prices of \$0,70 by 1999, with long-term prices settling at \$0,90

"A price of \$0,82 would be catastrophic for a number of projects. For ZCCM, a price of that level would have a very serious effect if it was sustained for any period," said Jack Holmes, a director at Anglo American, focusing on Zambia, where the company has been evaluating several major copper projects.

"Most of our people in Anglo and Minorco are basing their long-range project judgements on a price

of about \$0,95," Holmes said

"One of the problems is almost every mine in the world is profitable at \$0,90 a pound. Everyone who can is bringing a copper mine on stream," said Nick Hatch, the head of the mining analysis unit for Ord Minnet in London

The consensus among six analysts who spoke to Business Report was that supply would grow between 7 percent and 9 percent this year while demand would grow at 2,5 percent to 3,3 percent. Bloomsbury predicted an oversupply of 475 000 tons by August. Last year, world production was about 10,44 million tons. New mines will add 1,1 million to 1,23 million tons of capacity by 1998

A crucial factor changing the market's dynamics is a processing technology known as solvent extraction electro-winning, which can cut the production cost of copper from about 70c to between 20c and 50c. Not all copper ore is suitable for the process, but it accounts for about 25 percent of world production and is growing

It is applied to old mine dumps and is planned for many new low-cost mines coming into production in the next three years

As a result, analysts warned of a possible shakeout in the world market, driven by the new breed of low-cost producers

"(A shakeout to a much lower price) should happen in theory. But everyone said it would happen in 1993 and it didn't," Hatch said

Standard Bank 'prejudiced', union says

CT(BR) 8/3/96
BY LLEWELLYN JONES

Johannesburg — Standard Bank would retrench or redeploy hundreds of workers in its latest round of restructuring, said the South African Commercial Catering and Allied Workers Union (Saccawu)

Saccawu said it believed the number of employees targeted because of the continuing activity value analysis was prejudiced against blacks

The analysis is being conducted in conjunction with McKinsey's corporate consultants

The bank is evaluating employee functions in relation to

the core nature of the business

Saccawu members expressed their outrage by picketing the gala opening of the bank's new head office for Standard Corporate and Merchant Bank in Simmonds Street, Johannesburg, on Wednesday

In a letter of protest handed to Tokyo Sexwale, the premier of Gauteng, Saccawu said the bank was not implementing affirmative action policy to promote blacks to senior management positions.

Saccawu represents about 2 percent of the national bargaining unit and is not officially recognised by the bank

Graeme Rowan, the general sec-

retary of Sasbo the Finance Union, agreed with a Standard Bank spokesman that the South African banking sector was emerging from years of protection and had to change to meet foreign competition.

"We recognised that change was inevitable and that it has to be properly managed — a lesson which less experienced trade unions have yet to learn"

He said he was unaware of any retrenchments planned at this time, though the union accepted that Standard Bank needed to cut its staff levels by about 20 percent over the next three to five years if it was to remain competitive

Implats hopeful on settlement

David McKay

IMPALAS Platinum has rejected proposals from the Bafokeng to settle their dispute over royalty payments on its Deeps Area in the Northwest province.

Implats said the offer amounted to a "take it or leave it" approach. "They were based on the tribe's assessment of the case which we believe is mistaken," a spokesman said.

But Implats was still hoping to negotiate a settlement before the matter goes to court.

The outcome is important for Implats' plans to merge with Lonrho's platinum operations Lonrho

BD 26/3/96 (217)
will be entitled to place its share of the combined operation with Implats if the Bafokeng win.

Last year the Bafokeng claimed that the company did not have legal right to its lands.

The operation consists of two mines, Bafokeng North and Wildebeestfontein South, as well as a concentrator and smelter complex.

Implats has paid R43,5m in royalties over the last three years.

But the tribe has alleged that the royalty contracts concluded in 1990 between Implats and the tribe's trustee, former Bophuthatswana President Lucas Mangope, were void.

Bafokeng-Implats dispute thrown open

David McKay

QUIET attempts to settle the dispute between Impala Platinum and the Bafokeng nation yesterday burst into the public arena, as the Bafokeng revealed the terms of the settlement they had offered the Gencor-owned group.

The Bafokeng, in a paid advertisement, said the terms of its offer would have had minimal affect on Implats' earnings between 1989 and 1993, and it had asked the group to donate R5m a year to an educational trust as "part of its contribution to the RDP".

Implats had turned the offer down. It said the proposal had not been "open for negotiation".

The Bafokeng said they had asked Implats to increase royalties paid for the land to 33,5% of profits for older lease areas and 25,8% for the "Deeps". This would amount to a total royalty pay-out to the tribe of R10m a year, substantially less in real terms than the annual royalties paid to the Bafokeng nation during past decades.

BO 3/4/96 (217)
Under its existing agreement, Implats pays the tribe about 14% of its pre-tax profits in royalties annually.

The Bafokeng said the offer which lapsed on February 28 would have settled all disputes between the parties.

Impala said yesterday it did not intend to respond to the claims or to litigate through the media. Implats last month had rejected the proposal from the Bafokeng, saying it amounted to a "take it or leave it" approach.

The Bafokeng said in their report on their settlement proposal that they had decided to oppose the merger between Implats and Lonrho, which has been under examination by the European Community this year.

They said they had "joined the Tiny Rowland team" and submitted a memorandum to the EC outlining their basis for opposing Implats' right to the lands on which it was mining platinum. Implats is waiting for the EC to rule on its proposed merger with Lonrho's operations, which would create the world's largest platinum producer.

Mine royalties row simmers

(217)

CT(BR) 3/4/96

FROM REUTER

Johannesburg — A dispute over royalty payments could cost the world's second largest platinum producer the right to mine land owned by the Bafokeng, leaders of the tribe, said yesterday.

Unless Impala Platinum Holdings (Implats) improves its current offer on royalty payments, prospects for a settlement of the dispute are bleak, the tribe said.

The tribe is contesting contracts concluded in 1990 between Implats and a trustee on behalf of the tribe, which it says are invalid.

In terms of a settlement offer, which lapsed at the end of February, Implats had either to convince the tribe that current agreements were

valid, or increase royalty payments by between 25 percent and 33,5 percent.

The Bafokeng contend that should its action be successful, Implats will lose its rights to mine the land, and it will be entitled to claim profits made by Implats while mining under invalid agreements.

Implats says it is willing to settle the dispute and is awaiting further particulars to clarify the claim.

Under the agreements covering Implats mines on Bafokeng land, the tribe is entitled to about 15 percent of taxable income.

The tribe has taken its case to the European Commission which is currently evaluating a proposed merger between Implats and Lonrho Platinum.

Mine's payout probed

Sowetan 4/4/96

(217)

By Isaac Moledi

AN eight-man committee, involved in a dispute with a North West community over the mismanagement of millions of rands worth of royalties for mining rights paid out by a vanadium mine is being investigated by the Office for Serious Economic Offences

The committee is led by a well-known North West businessman, Gabriel Mokgoko

OSEO director Jan Swanepoel has confirmed that the matter between Mokgoko's committee and another faction within the Bakgatla tribe of Krokodilkraal and Uitvalgrond, near Mothotlung, over the distribution of royalties totalling R9 million has been handed to his office for investigation

Swanepoel says the dispute is well known as it has also been report-

ed to the office of President Nelson Mandela and the Ministries of Justice and Minerals and Energy Affairs

The row between the two factions revolves around payments which a mining company, Vametco Minerals Corporation, has apparently been making since 1988 to a committee led by Mokgoko

Vametco was granted rights to mine vanadium by families in these two areas

One faction, led by Amiel Sefolo, has accused the company of paying royalties to Mokgoko's committee, which is not recognised by the community

Sefolo's group says Mokgoko's group was elected by the co-owners of the two farms in 1985 to liaise with Vametco over payment of royalties, but the committee has since refused to call elections for new office-bearers although the constitution calls for

elections every five years

There are also claims of mismanagement of the royalties since the committee took over in 1985

Sowetan's efforts to solicit comments from Mokgoko's group were futile

Attempts by North West premier Popo Molefe to resolve the dispute could not get off the ground because a meeting scheduled for today has been cancelled

The Sefolo group says it cancelled today's meeting because it was called at short notice by the North West government

"The premier was asked by President Mandela in February last year to resolve the matter. He preferred not to do so until we reported the matter to national government departments and the Office for Serious Economic Offences," a spokesman for the group said

NICKEL

(217) AM 5/4/96

NKOMATI BONANZA?

The Nkomati joint venture between the Anglovaal and Anglo American groups could yield more than the initially projected 3 000 t/month of nickel-rich concentrate from the Slaaihoek and Uitkomst farms near Komatipoort, Mpumalanga

If further feasibility studies now under way yield positive results, it will enable the partners to exploit additional ore reserves — possibly next year

But the initially projected concentrate tonnage of 36 000 t/year would only yield 2 500 sales tons of nickel a year, says Anglovaal Minerals spokesman Julian Gwillim. The balance of the concentrate would be cobalt, copper, platinum, palladium and gold

So the Nkomati project's first stage would not go far towards meeting the nickel requirements of the two main stainless steel projects — Columbus (600 000 t/year) and Iscor (400 000 t/year)

"Discussions are at an advanced stage," says Gwillim, "to have the initial concentrate production toll-treated (locally and offshore), as we don't intend to build smelting and refining facilities

now. But depending on expansion prospects now under investigation, this remains an option for the future"

Nkomati recently announced that it would produce 36 000 t/year of nickel-rich concentrate over 15 years by exploiting the 3 Mt sulphide zone at a capex cost of about R140m

But three additional ore zones, totalling about 52 Mt, are now under investigation. Should the partners decide to expand ore exploitation and build smelting and refining plants, the project could become a major economic injection for the province

An expanded project would not only help meet the nickel demands of Columbus and Iscor — but also lead to lucrative

exports. Nickel LME prices now hover around US\$8 000/t, after coming off a previous high of \$9 600/t

Columbus operations GM David Martin says that, based on the Middelburg producer's production split of roughly 70% austenitic (nickel-containing) and 30% ferritic stainless steel product, its total nickel requirements would be about 42 000 t/year. Current local nickel availability is around 21 000 t/year. Iscor would also need large tonnages of nickel on full production at their Pretoria-based plant

"We have had provisional talks with the Nkomati partners and hope to obtain all our future nickel requirements from local sources," says Columbus CE Fred Boshoff. "This would help us save about R250/t on nickel import transport costs"

Iskor Pretoria works GM Harry Delpert says local sourcing of stainless steel production nickel requirements would also provide a saving on inventory requirements. "But the question remains whether Nkomati would price its metal at import or export parity levels"

Gwillim says the results of feasibility studies on the rest of Nkomati's ore should be ready by year-end. "There's a lot of interest about possible developments and a decision could be made

early in the new year

"The additional ore bodies are fairly complex and also have a lower nickel content. One could foresee a phasing-in process taking place"

Nickel concentrate production from Nkomati's first stage should start flowing during the first half of 1997 ■

TECHNOLOGY EXCHANGE**BIG BROTHER**

SA and the European Union hope to conclude a far-reaching agreement on scientific and technological research before mid-April

With research funds becoming less

readily available, local research bodies should consider the co-operation agreement as a potential lifeline

The negotiations were the direct result of a June 1995 decision by the European Council of Ministers to assist SA's transition process

The envisaged agreement caters for the sharing of research information in all fields

Robert Adam, deputy director-general of the Arts, Culture, Science & Technology Department, expects the information sector to gain the most. "Southeast Asia's ability to produce tremendous growth is directly linked to that region's ability to gain access to European technology. The negotiations should give us a comparable edge"

In practice, SA research bodies — councils, universities, private-sector organisations and government — will be allowed to co-operate in projects with EU counterparts from at least two different member-states

The EU partners' costs will, to a large extent, be carried by the union. SA will, however, share in the knowledge. This will allow local projects to be co-funded by the EU, a process that could save lots of money. The total budget for technological co-operation amounts to R70bn until 1998

The co-operation is, however, reciprocal. SA would be expected to share its information with overseas counterparts

The EU has categorised this country as a developing nation, which has additional benefits. In three sectors, the country can qualify for direct EU funding: health, agriculture and environmental research

Sources in the European Commission, which negotiates on behalf of the EU, say they were impressed when they toured research bodies and councils here

"Especially in environmental research, SA could play a meaningful role and I see no problem for direct funding for some of your projects," says one

They acknowledge that SA has a strategic location for ozone layer research — a highly sensitive issue in Europe, where pollution has been accorded priority

The research field in which this country could gain most is agriculture. Some European research bodies, especially universities, have made impressive progress in bio-engineering technology

The university of Ghent in Belgium has become famous for its seed engineering



Fred Boshoff saving on nickel import transport costs

nance, and the plug was pulled early this year SAA had the field to itself Three major US carriers, United, Northwestern and Delta, are interested in entering the market but have no immediate plans to offer a service using their own equipment Instead, they intend to make use of the third country codesharing provisions of the new agreement which will enable them to ticket passengers on European carriers with whom they have entered alliances

Third country codesharing was the issue that caused negotiations on a new treaty to founder acrimoniously last year The US was determined that Pretoria should allow US airlines to funnel customers to SA aboard the aircraft of European partners on an unlimited basis SAA balked DOT responded by refusing to let SAA put on extra flights for the holiday season

The SA side took another look at the question and returned to the table at the end of last month offering to phase in third-country codeshares From that point, negotiations proceeded quickly, resulting in agreement on the terms of a new treaty within days Two US carriers will be allowed to serve SA with third country partners within 18 months, rising to four by the fourth year

SAA, meanwhile, gets to expand its own alliance with American Airlines and to provide service to four US cities on top of its existing destinations, New York and Miami It is permitted to sell seats to another 10 cities under codesharing arrangements, rising to 25 by the end of 1998

Other important features of the deal include a new right for SAA to serve the US market through a Latin American city and pick up passengers en route In return, US carriers will be allowed to pick up SA-bound passengers from certain agreed cities in Africa For the first year of the agreement, each country is allowed 11 weekly passenger roundtrips, increasing to 21 within five years

This is not the completely deregulated "open skies" approach the US side now regards as first prize in such negotiations, and US officials are quick to characterise the agreement as transitional But there is also no doubting that the Clinton administration is happy that the issue is settled, especially with another piece of unfinished business from the apartheid era, the Armscor arms smuggling indictment, continuing to cause friction ■

ATLANTIC AIR

THAT FUEL . . . ISH FEELING

Mercedes-Benz SA chairman Christoph Kopke had to dig into his own pocket to get 100 guests home to Johannesburg after Shell refused to accept charter company Atlantic Air's fuel credit card when it tried to refuel one of its jets

Kopke had to phone Shell HQ in Cape Town on Monday evening and personally guarantee payment before the oil company would agree to refuel the chartered Boeing 727 at Port Elizabeth airport The aircraft was returning from George, where guests had attended the launch of the new Mercedes E-Class

What should have been a 20-minute stop to drop off a few guests and top up with fuel turned into a 90-minute delay before the aircraft could take off

Shell refused to accept Atlantic Air's card because the airline didn't have enough in its jet fuel account to cover the bill Atlantic chairman Johan Crouse admits this in a letter of apology to Mercedes "With all charters we undertake,



Christoph Kopke had to foot the avgas bill

unless arrangements have been made with the client to organise the fuel themselves, we uplift fuel with our credit card We, however, ascertained that payment had not yet been transferred to the credit card institution "

By the time Atlantic Air learnt of the problem and tried to sort it out, Kopke had already acted, says Crouse who also headed up the now defunct Phoenix Air

Mercedes had originally booked the charter flight through Swiftlite, of Lanseria airport According to Swiftlite director Nola Kropman, it subcontracted Millionair Charters, which in turn got an aircraft from Atlantic

Says Kropman "We paid Millionair the

full amount for the aircraft, which included all aspects of the charter — including fuel costs " ■

DRUG PRICES

(Handwritten scribble)

DOCTOR'S ORDERS

FM 5/4/96

Health Minister Nkosazana Zuma is probably better known for her part in the R14m *Sarafina 2* fiasco and imports of Cuban doctors This week, she managed to attract attention for health industry changes she has implemented

On Monday, clinics opened to anyone who wants free primary health care And government announced it would slash medicine prices

The prohibition on pharmacists and private doctors from placing a mark-up on prices is to be enforced And if prices still don't drop, the Health Department will limit the number of drugs available

From July, people will have to pay a dispensing fee, probably R12, and the wholesale prices of the drugs they need Doctors will still charge consulting fees, which are expected to increase But licences will be granted to dispensing doctors only if there are no pharmacies near them

Pharmaceutical Manufacturers' Association president Mike Norris says association members will have to see how price-cutting affects the industry "If drugs become more affordable and prices more transparent through the distribution chain, we welcome it "

Consultant Ossie Bellingan says the new pricing will affect retail pharmacies "Many of the smaller operations are already marginal and some can expect bad news," he says "Others have restructured to meet the challenge "

Bellingan says that with ownership able to change to nonpharmacists, many retail pharmacies may move into chain stores But many people who cannot pay cash for drugs will still prefer local pharmacies which grant credit

Government has also shown it is serious about curbing drug price rises by announcing the Health Department will cooperate with the drug squad to overcome the theft of State medicines To boost this effort, all medicine — whether bought by the State, sold by retailers and dispensing doctors or exported — will be colour coded to identify use or destination

A police report says it will be possible to enforce the measures under the Act regulating medicine control ■

Russian threat expected to cap platinum price

BD 9/4/96 (217)

David McKay

THE platinum price was likely to spend most of the next four years languishing between \$410/oz and \$415/oz, hemmed in by the threat of Russian supplies, analysts said at the weekend.

The metal — which was trading at \$405/oz late last week — would remain subdued as Russia dipped in and out of its unquantified stockpile to feed its appetite for foreign exchange.

The Moscow menace helped pull the JSE's platinum index to a year low late last week.

It stood at 4 779,8, against a year high of 6 661,96 reached last April.

Impala Platinum hit a year low of R62 last Thursday, against a R101 high last July.

Anglo American Platinum was off its year low at R25, against a high of R31,50 touched last June.

Several analysts, who declined to be named, said that predictions on the size of the Russian stockpile ranged between 2,5-million ounces and 5-million ounces.

Russia would filter its supplies into

the market slowly to ensure the price was not driven down. But this would also keep a cap on the price.

"Predicting the size of the stockpile which the Russians are willing to use and the long-term platinum price is like playing donkey's tail," an analyst said.

Palladium was expected to be capped at \$140/oz by the same Russian approach.

The rhodium price was expected to remain uninspired at between \$300/oz and \$350/oz

Russia put 500 000oz from its reserves into the market last year, as its exports rose 19% to 1,2-million ounces. SA producers lifted their production 6% to 3,35-million ounces last year.

Analysts said earnings growth among SA producers would become increasingly dependent on the industry's ability to bring down operating costs.

Platinum's bleak outlook could also have dire consequences for Gold Fields of SA's Northam Platinum operation.

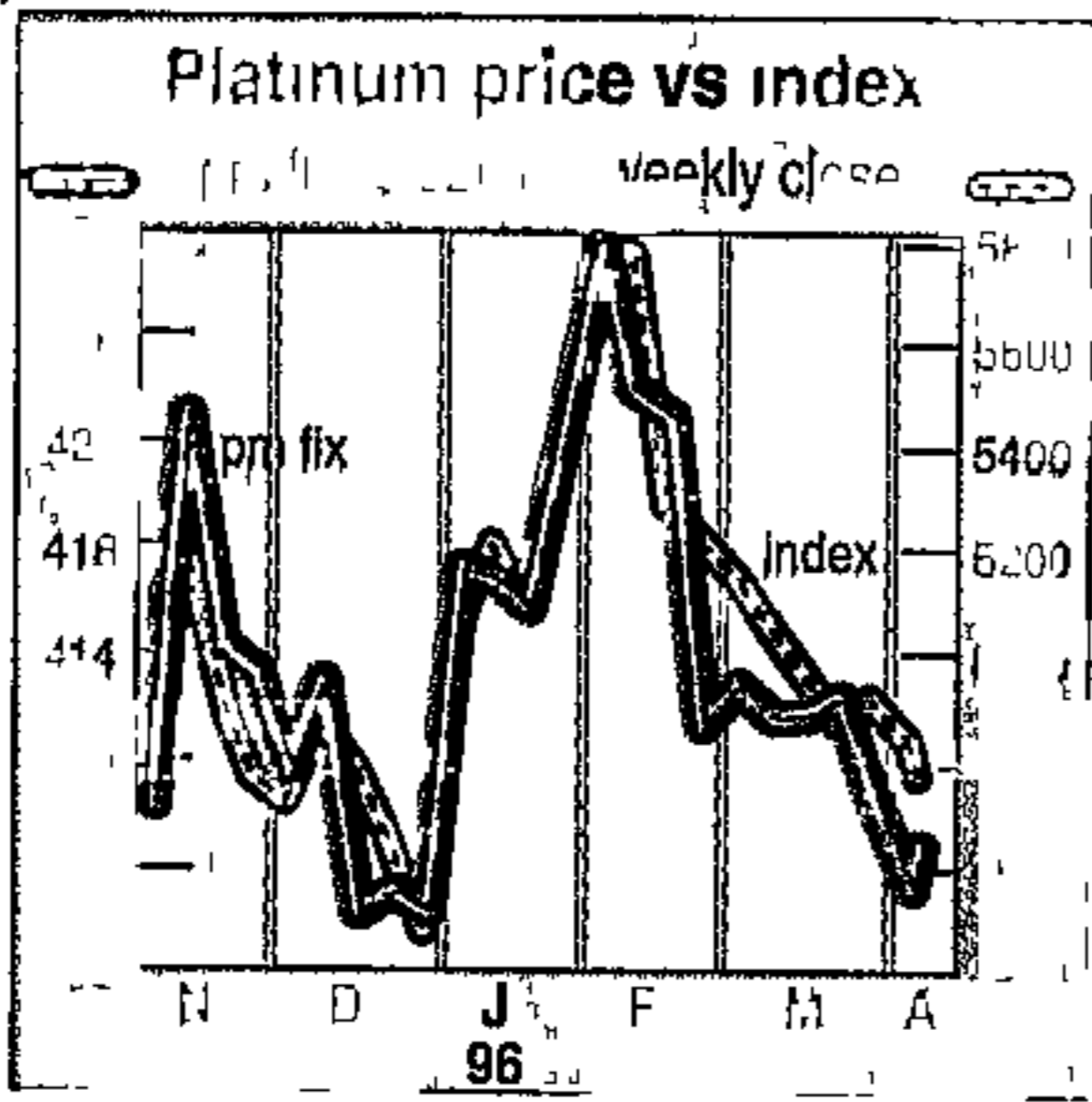
Gold Fields has previously set a \$430/oz platinum price assuming a R3,80/dollar exchange rate as Northam's break even threshold.

The mine has been assisted by the rand's recent weakening, which some sources said could have given Northam another 12 months' breathing space.

On last week's record low close for the rand of R4,14, Northam's break even price would have been just below \$395/oz.

Amplats and Gold Fields have previously indicated that merging Northam and Amplat's Rustenburg operation could be an option.

An analyst said an announcement could be expected soon, but the two companies said at the weekend that there had been no talks.



Mining industry sceptical about report of platinum in Northwest

David McKay

THE release of new data by the Council for Geoscience which confirms the presence of high concentrations of platinum in soil over a widespread area of Northwest province has been met with scepticism by the SA mining industry.

Gold Fields of SA new business executive director Richard Robinson said the mining group, which has only just managed to bring the long-troubled deep-level platinum mine Northam to profitability, would be interested in exploring a bankable shallow depth or open-cast platinum reserve.

However, he believed that exploration of the area in the past had produced some "disappointing results".

Gold Fields would examine fur-

ther completed studies by the council on the area, but development in the area would depend on the definite presence of a reef, and the chance that it was economic, Robinson said.

"If something cropped up and was viable, with a good grade, we would look at putting money into an exploration, particularly if it was at a shallow depth."

A spokesman for the Council of Geoscience said that a total of 4 000km² had been examined in two studies on an area close to Brits in Northwest.

He said that platinum-rich horizons in the Bushveld complex could be clearly traced over a strike length which covered more than 100km in total.

"It appears that this anomaly is also present towards the north of

Pilanesberg within the Rustenburg Layered Suite."

High platinum, palladium and gold concentrations were found in soils close to the operating platinum mines of Gencor's Impala and Anglo American's Western Platinum and Rustenburg Platinum, he said.

The British mining group RTZ and SA's JCI had requested data from the first study which was completed last year, but neither group expressed any interest in developing the area.

An analyst said that the presence of platinum concentrates in the area was most probably a "red herring".

Geological anomalies were probably the cause of the platinum concentrates which had been recorded, he said.

(217) BD 8/5/96

re

Impala-Bafokeng dispute boils over

(217) ST (PT) 12/5/96

THE long-running legal dispute between the Bafokeng tribe and Impala Platinum is careering towards a Supreme Court showdown, with serious consequences for Impala if it loses.

The tribe is contesting the validity of mining lease agreements, concluded by former Bophuthatswana president Lucas Mangope on its behalf in 1990, which allowed Impala to mine tribal land in perpetuity.

The stakes for Impala, valued on the JSE at R4,4-billion, are awesome. If it loses the court case it loses the right to mine on Bafokeng land, which accounts for 80% of its lease area. It may then be faced with a claim for hundreds of millions of rands in profits.

The stakes for the tribe are almost nil if it loses, it will continue to receive royalties as it has in the past. Both sides are equally confident of their legal positions.

Impala contends that even if the Bafokeng win the case, they will have to renegotiate over an asset that is not that attractive to other companies. In practical terms, it is inconceivable that Impala would be forced to stop mining tribal land, but a win for the Bafokeng would certainly strengthen its position at the negotiating table.

The tribe's lawyers joined Tiny Rowland's legal team in an attempt to scuttle the merger between Impala and Lonrho last month. The merger was rejected by the European Commission on the grounds that it would stifle competition, a decision Impala is appealing.

The tribe's attorney, James Sutherland of Bell, Dewar and Hall, says Impala understates the legal threat it faces from the Bafokeng.

The Bafokeng charge that Impala's management is gambling with the company and shareholders' investments.

"We are deadly serious in pushing for a court decision," says Lebone Molotlegi, chief of the Bafokeng. "We extended an olive branch to Impala with our recent offer to settle, but we have been rebuffed. There is growing anger in the tribe at the way we have been treated by Impala."

"Impala is not gambling at all," says Impala spokesperson Anne Dunn. "The company is complying with its defence to the summons issued by the

The protracted conflict between the Bafokeng tribe in the North-West province and Gencor's Impala Platinum over royalties for mineral rights is finally coming to a head in a possible court dispute which could cost the mining company hundreds of millions of rands. **GARAN RYAN** looks into all the angles of this complex dispute, which touches on indigenous law and corporate ethics.

To ignore such a legal procedure would be irresponsible in the light of all the stakeholders the company has to consider. One such group comprises 30 000 employees dependent on Impala for their own and their families' livelihood."

In this David and Goliath struggle, Impala is cast by the tribe as the mendacious Goliath, a role it feels is undeserved.

"I believe this case can be settled," says Steve Kearney, Impala director. "But we need to meet the chief, principal to principal. We have tried over the years to do this but have failed every time. Right now the chief is in possession of a letter from Impala requesting the opportunity to set up talks. He says he is awaiting the council's approval."

Earlier this year the tribe offered to settle the dispute in return for a roughly one-third increase in the royalty rate to 21% of pre-tax profit, subject to a R10-million minimum annual royalty payment. The offer lapsed at the end of February when Impala failed to respond. Chief Molotlegi says the offer was more than fair, given the mounting hostility towards Impala among tribal members.

"The settlement offer was delivered in the middle of the legal process initiated by the tribe and it would have been irresponsible, says Impala, to respond to the proposal before finalising its plea. The company needed to clarify its defence to the summons and calculate the overall effect on earnings. Mrs Dunn says its request for extra time was ignored, a charge denied by the Bafokeng. Impala is open to negotiation on royalties, but believes the 21% royalty being demanded by the tribe is too high.

"We are already paying 14,9% on

the older lease areas and 16% on the new lease area, which is above the going industry rate," says Mr Kearney. "That is why they are the richest tribe in Africa."

Chief Molotlegi says there is no such thing as a going industry rate.

"Unlike gold, platinum is a rare commodity and the Bafokeng happen to possess some of the richest platinum rights in the world. One day the minerals will be mined out and we will be left with nothing. What we have tried to impress on Impala shareholders is that the increased royalties we believe we are entitled to will result in a 0,5% to 3,1% reduction in earnings per share, based on Impala's historical profits. This is totally fair."

Impala, says Mr Kearney, must consider the interests of all its stakeholders, not just the Bafokeng.

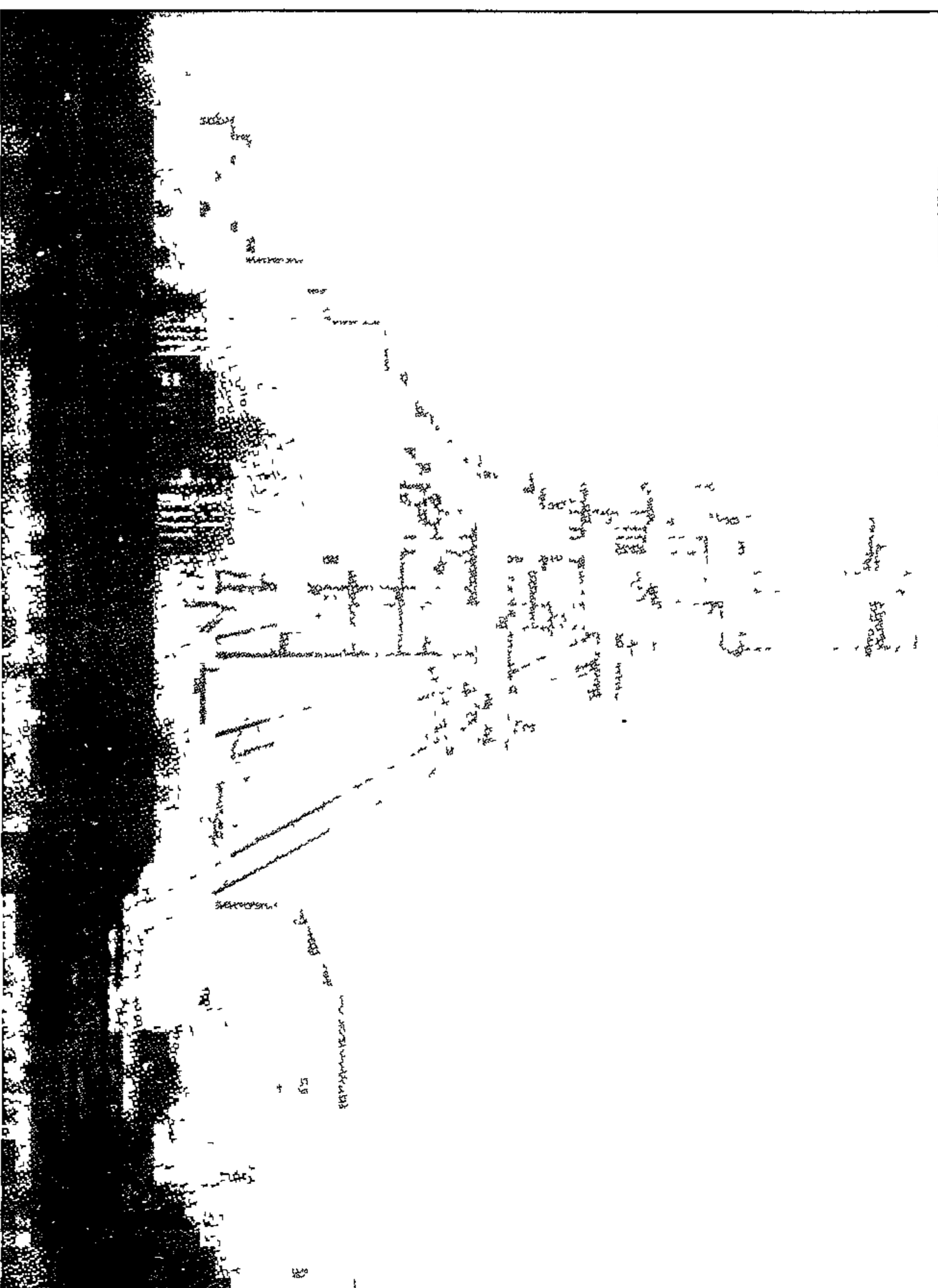
"The Bafokeng's calculations are superficial and based on incorrect information," he says.

The 21% royalties demanded by the tribe understate the impact on attributable income by two to three times, says Mr Kearney. A proper calculation can be carried out only with detailed financial information relating to the unlisted Impala Platinum Limited, not the holding company, Impala Platinum Holdings.

Mr Sutherland says the Bafokeng calculations were never contested during confidential negotiations in 1994.

Impala points to the good relations it has nurtured with many members of the tribe and to its involvement in several community projects, such as providing water to the village of Luka, as an indication of its good intentions. A large proportion of its workforce are Bafokeng.

"We have good relations with the tribe and have tried to strengthen that relationship at every level,"



WHAT PRICE SUCH RICHES? One of Impala Platinum's mines in the North-West province

says Mr Kearney. "The new chief of the tribe, Lebone Molotlegi, worked for Impala in the human resources department and later as a consultant. The mother of the tribe, Semane Molotlegi, worked for the Gencor Development Trust. How could this be possible if Impala's relations with the tribe were so bad?"

Chief Lebone Molotlegi replies that Impala has attempted to exploit this historical relationship. "The truth is they needed me and I needed them. But now that I am head of the tribe, I wear a different hat. I cannot influence the headmen and councillors to sign away the birthright of 200 000 members of the tribe because I once worked for Impala. I take instructions from the tribe, not the other way around."

Relations between Impala and the

would often slam down the phone if pushed for comment. On the face of it, he should have been a public relations coup for Impala.

"This case is not about chief Edward's personality," says James Sutherland, the tribe's attorney. "This case has its roots in indigenous law, and the chief is obliged to articulate the decisions of the tribe."

Impala denies charges that it conspired with Lucas Mangope. Relations between the homeland government and Impala were often testy. Chairman Mike MacMahon was frequently carped by Mr Mangope for refusing to take a hardline attitude towards worker representation bodies in the days when trade unions were banned in the homeland.

"The managers at Impala are hard-nosed businessmen and one can understand that when they saw a gap they took it," says Mr Sutherland. "But they knew that if Mangope was toppled the agreements concluded in 1990 would almost certainly be challenged."

"Despite repeated requests, we remain in the dark regarding the basis of Impala's contention that the 1990 agreements are valid. However, it is a fact of indigenous law and the law of the Bafokeng in particular that decisions relating to the disposal of land or land-related interests have to be taken at a general meeting of the tribe. Impala is aware of this as its earlier agreements with the Bafokeng had been authorised in this manner. George M... ..

27

ST (BT)

12/5/96

"We do not expect the chief to sign away the tribe's birthright," says Mr Kearney. "We would just like the opportunity, denied us up to now, to sit around the table and talk."

It strikes the outsider as strange that the new chief of the tribe, a former Impala employee and consultant, should suddenly lead a challenge which threatens the very existence of the company. The chief says he must carry out the wishes of the tribe, but is open to settlement provided Impala puts something on the table. "If they think our demands are too onerous, they must come back with a counter-offer."

The origins of the dispute are lost in the mists of time and, according to Impala, centre on the personality of one man — the late chief of the tribe, Edward Molotlegi, father of the current chief, Lebone. Terse and irascible, chief Edward, who died last year, was known as a stubborn and difficult man who, once he joined a fight, pursued it to the bitter end. In later years he became more intractable and seemed convinced Impala was conspiring with Lucas Mangope against the tribe. He refused to discuss the case with journalists, and

Bafokeng soured in the late 1980s when disputes arose over the calculation of royalties and later when the chief was denied access to confidential mining records on the grounds that he was a director of Bafokeng Minerals which was competing with Impala for mineral rights.

Chief Edward then attempted to have Impala's lease agreements cancelled. Before this case could be heard, however, Edward was forced into exile following his arrest and torture by the Bophuthatswana police on suspicion of involvement in the failed attempt to topple former President Lucas Mangope in 1988 — a charge chief Edward repeatedly denied. While in exile, President Mangope appointed Edward's estranged brother George as acting chief of the tribe. George, considered by most tribal headmen to be a proxy for former President Mangope, concluded far-reaching agreements which gave Impala the right to mine tribal land in perpetuity in return for no increase in royalties.

The tribe contends that such far-reaching agreements could be concluded only following consultation with the entire tribe.

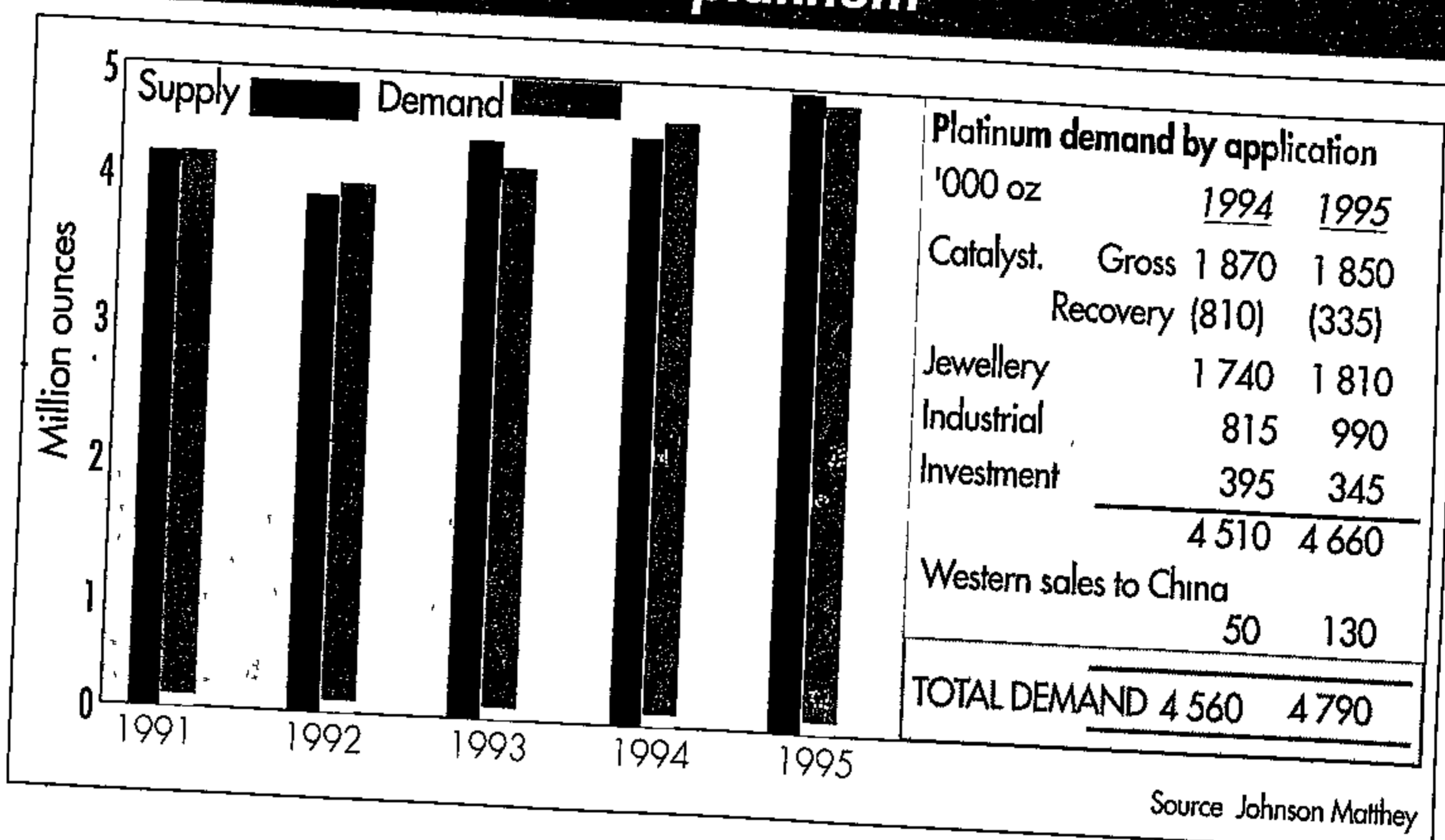
appointment was regarded as illegitimate by the tribe, did not convene a general meeting of the tribe because he was simply not able to do so. In any event his appointment was subsequently set aside in the Supreme Court."

Impala maintains that all agreements are valid and concluded in good faith: "We had a business to run," says Mr Kearney. "We could not wait seven or eight years for chief Edward to return from exile to secure the lease area. We were satisfied that Mangope as trustee was legally empowered to sign the agreements."

In a recent twist, the tribe says it discovered that due to a legal oversight dating back to the 1970s, former President Mangope was not trustee of the tribe and that therefore all agreements signed by him are invalid. Because this is a purely legal point, it can be decided separately by the Supreme Court and could be heard within months.

If the court finds that Mr Mangope was a trustee, the tribe will nevertheless contest that Mr Mangope was not properly authorised to conclude the 1990 agreements on its behalf.

Supply and demand for platinum



Vintage platinum (217)

John Spira

DEPUTY EDITOR

Industrial consumption of platinum last year was higher than it had been for 16 years, helping to boost demand for the metal by 5 percent to 4,79 million ounces

This was among the findings of Johnson Matthey in its Platinum 1996 publication, released yesterday

The firm said a further rise in platinum jewellery fabrication was balanced by lower demand for platinum in car catalytic converters and investment products. Record Russian shipments and a recovery in South African production combined to raise supply by 10 percent to 4,98 million ounces

The average price rose 5 percent to \$424,22 last year, mainly as a result of speculative interest early in the year

The firm said that demand for platinum for the manufacture of glass, electronics and automotive components had raised industrial consumption by 21 percent to 990 000 ounces

The platinum jewellery market expanded by 4 percent to 1,81 million ounces

Motor vehicle catalyst demand declined 20 000 ounces to 1,85 million ounces, mainly because of lower usage of platinum-rich catalysts in Europe

Despite strong investment demand in Japan, sales of platinum bars and coins fell 50 000 ounces to 345 000 ounces. Chinese imports of platinum rose by 70 000 ounces to 130 000 ounces

On the supply side of the equation,

South African supplies increased by 210 000 ounces to 3,37 million ounces. Even so, they were only marginally higher than in 1993

Russian shipments increased by 270 000 ounces to 1,28 million ounces

Johnson Matthey predicted firm industrial demand this year, a modest rise in jewellery demand and stable demand for platinum from the automotive industry

South African supplies were expected to increase and Russian sales were likely to be maintained at last year's levels. It expected the platinum price to range between \$390 and \$430 an ounce for the rest of this year

The firm found that demand for palladium grew by 25 percent to 6,1 million ounces last year, owing to increased use in electronic components and the wider application of palladium-rich vehicle catalysts in Europe and North America

Supplies increased by 20 percent to 6,34 million ounces, with Russian shipments having risen to 4,2 million ounces

Johnson Matthey expected continued growth in the consumption of palladium for electronics and vehicle catalysts this year. "Newly mined supplies will be augmented by further substantial sales from Russian stocks. The price, which peaked at \$178 in April 1995, should trade between \$120 and \$150 in 1996"

Given this background, the earnings outlook for South African producers is highly encouraging. With dollar prices for platinum and palladium likely to be at worst stable, the more favourable rand prices add a powerful new dimension to

domestic producers

This outlook is reflected in the recent strong demand for platinum counters on the JSE. The shares of Rustenburg Platinum, the world's largest producer, have been particularly firm, consistently scaling new highs over the past few days

The JSE's platinum share index has gained 25 percent since the last week of March, suggesting that the market has taken a new and more optimistic look at the sector. Despite this new-found buoyancy, the index has done no more than recover to the level ruling in August last year. It remains well below its 8400 peak of September 1994

Therefore, though sentiment has improved lately, there could be scope for further improvement, bearing in mind that the present rand price of platinum is higher than it was when the platinum share index was last at present levels

Also worthy of note is that platinum shares are only marginally higher than they were a year ago. Rustenburg has shown the third-largest gain, but even so it is only 10 percent higher than its level a year ago

Impala, Lebowa, Messina and PGM are priced lower than a year ago. Northam has managed a 3 percent advance. The higher rand platinum price could also herald a new dawn for the mothballed Barplats

The optimistic scenario is, of course, diluted should the rand recover to about R4,00 to the dollar, though the odds on this happening in the next few months appear distant at present.

CT (BR) 14/5/96

Copper boom could 'force prices down'

By John Spira

Johannesburg — Worldwide production capacity could exert sharp downward pressure on the copper price before the end of the year, Stephen Briggs, a metals analyst at EW Balderson, said at an Atrax seminar

Briggs said copper producers had a history of profitability at least 50 percent better than the rest of the world's non-ferrous mining industry, a characteristic that had attracted the attention of the large mining houses

Copper had become the "flavour of the month"

The consequent boom in production had prompted Briggs to take a bearish medium-term view of the metal's prospects

Briggs said the price of lead was likely to remain strong for at least the next 18 months despite having more than doubled since 1993

(217)

CJ(BR) 14/5/96

Low costs buffer Palamin against fall in copper price

(217) BD 22/5/96

David McKay

COPPER producer Palabora Mining would be hit if the sharp fall in the metal's price was sustained, but would be underpinned by its low operating costs, the group said yesterday.

The RTZ-owned company said the recent price fall, which knocked three-month prices on the London Metal Exchange to a 21-month low on Monday, would affect earnings.

However, Palamin could shoulder price fluctuations as it was in the lower half of the world's low-cost producers. Its cash costs ranged between US40c/lb to 45c/lb, against an industry average of between 65c/lb and 70c/lb

"Although Palamin

will reduce profit, it has experienced significant fluctuations in the copper price over many years, therefore the company is relatively resilient," commercial director Barry Aitken said

Another factor in Palamin's favour was that it produced by-products at low cost, including nickel sulphate and some uranium oxide.

Aitken said the copper price would have to fall below 50c/lb before Palamin would start to produce copper concentrate at a loss "A sustained price at this level is highly unlikely and would probably put most of the world's copper producers out of the market," he said.

The company lifted net income 72,4% to R370,2m for the year to

December, mainly due to higher copper prices. Its average copper price was about \$1,36/lb.

Its share closed unchanged at R69 yesterday, against a R74 year high last month

Analysts said the London Metal Exchange (LME) sell-off, which in two days wiped 12% from values to \$2 375/t, was likely to leave copper prices lower

Edey Rogers base metals analyst Michael Byrne said the dollar copper price would probably fall 10% a year during the next two years.

The average price

next year was likely to be about \$2 350/t due to rising LME inventory levels, which could reach 400 000 tons by the end of this year, against 150 000 tons last June.

Copper supply was also likely to jump given the string of new copper projects in the pipeline.

These included Palamin's R1,5bn underground project, which would produce 90 000 tons of copper a year by 2003, against Palabora's 141 723 tons last year.

Aitken said the new project's operating costs were low compared to international rivals.

**GUARANTEED
13% RETURN**

2A

GEFCO/MSAULI

ASBESTOS DICHOTOMY

~~713~~ (217) FM 10/5/96

GEFCO

- **ACTIVITIES** Mines and produces blue and amosite asbestos, is involved in brick manufacture
- **CONTROL** Directors 52%
- **CHAIRMAN** H P Hart
- **CAPITAL STRUCTURE** 35,9m ords Market capitalisation R21,5m
- **SHARE MARKET** Price 60c Yields 15% on dividend, 26% on earnings, p e ratio, 3,8, cover, 1,7 12-month high, 90c, low, 50c Trading volume last quarter, 2,9m shares

Year to December 31	'92	'93	'94	'95
Turnover (Rm)	58,2	44,9	40,0	48,4
Operating profit (Rm)	(5,0)	(0,4)	3,7	(0,1)
Operating margin (%)	n/a	n/a	9,3	n/a
Earnings (c)*	9,8	27,0	17,6	15,3
Dividends (c)	3,0	24,0	17,5	9,0

* Before exceptionals

MSAULI

- **ACTIVITIES** Produces white asbestos
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- **SHARE MARKET** Price 145c Yields nil on dividend, 56,2% on earnings, p e ratio, 1,8 12-month high, 275c, low, 100c Trading volume last quarter, 818 000 shares

Year to December 31	'92	'93	'94	'95
Turnover (Rm)	89,0	98,0	92,5	94,1
Operating profit (Rm)	14,9	14,2	7,8	4,6
Operating margin (%)	16,7	14,5	8,4	4,9
Earnings (c)*	185,2	135,3	93,4	80,8
Dividends (c)	32,5	125,0	30,0	nil

* Before exceptionals

Gefco mines and sells a product which, to be blunt, is shunned almost everywhere and for which adequate substitutes have been found. Widely considered a dangerous carcinogen, its use has been banned in many countries.

The surprise is that Gefco, 100 years old last year, is still going and, more than that, in good shape. It makes modest profits, is ungeared and has a strong cash flow. When his consortium took it off a grateful Gencor's hands some years

ago by a management buyout, few gave chairman Pat Hart much hope of survival. He has proved everyone wrong.

This is not to say that all is hunky-dory. Gefco produces a blue asbestos called crocidolite from various sites in the Northern Cape. Crocidolite is a long, harsh fibre in a shrinking market with a preference for long soft fibres.

In 1995, two Middle East countries, traditional importers of blue asbestos, banned its use. Hart says one result is that sales fell 27% and adds that the market is such that "tonnage lost through the withdrawal of customers cannot be placed elsewhere. Sales for the new year will be further reduced."

Gefco's approach to its disappearing business is to match monthly demand with production by drawing down from the high stocks and supplementing these with what Hart calls a stop/start underground mining operation coupled with surface milling and blending.

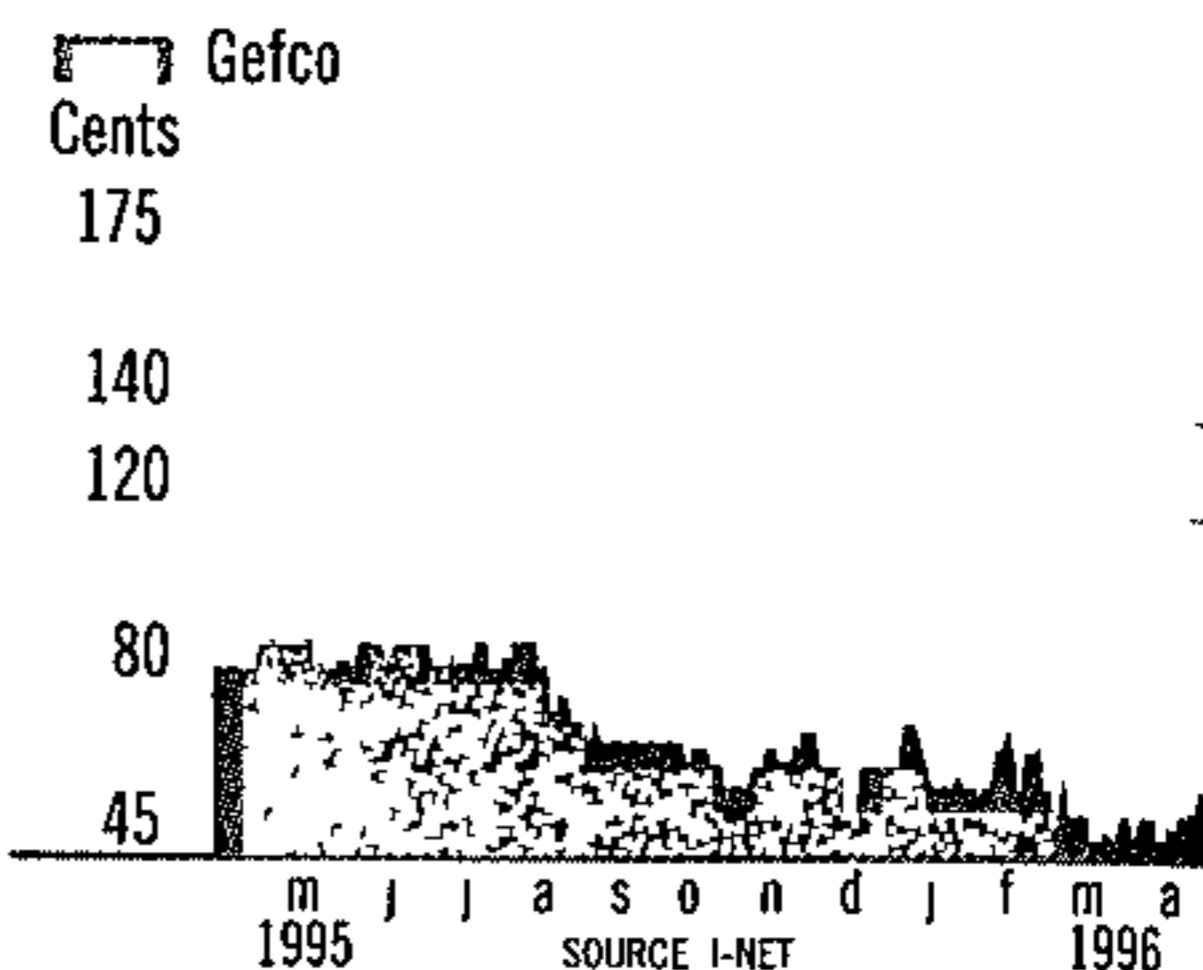
Faced with the inevitable demise of its traditional business, Gefco has made a number of attempts at diversification, none with much success.

A gold mine operation (called Von Brandis) proved an unhappy experience and has been sold. A venture into coal mining was disastrous and the company took a pounding.

Then it bought ash/cement brick operations called Altocrete near Vereeniging and Vanderbijlpark, turnover from which last year was R17,8m (1994 nil). So far, this hasn't been much cop.

Hart says 1995 was a disappointing year and management has been "through an extensive learning curve," shorthand for saying RDP expectations let them down.

But bricks are an integral part of any housing development, so it's not unreasonable to presume that if (when?) the



RDP finally gets into gear, Gefco may be a significant beneficiary.

Over the year, cash balances were eroded from R44,3m to R27,2m. However, it redeemed R14,4m of prefs, pumped R10,5m into its Altocrete purchase and paid dividends of R4,8m. Debtors (R32,9m) and creditors (R38,3m) are well balanced, all of which makes Gefco a significant asset play.

In addition, it holds a third stake in Msauli, another asbestos producer whose main competitor is Swaziland's Havelock mine, just across the border. Basically, Msauli's problems are the same as Gefco's with one difference: Msauli's chrysotile asbestos fibre has a much stronger demand profile.

The result is that turnover actually rose, if marginally, to R94m. Unfortunately, that wasn't repeated at operating level. Margins were nearly halved to 4,8% from 8,5%. That translates into operating profit of R4,6m (1994 R7,8m).

Nor is the balance sheet as robust as Gefco's. A net

decline in cash balances of R9,2m takes the available sum to only R4,5m (1994 R13,7m). And the future is circumscribed for the time being by a lack of ore reserves. Hart (also chairman of Msauli) says the "extensive exploration programme over the past few years has not yet produced any significant additions to



Pat Hart

P.T.O

GEFCO/MSAULI

ASBESTOS DICHOTOMY

(199) (217) FM 10/5/96

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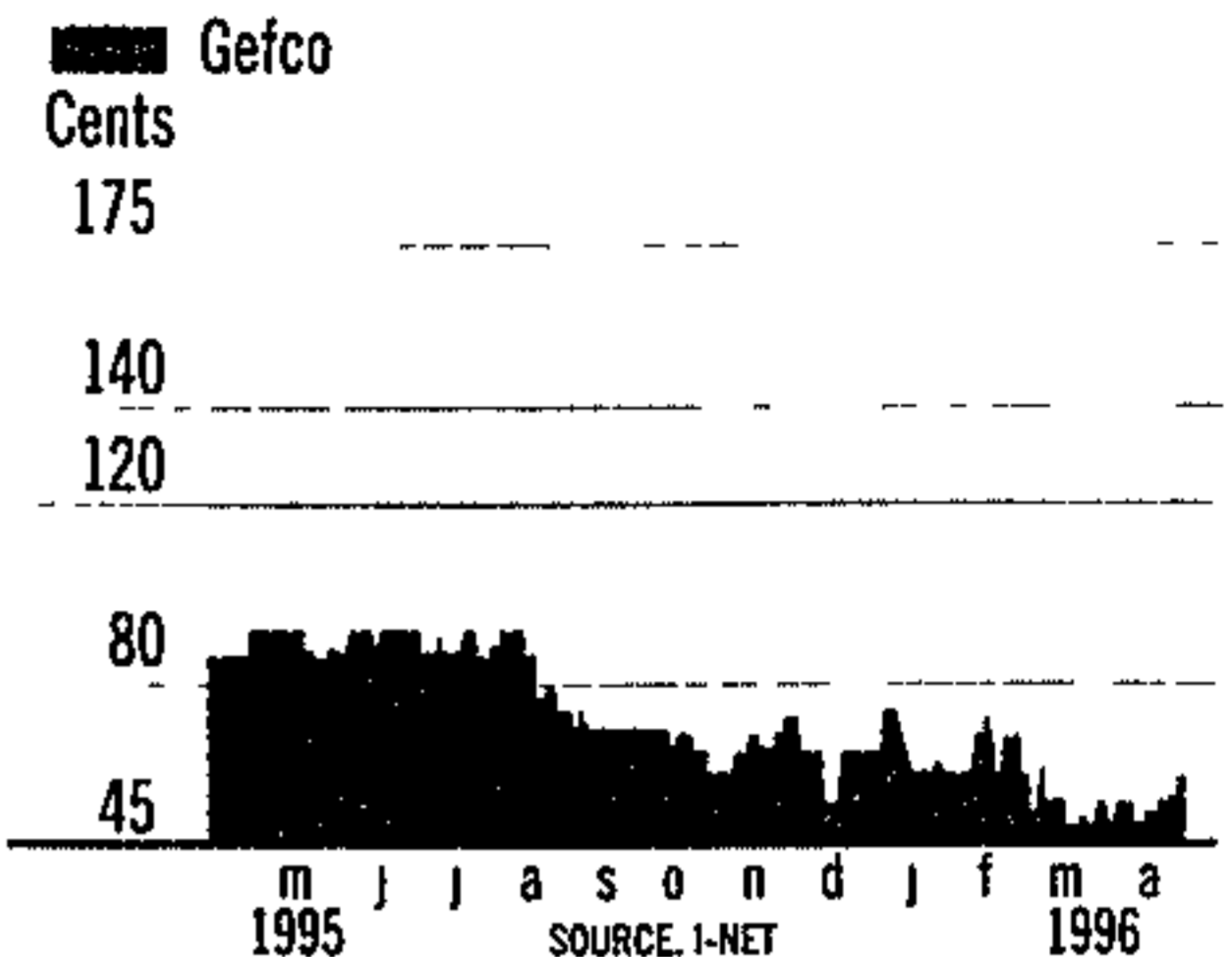
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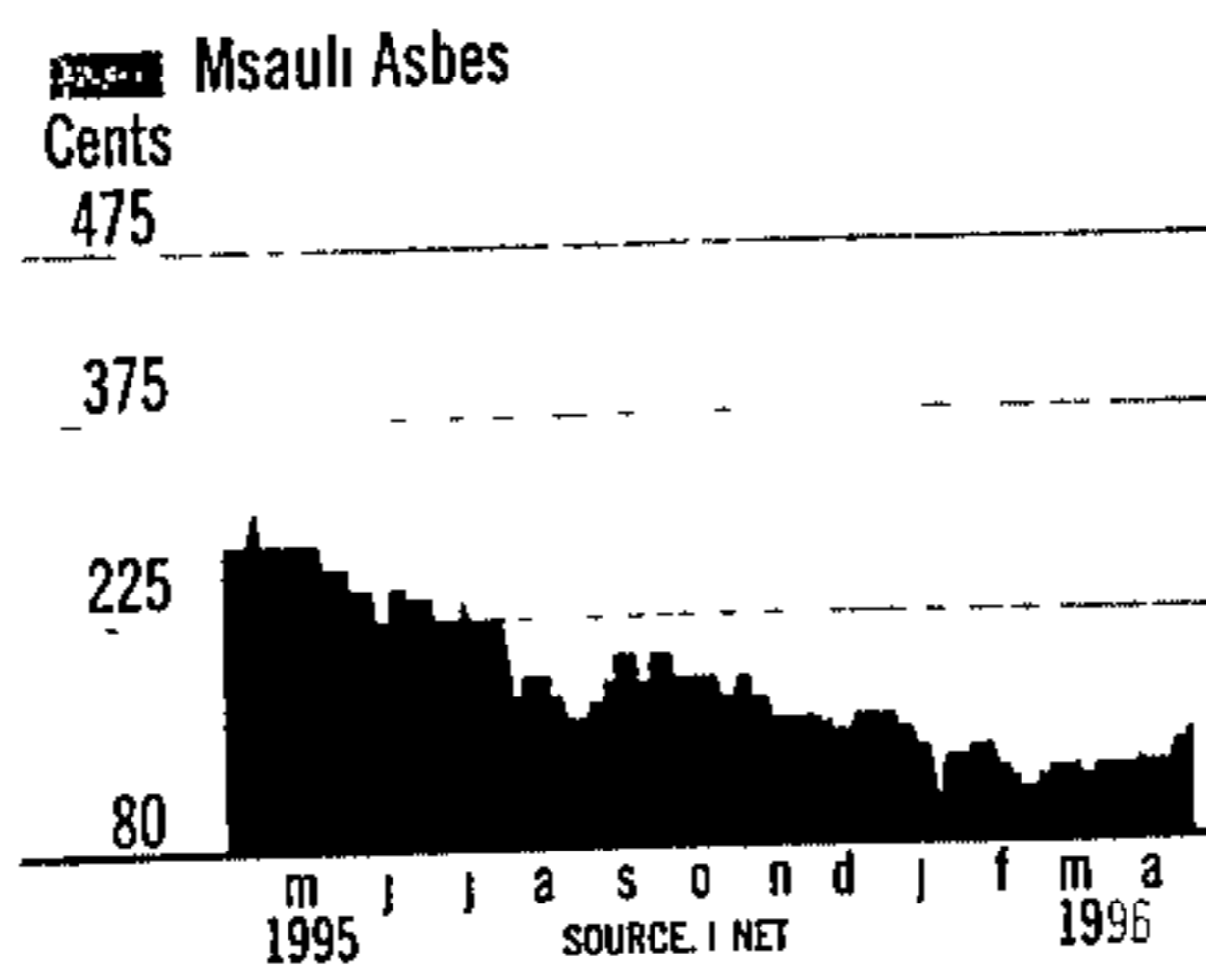
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Pat Hart

100 COMPANIES



ore reserves "

The two are an interesting dichotomy Gefco has a strong financial structure but the future of its core business is limited by rapidly declining demand Demand for Msauli's product remains firm but it is struggling with lower margins and a swiftly reducing ore reserve whose characteristics also appear to alter at depth

Neither counter is favoured much Gefco's p e is 3,8 and Msauli's 1,8 Both are near their 12-month lows, indelible messages from a market which clearly sees considerable uncertainty, a characteristic it dislikes *David Gleason*

Lebowa Platinum faces R69m claim

David McKay

217
80 5/6/96

ANGLO American Platinum's Lebowa Platinum is facing a R69m claim after last week's Appeal Court ruling over base metals it recovered in Lydenburg.

Independent minerals company Trojan Exploration, victorious in Friday's court ruling, said last night the cash was derived from revenue Leplat raised from the minerals — copper and nickel — on the Umkoanestad farm between February 1993 and the date of the court decision.

Trojan, manager of minerals owner Pyramid Platinum, said it would issue a summons against Leplat unless it paid within 14 days, and also threatened to take further legal action unless Leplat, Amplats and mainstay Rustenburg Platinum opened their books to Trojan within two weeks.

The company said it would also bring a court interdict unless Leplat stopped removing concentrate from the mine immediately.

Leplat — whose turnover for finan-

Continued on Page 2

Claim

Continued from Page 1

cial 1993 and 1994 plus the six months to December 1995 totalled R740m, with net income at R37,8m for the same period — lost 20c to 280c on the JSE yesterday.

Leplat said yesterday the court decision had effectively given Pyramid co-ownership of less than 30% of its total base metals production.

It said the court suggested Trojan "might have a claim" to a statement of account, which might give rise to a

compensation claim. But Leplat was entitled to claim costs such as development and prospecting, and compensation for risks taken.

"The court's opinion was that the base mineral right holder is not entitled 'to all profit and no loss' and has to take the risks of mining with the possible result that it may get little or even nothing," the company said.

But Trojan said that Leplat was not entitled to deduct any costs.

The company said it would issue a summons within 14 days unless Leplat began negotiations on an "acceptable consideration in respect of future mining activities on Umkoanestad".

217

FM

21/6/96

is the time to look for other commodities — especially in our own backyard."

In Gencor's case — and as the *FM* commented at the time — the Billiton transaction catapulted the group into the first rank of aluminium-related producers but emphasised its lack of exposure to other base metals such as copper, zinc and iron ore

The group's move into Indonesia (principally on the island of Irian Jaya) where it hopes to exploit what may be a major copper-gold porphyry deposit, more recently into Zambia in partnership with Anglo and Western Mining in the Konkola project, and now into Zaire, underlines its determination to expand its horizons

Anglo's reluctance to venture again into the Tenke project is understandable as a gut reaction. And the greater group's more recent experiences in Zaire with diamonds haven't exactly been happy either. This makes its announcement that it has established a joint venture relationship to examine the reopening of the Kipushi zinc mine, on one of the world's richest deposits, an important signal

The Kipushi mine, close to Lubumbashi, is thought to be capable of producing as much as 160 000 t of zinc a year. The Anglo joint venture has been set up with America Mineral Fields, a company owned by Jean Raymond Boule who rose to fame through the discovery and partnership of the fabulous Voisey's Bay nickel deposit in Canada.

Later steps may embrace exploitation of the Kolwezi tailings, deposits of copper from earlier treatment, totalling perhaps 130 Mt grading 1.5%. *David Gleason and Arnold van Huyssteen*

ZAIREAN MINING PROSPECTS

RUMBLE IN THE JUNGLE

(217) PM 21/6/96

The push by SA mining giants into Africa is developing an irresistible momentum. Hard on the heels of Anglo American Corp's recent moves into West and Central Africa comes news that Gencor and Iscor are competing for a stake in the Zairean Shaba province's copper prospect, Tenke Fungurume.

Tenke is considered by many to be among the richest copper ore bodies still unexploited — provisional geological assessments vary widely between 50 Mt at 6% copper grading and 250 Mt at 4.5%

Ironically, it is the same project from which Anglo walked away in the early Seventies, after having spent between US\$50m and \$100m. The partners in the first — and ill-fated — attempt to develop and exploit the Tenke reserve included Standard Oil (of Indiana) and Japanese trader Mitsui.

Anglo's involvement was secured for it by Maurice Tempelsman, an American businessman who cultivated a life-long habit of emerging in curious places around the time major mineral rights deals were being struck.

Interestingly, Tempelsman was also Jacqueline Onassis-Kennedy's constant companion in the last years of her life.

Gencor and Iscor have been shortlisted along with businessman Adolf Lundin's International Petroleum Corp — previously based in Geneva and now in Vancouver — for selection by the Zairean State-owned mining company Gecamines.

The pertinent question is what's different now that will make another effort successful? Gencor business development CE Bobby Jurd says Zaire and Gecamines have followed a strict tender procedure and there is clearly a strong appreciation of the project's potential importance. Whether that will prove sufficient is another matter.

The Tenke Fungurume reserve is situated between Shaba capital Lubumbashi and the mining town of Kolwezi. Typical

of deposits in this region, the shallower capping is oxide in nature, becoming sulphide with depth and generally mixed. This makes extraction complex but easily within the limits of current technologies.

However, it is unlikely it can be achieved without the use of sulphuric acid — and this is in short supply. This illustrates the nature of the problems which lie ahead and which are mostly associated with inadequate infrastructure.

A heavy-duty road will be needed over about 60 km. Power will have to be brought in, probably by linking into a grid

IFC's role as an underwriter of last resort is vital to development in countries such as Zaire.

What this latest news also does is to fix attention on the extent to which SA mining houses have decided to become actively involved in a new scramble for Africa. Unfortunately for them, an inherent drawback is that, to be successful, the ability to make speedy decisions is a prerequisite.

This is why Australian and North American juniors are now swarming over the continent and why their activities are changing the nature of the base metals industry.

It is now possible for serious juniors to raise modest capital backing — sufficient to permit early feasibility studies which can be turned into what is called a bankable document. This can then be used to entice the majors who, if they're interested, must pay a premium for entry. Down the line, SA houses will have to treat juniors on this basis.

Lundin is a good example of this. At one stage involved in East Dagga, Lundin has since hit

the jackpot with an Argentinian copper venture called Bajo de Alumbra. His interest in Tenke presumably will be to launch a comprehensive prefeasibility study and then to invite participation from majors.

Meanwhile, the latest move into Shaba also highlights the extent to which SA houses are changing their own strategies. Iscor CE Hans Smith says that with Saldanha Steel and the conversion at Pretoria (to stainless steel production) now on track, the company can meet its physical demands over the next 10 years. "This led," he says, "to a strategic policy decision to look at sub-Saharan mining projects for future growth."

And Iscor Mining's business development GM Con Fauconnier says the change makes eminent sense. "We operate world-scale, highly effective and profitable coal and iron ore mines. Now



connecting with Zambia's Copperbelt Power Company or Gecamines' own network or both.

Getting sulphur in and then making acid is one imponderable. Another will be to get the copper out, either as a concentrate or in semi-finished form such as cathodes. Rail transport either across Angola to Lobito or through Zambia to Dar es Salaam or SA ports are the only alternatives.

Whatever route is chosen will be expensive. So will be the capital costs involved — perhaps as much as \$1bn or more. This raises another issue which is that Zaire isn't exactly on the World Bank's top ten list. A recent default means any new mining venture seeking assistance from the International Finance Corp (the Bank's private investment arm) is likely to find the going tough. This is important because the

did not deter investment

Chilean mines with production costs of \$1 100/t went ahead. Output will hit the market over the next three years.

"Copper is unique," says William Adams, a metals analyst at LME trader Rudolf Wolff. Adams says Alusaf's Richards Bay project was now the world's only big smelter project under way — "which means continued tightness in supply."

But, in the copper market, the South American influence will reverse last year's imbalance when Western output of just over 10,2 Mt was outstripped by demand of about 10,5 Mt. In 1996 refined copper output will increase by 650 000 t against a 300 000 t rise in demand.

Hence Rudolf Wolff puts this year's surplus at 100 000 t. Another 550 000 t of new output is expected in 1997 and though offtake could rise by 450 000 t the overhang could reach 200 000 t.

But stocks remain low. LME warehouse inventories dropped 11 200 t last week with China withdrawing 23 000 t. Any supply disruption — such as a downturn in Russia where some production is becoming marginal due to the increasing costs of inputs — will upset the picture.

Meanwhile, the price continued to drift down this week after the combination of the Sumitomo shock and heavy selling by hedge funds. At \$2 085/t on the LME it was 26% down from the year's high and nearly 33% off the peak of \$3 090 recorded in January 1995.

Rudolf Wolff expects the metal to trade in a range of \$1 800/t-\$2 300/t but says this forecast could be upset by Chinese demand, accelerated economic recovery in Japan as well as Europe in 1997 and stronger than expected activity in the US.

The panic in the market seems to be over. Fears that Sumitomo, whose trader Yasuo Hamanaka had been supporting the price, will be forced to liquidate a huge long position saw last Friday's turnover on Comex more than treble to 17 920 lots (of 11 000 lbs each) with the price falling 10%. On Monday Comex volume was down to an estimated 12 500 contracts.

The main sufferers may turn out to be traders in the derivatives markets who sold put options at \$2 300/t down to \$1 900/t to producers hedging against a downturn. In New York E D & F Man estimates options covering 5 Mt are still in the market, threatening to undermine futures prices as these positions are unwound. ■

COPPER

BRONZE BUST

The 26% fall in the world copper price since early May was accelerated by the panic in New York's Comex last week. Disclosure of a US\$1,8bn loss, run up over 10 years in unauthorised dealings by Sumitomo's chief trader, only brought forward the expected decline.

Analysts have been bearish about the outlook as new mine production in South America comes on stream, turning a 1995 supply-demand deficit of 250 000 t into a surplus.

Unlike other base metals, the recession of 1993 when copper was \$1 600/t,

(=17)

fm 21/6/96

Amplats strikers face back-to-work interdict

Renee Grawitzky

(213) ~~189~~ (152)

RUSTENBURG Platinum Mines yesterday obtained an urgent interdict ordering illegally striking workers to return to work at two strike-affected sections

The company intends serving the interdict today at Amandelbult and Union sections of the mine. However, yesterday the strike spread to the third section of the mine, affecting two shafts of Rustenburg section's five shafts. The company estimated that 19 000 workers were on strike.

The strike began on Tuesday night over worker demands for payouts from a number of schemes including death benefit and long service schemes.

The company said discussions were continuing with worker representatives, but were difficult as no union was involved. Amplats said the situation was quiet and there were no threats of violence.

Reuter reports Northam Platinum Ltd said yesterday that about 180 metallurgical workers had embarked on an illegal strike on Wednesday.

Production from the concentrator and output of final product from the base metal removal plant had not been affected so far, but no production was taking place from the smelter.

BO 28/6/96

Avmin gets coveted exploration rights

David McKay

309/7/96
ANGLOVAAL's minerals division Avmin has won exclusive rights to develop Zambian copper reserve Konkola North, signalling a major step up in the group's international expansion.

The division — with interests in base metals and diamond mine Venetia — said yesterday it planned to target ore resources of about 100-million tons over an area of 4 300ha.

It declined to value the development, though previous estimates suggested a \$500m price tag.

The development has been eyed by Anglo American, an indirect shareholder in mineral rights owner Zambia Consolidated Copper Mines (ZCCM). Anglo plans to develop nearby Konkola Deeps. A spokesman said it was "too early" to comment on Avmin's move.

One condition of Avmin's deal is that ZCCM can take a stake in the project if it goes ahead. Avmin said it was also exploring the possibility of bringing in partners at an early stage.

Another condition is that Avmin commits to a pre-feasibility study involving a minimum of 50 000m of dia-

(217)
mond drilling within 24 months.

A full feasibility study within a further two-year period would be completed if the study results were positive. It could then acquire a mining licence to develop a mine, Avmin said.

The copper resource is close to a large de-equipped shaft in a central area known as the "saddle lode".

Spokesman Julian Gwillim said this was one of several international exploration projects being undertaken by Avmin. The division was exploring elsewhere in Zambia and Namibia.

The division was aware copper prices were currently weak, but the Konkola North project could be low cost. A decision on development was four to five years away. The feasibility programme would be financed from the division's exploration budget.

Konkola North has been a hotly contested area, with several international companies vying for mineral rights.

Analysts suggested Anglo would want to pool Konkola North with Konkola Deeps at a cost of \$1.1bn.

The move follows Anglovaal's decision to reshape its mining interests into separate groups, Avmin and Avgold.

Weaker rand helps offset lower dollar platinum price

Amplats increases share earnings

(27) CT(MR) 1/8/96

By Jonathan Rosenthal

Johannesburg — Anglo American Platinum (Amplats) has reported an 18,7 percent increase in earnings a share to R1,90 for the year end June 30

Net income after tax increased 20,4 percent to R319 million from last year R265,3 million, the company said yesterday

Improved earnings at Rustenburg Platinum and Potgietersrust Platniums helped offset a big fall in earnings at the Lebowa mines

Platinum prices were softer than last year, with Amplats achieving an average market price of \$413 an ounce during the year, compared with \$420 for the last financial year

But the weaker rand coupled with an improved dollar price for nickel and improved nickel, palladium and copper sales increased

sales revenue to R4,63 billion from R4,1 billion

Total ounces of refined platinum climbed at Rustenburg and Potgietersrust but fell at Lebowa, leaving a total increase of only 128 900 ounces

Rustenburg, the largest mine in the Amplats stable, increased its gross sales revenue by 12,2 percent to R3,89 billion, but the total cost of sales also rose 18 percent to R3 billion

As a result of inflationary cost pressure and a marginal decline in head grade to 5,7 from 5,8 grams a ton, the on-mine cost of producing an ounce of platinum increased 10,5 percent. Total costs a refined ounce

increased from R852 to R938

Potgietersrust reported a 7 percent increase in its earnings a share to R1,16 from R1,08 last year. Head grades fell to 4,44 from 4,6 grams a ton and are expected to fall to about 4,05 against this

year as the mine enters the lowest grade area of the mine. Grades should pick up next year to about 5,04 grams a ton, the company director said

Lebowa, which Amplats said "continues to be the problem child in the stable",

experienced productivity problems in the second quarter

Changes in management led to improved productivity in February, with production in the last three months of the financial

year indicating that targets would be met in the next financial year. On-mine costs rose substantially, with a 24 percent increase in labour costs due to wages being equalised with those of the other mines

The July strike at Rustenburg resulted in lost production of 97 000 ounces, significantly lower than estimates of 150 000 made during the strike. Lost sales revenue was estimated at R255 million but production was said to be back up to 95 percent of normal levels

However, Barry Davison, the managing director of Amplats, warned that "the industrial relations climate remains volatile". Forecast earnings for the next financial year were likely to be similar this year's, he said

□ See Business Watch

**Earnings up
but 'industrial
relations
climate remains
volatile'**



GETTING IT TOGETHER Amplats managing director Barry Davison

Picture: RUVAN BOSHOFF

'Rebundling' option under the spotlight at Amplats

By JULIE WALKER
 ST (PT) 4/8/96

IT WOULD be "desirable" if Anglo American Platinum could consolidate its holdings in the Rustenburg, Potgietersrust and Lebowa mines, according to Amplats managing director Barry Davison.

Asked this week whether there would be a "rebundling" of the mines, Davison said no decision had been taken, but the matter was being investigated. He saw rebundling as the desirable outcome. If this transpires, Amplats looks expensive in relation to the value of its holdings in the mines.

Amplats was formed last year when Johannesburg Consolidated Investments was split into three Industrial holding company Johnnic and gold and other mining company JCI Ltd have been made available as black economic empowerment vehicles, but major shareholder Anglo American chose to retain its platinum investments via Amplats. Amplats also houses the old Johnnies' diamond holdings, a significant contributor to earnings.

In the year to June, Amplats earned R320-million after tax, against last year's R265-million, with diamonds contributing R113,2-million. Earnings a share at Rusplats climbed by 4% to 314,4c and by 7% at PPRust to 116,2c. But Lebowa Plats' profit fell

by three quarters to 5,5c. Wages were brought into line with those at the other Amplats mines but there was no improvement in productivity, particularly in the first half.

Expansion plans for Lebowa are on ice now that a contingent liability has arisen following the outcome of the appeal by Trojan Exploration. The Appeal Court awarded Trojan's company, Pyramid Platinum, co-ownership of the ore on Umkoanestad, the Lebowa Plats' farm. Lebowa has provided R200 000 for legal costs and warns it will be misleading to speculate on the extent of the liability.

Following last month's illegal strike and dismissal of 28 000 workers at Rusplats, production is at 95% of previous levels. Davison warns the situation is still volatile and he cannot say Rusplats is out of the woods yet. The strike resulted in a 97 000 ounce loss in platinum production worth R255-million.

Platinum supply exceeded demand by only 190 000 ounces last year. The price appears to be firming because of the production loss in South Africa and talk — dismissed by Davidson — that Russia's stockpile is nearing exhaustion.

INSIDE MINING

Sizing up platinum's problems

(217) CT(BR) 15/8/96

Both Anglo American Platinum Corporation (Amplats) and Impala Platinum (Implats) are suffering in grim market conditions. But Amplats continues to plan for growth while Implats has been forced to postpone its expansion programme for the foreseeable future.

That is one of the main consequences of the collapse of Implats' proposed merger with Lonrho's platinum mines that was blocked by the European Commission in April. Despite lodging a legal appeal, Michael McMahon, the Implats chairman, conceded this week that the chances of success were remote.

Implats' expansion to 1.2 million ounces of platinum a year was to be sourced from the Lonrho reserves. McMahon put a brave face on the situation at this week's presentation, but the reality is that Implats is in survival mode with output pegged at 1 million ounces a year.

Implats has made great strides over the past five years to catch up to Amplats, the industry leader, in terms of costs and productivity. But the company faces an even worse uphill battle from here on as its workings get deeper and more expensive.

McMahon denies the situation is one of "merger or bust"

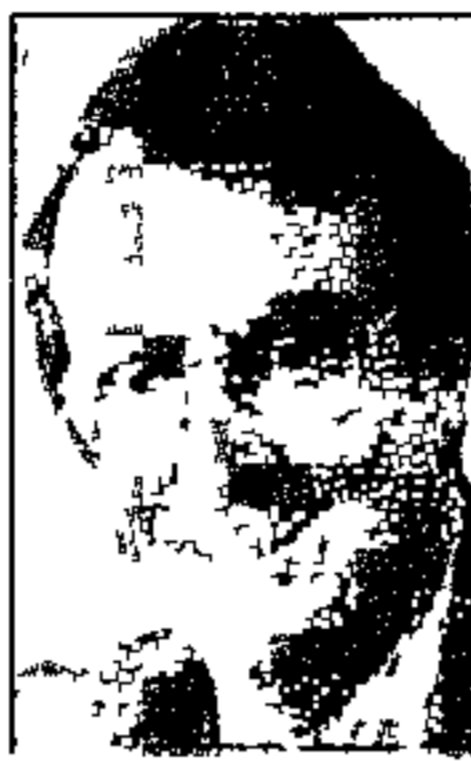
"With the merger we could have leapt down the cost curve. Without it we have to continue to grind our way down. That's much harder work," he says.

The management's strategy is to use decline shafts so that a new vertical shaft from the surface will not be needed for up to 10 years. McMahon reckons that delay means all the large platinum producers will be more or less in the same boat on the timing of large outlays of capital expenditure on new deep shafts.

Amplats is considering merging its three separate mining companies into one unit, mainly to allow easier development of the extensive shallow and surface ore deposits that the group controls in Mpumalanga and Northern Province.

The merger would cause Rustenburg Platinum (Rusplat), Lebowa Platinum (Lebowa Plats) and Potgietersrust Platinum (PP Rust) to be delisted and combined with the Amplats holding company.

Analysts say this merger could only be fair if there were



BRENDAN RYAN

full disclosure of the expansion potential at the various mines.

They are concerned that Lebowa Plats and PP Rust shareholders may be prejudiced, compared with Rusplat shareholders, if insufficient weighting is given to their expansion potential, which seems more attractive than that of Rusplat.

Such a merger would be a complete about-face from the mid-1980s, when the Atok section of Rusplat was split off and listed separately as Lebowa Plats, and then followed by the development of PP Rust.

Rusplat's managing director at the time was Brian Gilbertson, who is now chairman of Gencor. He said the split was to help Rusplat expand and fight the market battle against newcomers to the platinum game, such as Northam, Lefkochrysos and Messina.

Though unsaid, it was fairly obvious that the separation would protect the interests of Rusplat, the flagship producer, if anything went wrong with the development of these relatively unknown platinum ore bodies on the eastern limb of the Bushveld igneous complex (BIC).

This scenario was in contrast to the tried and proven mining operations on the western limb of the BIC around Rustenburg.

A decade later the picture is a lot clearer, but the priorities are the same. One is to develop the shallow and surface deposits near Lebowa Plats, because it will be cost-effective, another is to ensure that Amplats retains its hold over those mineral rights.

Many of these rights belong to the Lebowa Minerals Trust, which is in a state of flux. The recent Appeal Court decision against Lebowa Plats on base mineral rights in favour of Trojan Mining has to be a matter of concern for Amplats.

Lebowa Plats does not have the funds to expand. Rusplat does, but would have difficulty justifying any big capital expenditure on behalf of the separate company to its shareholders. If the two are merged these problems fall away. Developing Lebowa Plats faster makes sense for Rusplat because its Rustenburg section is reaching the mature stage of its economic life.

Merging the four companies would create by far the world's biggest platinum producer with a powerhouse balance sheet and a very tradable share.

This should attract greater attention from international investors not interested in what they see as Mickey Mouse stocks, such as Lebowa Plats and even PP Rust.

PANIES

AS THE world's second largest ferrochrome producer, CMI has two main competitors for investors' rands.

Gencor-held Samancor, the world's largest, can offer diversification, with its manganese business, which is expected to do better than ferrochrome in financial 1997, and its holding in Columbus Stainless Steel.

Also, Samancor has locked-in markets for three quarters of its ferrochrome production, through joint ventures and supply arrangements.

The JSE's only other pure ferrochrome player, Swiss-held Chromecorp, is seen as growing more aggressively than CMI. The Iscor ferrochrome supply tender it was awarded last year is one of the largest ever, and its expansion projects will lift output by more than half.

CE Sandy Wood's reply to critics is that while CMI, in the JCI fold, may be more conservative, it was confident of its customer base. The group has a broad spread of customers in growth phase.

A quarter of its sales are to America, 35% to Europe and 40% to the high growth Far East markets.

"At this stage we would rather grow with our customers," Wood said. He said the group was open to joint ventures (it has one, with Japan's Mitsui) but entering into these was not a top priority.

Its major thrust is to develop good relations via contractual arrangements. Since 1977 SA's share of world output has grown by 5% annually: CMI's has grown by 7%.

With the ferrochrome market looking to be in a depressed phase for at least a couple of years, the differing strategies adopted by the three producers are likely to be put to the test.

The SA industry is, however, well placed to weather tough markets. Its costs are below the average cost line for the industry worldwide (which is about the same as present spot prices of US 42c-43c/lb).

MD Zed van der Walt said CMI would become even more cost competitive within the SA industry via development of the Thorncliffe underground mine.

CMI bought Thorncliffe's mineral rights from JCI last year. Ore quality proved excel-

Thorncliffe mine to keep CMI a step ahead of industry rivals

FOOTNOTES

By Hilary Joffe

lent and the group found it could develop it more cheaply than originally envisaged.

The group raised operating income by 135% and attributable income 68% to R169,3m for the year to June. Gearing fell to 25% (53,5%) as a result of payments from Mitsui in terms of the joint venture agreement and the issue of new shares to pay for the Thorncliffe mineral rights. It expects to be debt-free by 2000.

□□□ (2/7) 19/8/96
THE rise in the Gentech share price on news of the disposal of its assets indicated the market had no doubt the company would be better off as a cash shell. The white goods and appliances group, with brand names like KIC, Indesit, Hitachi, Hoover and Whirlpool, has been in the red for four of the past seven years. Losses for financial 1995 and 1996 amounted to R57m.

For controlling shareholder Powertech, which took over the then Picaph in 1993, it is a matter of cutting its losses. Gentech, representing an eighth of Powertech's assets and just 3% of its market value, has been a significant drain on profits (R22m in the latest year), and has dragged down the rating of the Powertech share.

Gentech's litany of woes in recent years includes political and labour unrest in KwaZulu-Natal (its plant is in Isithebe), cheap imports, "grey" imports and problems following its acquisition of Hoover. Last year it closed its stove manufacturing plant in Isithebe and Hoover's East London manufacturing operations. The main focus now is on fridges. Most other product lines are imported.

The deal involves the sale of

principal subsidiary Gentech Trading, made up of KIC's and Hoover's manufacturing and distribution activities, for R20m. The buyer's identity is to be disclosed before the end of this month. The remainder of the assets (properties and cash) go to Powertech, to be set off against loans.

One analyst speculated that a consolidation of the whole appliance industry is on the cards, since it is unlikely to survive competition from imported goods without radical action of some sort.

Barlows reported more losses (from R3,4m to R7,9m) in its Consumer Electronics Durables division for the six months to March. At Malbak, Defy increased sales volumes and market share but Tedalex's margins were hit hard by imports in the six months to February.

Yet the industry did have some success stories: small appliances manufacturer Nu-World raised interim earnings by 59%; Masterfridge, which manufactures its products in Swaziland, last week reported a 57% hike in earnings for the year to June (and whose chairman Charlie Palmer is being sued by KIC). Both are increasing exports.

On the domestic front they seem to be benefiting from Eskom's electrification programme in ways which others are not. Whereas stoves and washing machines might not be on shopping lists of those in newly electrified shacks, toasters, kettles and fridges are

□□□□

THE verdict on Impala Platinum following its 37% decline in earnings for the year to June: competently mined, but naive on the rand.

Group success in containing costs was somewhat disguised by the impact of a furnace failure in August. Excluding this, costs an ounce of platinum refined were up just 6%

Chairman Michael McMahon said operating costs had not risen in absolute or unit cost terms for three successive years. Underground productivity improved 6% during the year — this was driven largely by the group's self-directed work team programme.

McMahon expected further efficiencies to help earnings increase in the current year.

Once the group's disastrously timed hedging programme is out of the way, the weaker rand exchange rate will also help earnings.

Dollar metal prices fell 16% during the year to June. Implats' achieved exchange rate was R3,76 to the dollar, against R3,60 the year before — a rise of only 4%. Compare Amplats' Rustenburg mine, which achieved an average exchange rate of R3,82, up 6%, or PP Rust, which got R3,86 — up 7%.

The hedging programme knocked an estimated 40c off earnings a share, which were down 37% to 282c. This was the main reason analysts underestimated the extent of the earnings decline.

To make things worse, the group decided in February to extend the hedge, at R3,92 to the dollar, to December. This covers \$193m worth of anticipated receipts (the figure at the 1995 year-end was \$71m, at an average R3,73 to the dollar) — equivalent to almost a third of the latest year's turnover.

Amplats, by comparison, has forward cover contracts on \$60m of receipts up to November, at rates from R3,83 to R3,90.

For its first half, Implats will receive an average exchange rate of about R4,15, against the R4,50-plus levels of last week. But it stands to gain once the forward contracts are unwound in the second half.

If platinum group metals prices improve too, next year could see a little more than the "reasonable recovery" predicted by McMahon.

Impala to spend R250m on two shaft declines ⁽²¹⁷⁾

David McKay

IMPALA Platinum will develop two shaft declines costing about R250m this year as the likelihood of obtaining shallow and cheap ore reserves from the merger with Lonrho fades, says the group.

A company spokesman said yesterday the No 10 shaft decline development, and extension of No 1 shaft decline, would allow it access to deeper reserves for the next few years.

Other decline developments were also under way, postponing the need for a R1,5bn shaft-sinking programme, which could commence about 2010, he said.

This comes against a background of increasing pessimism from Impala and Gencor that the appeal to the European Commission regarding the blocked merger plan would be unsuccessful.

In the latest Impala annual report, chairman Michael McMahon said the company viewed the merger with Lonrho's platinum division as "remote". Gencor chairman Brian Gilbertson said at the group's annual results presentation this week prospects of a merger were "effectively dead".

Industry analysts believed the foiled merger plan was not disastrous for Impala, as it had taken steps to access deeper levels of ore.

It intended to maintain ore production at 14-million tons this year and reduce its exposure to chrome-bearing Merensky reef to about 30% of total throughput by 2010. It was the ore from the Merensky reef which had caused the furnace runout last year, an analyst said.

The furnace runout was largely behind higher costs of R29 148/kg.

Impala would return costs closer to the R26 000/kg mark this year, he said.

However, analysts agreed that Impala still needed the support of higher platinum group metal prices which had remained soft in the 1995/96 financial year.

The platinum price hovered between \$430/oz to \$400/oz during the last financial year. It moved to about \$401/oz from \$399/oz yesterday.

28/8/96

Production at

mine boosted

(217) *Sowetan* 16/9/96

By **Abdul Mliazi**
Labour Reporter

IMPALA Platinum Mine's radical affirmative action programme may have sparked off an exodus of white miners but it has also boosted production

The mine is currently flattening its hierarchical management structure and is training black workers to fill the newly introduced positions of "crew captains" which replaced the traditional "miner" positions that were previously reserved for whites

Impala's Wildebeestfontein South Mine general manager Ken Field says a total of 719 crew captains have been trained and awarded blasting certificates, which were given to whites only in the past

An additional 1 000 crew captains are still to be trained for the mine to complete its restructuring programme

"We could have long achieved this if the Department of Mineral and Energy Affairs had not restricted the blasting certificates to seven per mine a month"

The mine has also promoted five black miners to positions of shift managers or what used to be known as "shift bosses". Such positions were also previously awarded to whites

Field says the mine has since lost 60 percent of its white miners who felt they had no future in the new system

"They left, complaining that there were far too many changes, but a few remained and they are all treated the same as their black counterparts"

The decision to change the traditional "army style" of management was taken in 1991 following a series of strikes by dissatisfied black workers

"We found that black people were not

‘We found that black people were not happy with the way they were treated, they were looking for better things’

happy with the way they were being treated, they were looking for better things. People want to improve their lives and the only way the mine can help them is by empowering them with skills," he says

The new system of captain crews was first introduced in 1992 and since then production has improved by six percent

"Gone are the days where black people were seen by whites as incapable of thinking, and merely treated as a pair of hands

"The smaller teams of 12 under the crew captains have yielded better production and improved safety, and my job as manager is far easier now than in the past"

One of the shift managers Peter Mathe, who is also studying to become a mine overseer, says his long-term objective is to become general manager of the mine one day

"The doors are now open and I will make the best of the opportunity of it. Blacks now have a future here because top positions are available to everyone irrespective of colour," says Mathe

National Union of Mineworkers regional organiser Nelson Radebe says the crew captain system has proven that given the necessary incentives workers can produce efficiently



Taking over the mines ... new shift managers at Implants. From left Robert Elias, Solomon Khosa, Sam Leeto, Bennet Mashonga and Peter Mathe at the Wildebeestfontein North Mine shaft.

PIC PAT SEBOKO

MANAGEMENT

Impala's soul-searching leads to new vision

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David McKay

THE European Community's decision to reject the proposed merger of Impala Platinum and Lonrho Platinum inspired a period of soul-searching for the SA company — a period from which it has since emerged with a new vision.

Newly appointed MD Steve Kearney says Impala Platinum (Implats), in which Gencor has a 46,5% stake, still wants to unlock the value of its stake in Lonrho, but that it recognises its future success lies in developing its own resources at more economic levels.

As 1996 draws to an end, the company can reflect on what has been an unsatisfactory year in addition to the failed merger plans, Impala has had to contend with falling platinum group metal prices, production glitches and a messy legal battle with the Bafokeng, owner of land in the North West Province on which Impala mines.

The dispute with the Bafokeng essentially involves the value of annual royalties paid by Impala, from profits, for use of mineral rights owned by the Bafokeng.

But the dispute has grown to the extent that questions about Impala's fundamental right to mine the lease area have also been raised.

Kearney says that the legal process continues, but he is hoping for an opportunity to kickstart real talks.

"The dispute with the Bafokeng is by no means insoluble. Once the litigation process has come to a head, we hope to sit down and talk," he says.

Since 1990 Impala's basket of metal prices has shipped 50% to an average \$550/oz. It has suffered also from taking a rand-dollar position which hamstringing revenues from February to October.

Because of these problems, Impala recorded one of its worst annual performances, dropping attributable earnings 37% to R176m in the year to June.

However, says Kearney, Impala has identified a number of initiatives to "keep the company solidly in the pack" of world platinum producers. These involve gaining access to new reserves through capital efficient decline systems, and improving efficiencies from the stope face to refiners. This will be done through a combination of new technology and innovative work practices, he says.

In the restructuring of Impala's top management, Kearney has taken up the newly created MD's position. This will free chairman Michael McMahon from the day-to-day running of the company to focus on its strategic position.

Kearney is confident of being able to turn Impala around. He has been in the Gencor group since he graduated from the Colorado School of Mines.

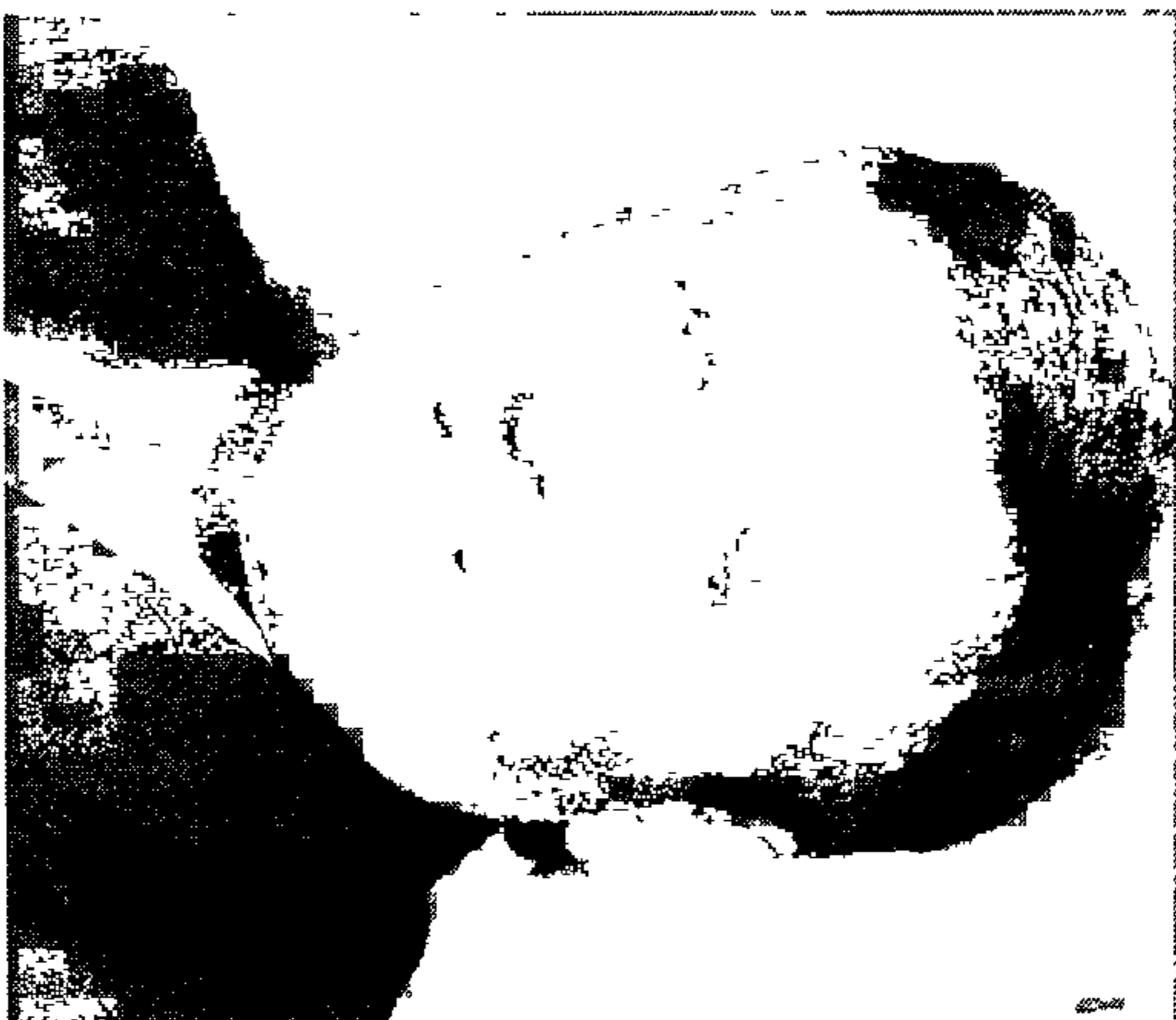
His initial two-year stint was at Stillfonten Gold Mine, then owned by Gengold. He stayed in gold mining for a number of years, moving on to manage Winkelhaak before joining Impala Platinum.

Kearney brings 14 years mining experience to his new position, largely as operations director for Impala itself.

But then mining has been a family pre-occupation, not only is Kearney's wife a respected mining analyst, but his father worked for a mining company in Canada's remote North Western Territories, where Kearney grew up.

Kearney says the mining industry has to "get serious" about a number of issues, including health and safety. While Impala holds most of the records for fatality-free shifts in the hard rock mining environment, he feels that safety standards are still not good enough.

The company will focus also on maintaining its good industrial relations, predominantly with the National Union of Mineworkers, at its mines — of particular concern for Kearney, whose first day as operations director for Impala coincided with a strike.



KEARNEY

MANAGEMENT

Impala's soul-searching leads to new vision

David McKay

THE European Community's decision to reject the proposed merger of Impala Platinum and Lonrho Platinum inspired a period of soul-searching for the SA company — a period from which it has since emerged with a new vision.

Newly appointed MD Steve Kearney says Impala Platinum (Implats), in which Gencor has a 46,5% stake, still wants to unlock the value of its stake in Lonrho, but that it recognises its future success lies in developing its own resources at more economic levels.

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KEARNEY

SA's share of global copper production set to slide

(217) BD 11/12/96

SA's share of global copper production was diminishing rapidly and would continue on a downward trend unless new projects emerged, EW Balderson metals

analyst Stephen Briggs told a Metal Bulletin conference yesterday

"As far as copper is concerned the SA mining industry could, by the year 2000, be up to 5% bigger than last year. But its share of the world total will be static to down, while by 2005 it will likely have shrunk sharply unless entire-

ly new projects soon emerge," Briggs said

However, Briggs said SA's base metal's industry included a number of world class operations and some interesting developments could come to fruition in the future

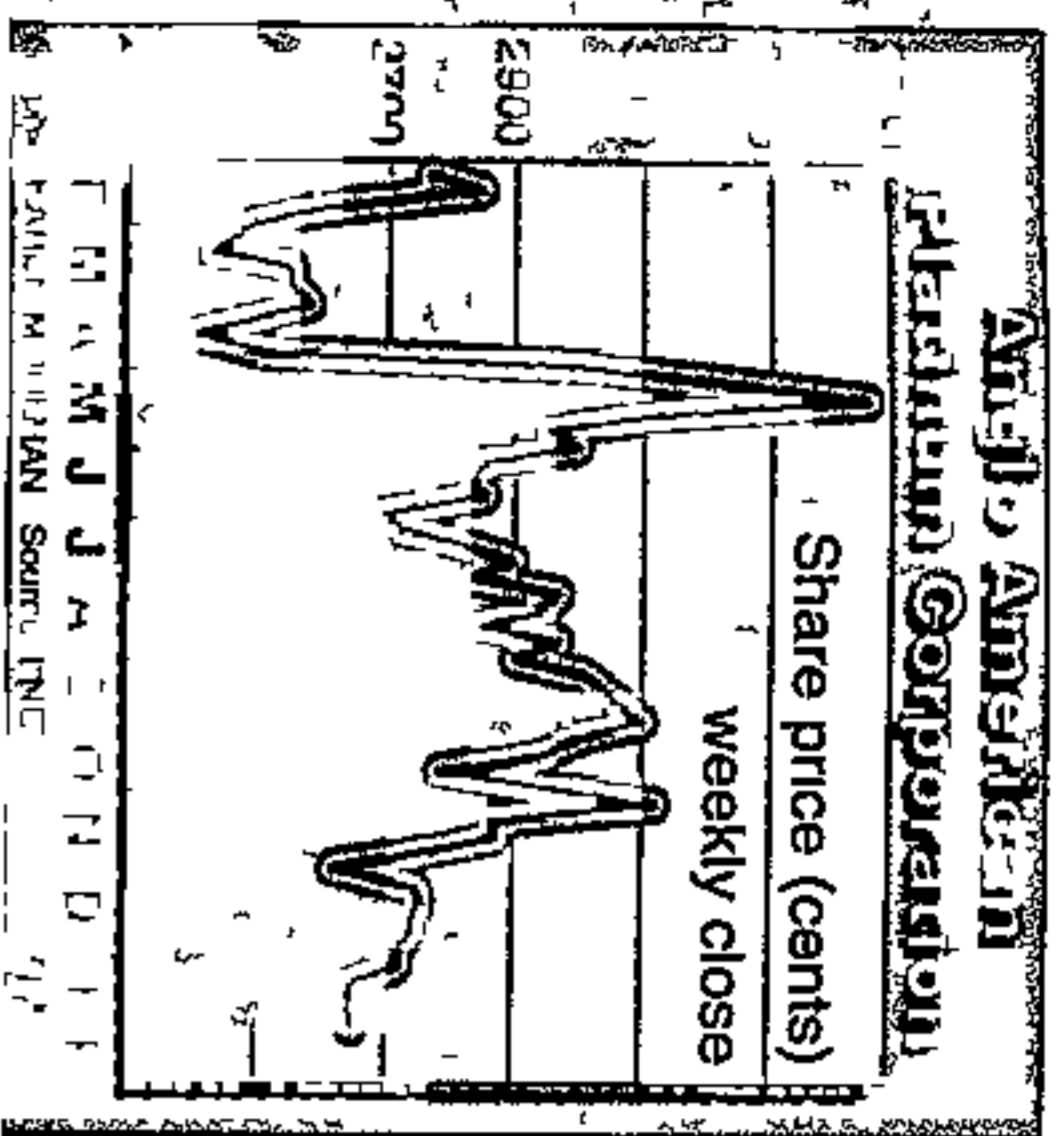
The largest contributor was Palabora Mining Company, which was 38,9% owned by RTZ-

soon CRA and 19,1% by Anglo American

Palabora announced in March this year that it would go ahead with a project to develop an underground mine which would extend the operation's life by 25 years

The new operation aims to produce 90 000 ton of copper a year for 20 years — Reuter

Disappointing showing for Amplats after



Reinie Booysen

ANGLO American Platinum Corporation (Amplats) brought one of its most disappointing semesters in recent years to a close by posting a 24% decline in earnings to R95,1m in the six months to December as last year's bitter two-month strike at Rustenburg was compounded by falling dollar prices for the major platinum group metals.

Earnings a share dropped to 53,9c (75,4c in the six months to December 1995). The interim div-

idend was 15c a share lower at 40c. "Frankly, it's been a difficult six months," said MD Barry Davison, and the "outlook for the second half is really not good".

Apart from the rand holding its ground against the dollar, he said the major platinum group metals continue to trail gold downwards. The strike at Amplats' main subsidiary, Rustenburg Platinum Holdings, caused a loss of about 100 000oz of refined platinum, and the total cost to the company — after setting the "savings on wages, utilities and other direct

costs" off against lost revenue — was R250m, operations director Brian Beamish said.

The company said it was "unlikely that more than 40% of this quantity (100 000oz) would be made up during the balance of the financial year" to June.

Although only 690 000oz of platinum were refined, compared with 807 000 in the year-earlier period, net sales revenue increased marginally to R1,79bn (R1,78bn) as the decline in dollar metal prices was offset by the weaker rand. While the average

dollar platinum price dropped 8% to \$385/oz, the rand platinum price rose 14% to R1 772/oz.

The rand price of palladium rose to R566/oz (R531/oz), rhodium dropped to R1 247/oz (R1 492/oz) and nickel rose to R14,34/lb (R13,73/lb).

Rustenburg's cost of sales rose 5% to R1,55bn, leaving profit on metal sales down 17% at R240m.

Attributable profit was down 33% to R106,3m, and earnings a share dropped to 81,6c (125,7c). The interim dividend is 50c (75c). Potgietersrust Platinum, which was spared the labour unrest which hit Rustenburg, fared better, with attributable profit of R166,6m (R126,1m), and earnings a share were 51,4c (52,7c), as the number of shares in issue rose to a weighted average of 127,3-million from 123-million. The interim dividend is 28c (33c).

Lebowa Platinum Mines posted a loss of R1m, against the R2,8m profit during the year-earlier period, as costs rose sharply. The loss a share was 0,8c, against the year-earlier profit of 2,3c a share. No dividend was declared.

strike

217) (217) 60
F/2/97

Boschkoppie mine to incur capital expenditure of R1,2 billion and four listed platinum mines to be merged

New mine for rebundled Amplats

(217) CIBR 16/14/97

ANDI SPICER

MINING AND RESOURCES EDITOR

Johannesburg — Anglo American Platinum Corporation (Amplats), the world's largest platinum producer, said yesterday it would open a new mine near Rustenburg. It also announced that it intended to rebundle all of its platinum interests into one company.

The new mine would be at Boschkoppie, while the capacity of its Potgietersrust concentrator would be expanded. The Boschkoppie mine, 40km north of Rustenburg, would employ 4 000 local people. Amplats said it would not use a hostel system.

Initial capital expenditure would be about R900 million, rising to R1,2 billion at full production in 2002. The mine is expected to last at least 25 years. It would produce about 200 000 tons of ore a month from the high-yielding Merensky reef. Output of refined platinum is expected to be 250 000oz a year at full production. A concentrator plant and ancillary surface infrastructure for the mine are included in the capital expenditure.

Amplats is spending R350 million to expand Potgietersrust's concentrator capacity from 250 000 tons a month to 375 000 tons. It will be used to process the mine's stockpile of low-grade ore. The market had been expect-



CHINS UP Amplats executives Barry Davison, Alec King and Ray Menne ponder the rebundling of the group's platinum assets into one company and the opening of a new mine near Rustenburg

PHOTO JOHN WOODROOF

ing the reorganisation of the group's platinum interests into one company, and share values in Lebowa Platinum had moved higher over the past few days.

"The merger will fit well into the group strategy of moving down the cost curve and, instead of servicing four listed compa-

nies, there will only be one," Roeland van Kerckhoven, the finance director of Amplats, said yesterday. He said this would utilise the entire cash surplus of the group.

Anglo has four platinum entities in the grouping — Amplats, Rustenburg Platinum Holdings,

which has three operations in its fold (Rustenburg, Union and Amandelbult), the marginal mine Lebowa (Leplats), and Potgietersrust (PP Rust).

"These four companies are listed separately on the JSE and all would be rebundled into one company, called Amplats, although

this would not necessarily be the currently listed Amplats.

"The remaining three will be delisted, but which company will hold these companies depends on costs," said Barry Davison, the managing director of Amplats.

□ **Business Watch, Page 18**

Amplats in R1,6bn expansion project

BD 16/4/97

(27)

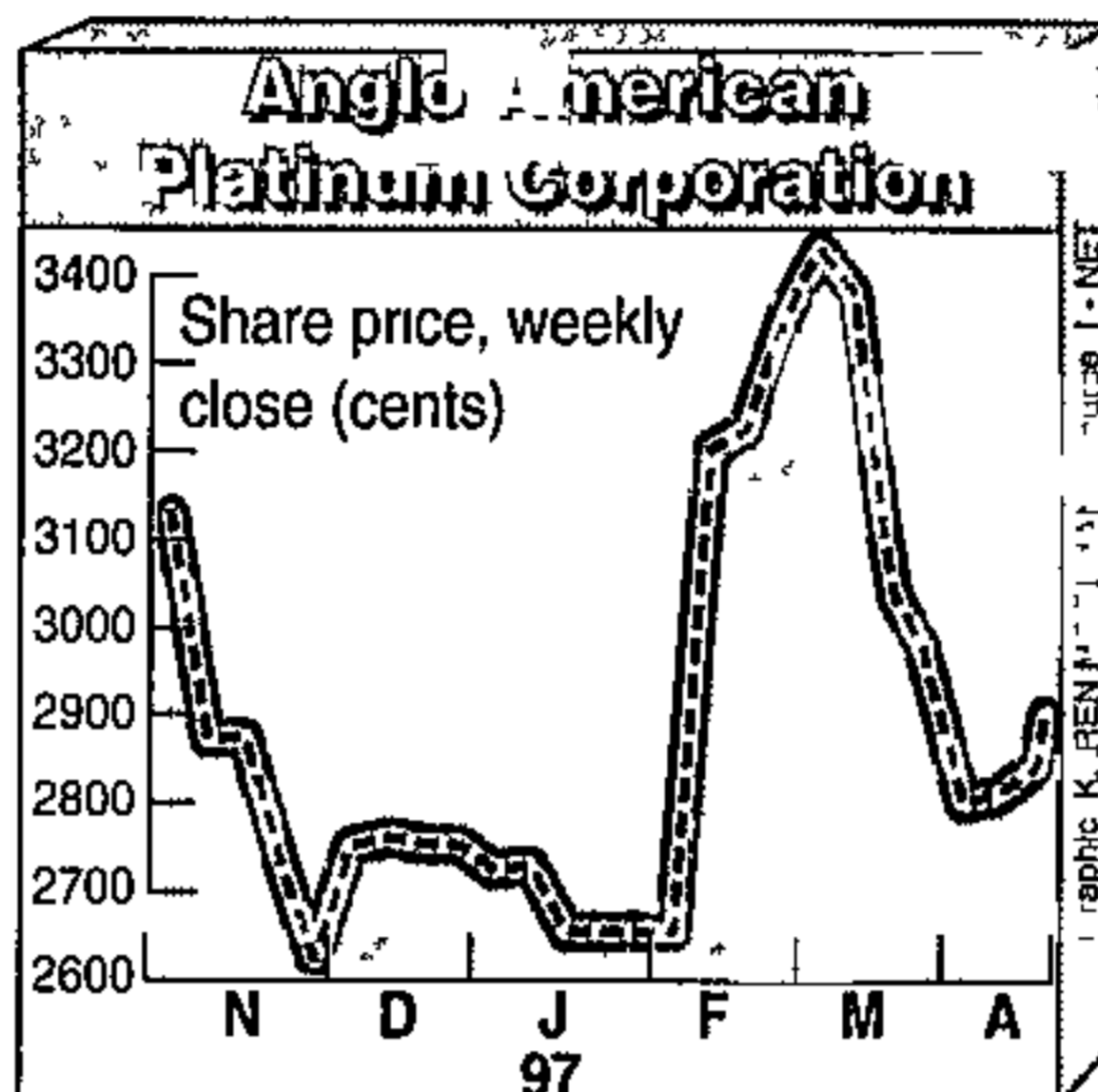
David McKay

ANGLO American Platinum Corporation (Amplats), the world's largest platinum producer, is to merge with its three listed subsidiaries and launch a R1,6bn expansion programme that will lift output by 300 000 ounces to 2,1-million ounces by 2002

Three of the four listed entities, possibly including Amplats itself, will be delisted and merged into one listed vehicle, to be called Amplats. Details of the merger, including which of the four companies would be used as the single listed vehicle, the estimated valuation of the companies and the merger ratios, were not available yesterday.

Amplats will make a further announcement on May 21.

MD Barry Davison said the merger would bring the group's mining companies — Rustenburg Platinum (Rusplat), Potgietersrust Platinums (PP Rust) and Lebowa Platinum (Leplat) — down the cost curve. The merger would also provide the operational flexibility to take advantage of an increase in platinum demand expected by 2000. Platinum demand was forecast to grow 2% a year, the group said.



Growth in the platinum market would be aided by the depletion of Russian stockpiles. A "gap" in the market would be created by the turn of the century, underpinning the group's decision to expand capacity, he said.

The planned merger coincides with the unveiling of two projects, a new R1,2bn mine, Boschkoppe, at Rustplat, and a R350m expansion of PP Rust's concentrator capacity.

The Boschkoppe mine, near Rustenburg, will have annual full production of about 250 000 ounces of re-

fining platinum by 2002. The mine's life is expected to be at least 25 years, with 4 000 employees at full production.

Davison said Boschkoppe would provide about 60-million tons of ore at a head grade of 6,1g/t. Platinum, palladium, rhodium and gold would be mined from Boschkoppe. "The Boschkoppe reserve represents what is believed to be the last remaining resource of viable Merensky Reef outcrop in the Western Bushveld Complex."

Davison said the second expansion concerned PP Rust's concentrator capacity, which would be increased to 375 000 tons a month from 250 000 tons by increasing the milling rate. Annual platinum production would rise by about 40 000 refined ounces.

Amplats said borrowings were not needed to fund either project as the group had internal cash resources.

The shares of Amplats group companies rose on the Johannesburg Stock Exchange yesterday, with the exception of Leplat. PP Rust made the largest gains, gaining 120c or 4,8% to R26,25, while Leplat slipped 4c or 1,36% to end at 290c. Analysts said Leplat had lost ground due to speculation over the possible merger ratios.

Bafokeng tell of plan to nullify deal with Implats

(27) 00 29/4/97

Janet Parker

THE Bafokeng community could raise the finance to continue mining platinum ore reserves being mined by Implats Platinum if it succeeds in setting aside the 1990 land contracts signed between the platinum group and a trustee of the Bafokeng.

A financial notice published at the weekend said confidential negotiations between Implats and the Bafokeng were terminated as a result of the Bafokeng's dissatisfaction with the attitude adopted by Implats at the start of the financial stage of the negotiations.

The move followed a financial notice placed by Implats a month ago announcing that its relationship with the Bafokeng was sufficiently restored to continue confidential negotiations to resolve the long-standing dispute between the two groups.

The Bafokeng's weekend notice announced its intention to litigate to nullify Implats's rights to mine on Bafokeng land. The notice outlined the Bafokeng's future intentions if they were to succeed in proving the 1990 agreement void. The agreement entitled the Bafokeng to 14,9% of Implats's taxable income from lease royalties.

The Bafokeng said they would reacquire the ore reserves and acquire

ownership of the fixed mining assets owned by Implats.

"In terms of the 1997 mining leases extended by the 1990 agreements, ownership of all plant, equipment and materials required to maintain the mine passes to the Bafokeng community once Implats loses the right to mine, and no compensation is payable to Implats," the notice said.

The Bafokeng would also acquire at no cost all dwellings and compounds erected by Implats on Bafokeng land.

The Bafokeng said the community would have to buy only the necessary movable assets to continue mining. The community said its ability to finance mining operations would be augmented by its claim against Implats for all profits Implats had made since 1993.

The entire labour force, including senior management and most members of the executive management, would be employed by the Bafokeng to continue mining operations and "ownership of the mine would be acclaimed as a long overdue black empowerment exercise which will encourage other communities in a similar position", the Bafokeng said.

The community said that it "obviously appreciates that shareholders would no longer share in the profits derived from the mining venture".

Hedgema

SA NEWS DIGEST

□ Mining

Bafokeng threaten legal action to seize Implats' mining assets (217)

The Bafokeng tribe has threatened to sue Implats for breach of contract over the tribe's claim that the company is likely to alienate its mining assets, including the Bafokeng mine.

The Bafokeng, entitled to 14.9 percent of Implats' taxable income from mineral lease royalties, said in newspaper advertisements that they would sue Implats if the company failed to pay them. The tribe also threatened to sue Implats if it failed to acquire the ore reserve rights for all Implats' mining assets.

The Bafokeng said on April 12 that they would sue Implats for breaching the dispute resolution clause in the 1997 agreement. On Friday, Steve Mofokeng, the managing director, said that the tribe's demands were "unreasonable".

At the time, the Bafokeng had a 14.9 percent stake in Implats. The tribe also threatened to sue Gencor, the major shareholder in Implats, to put pressure on the company to pay more royalties.

The Bafokeng also threatened to sue the state-owned Eskom, which said the tribe could be treated as a "state-owned enterprise". The share price dropped from R21.50 before the announcement was placed to the market on April 12 to R15.00 on April 13.

CT (HR) 5/10/07

New life for Steenkampskraal processing facility

Aussies allow import of rare earths into SA

CT (BR) 26/9/97 (217)

ANDI SPICER

MINING AND RESOURCES EDITOR

Johannesburg — The Australian government has given Rareco, the rare earth minerals producer, permission to import the country's radioactive rare earths ore into South Africa, extending the life of the Steenkampskraal processing and projects facility in the Western Cape

"This . holds the potential to increase production volumes to meet the demands of a rapidly growing market internationally," Mike Saner, Rareco's managing director, said yesterday

Rare earth minerals are used in high-technology applications. Rareco mines cerium-rich mona-

zite. The Steenkampskraal mine is one of the richest in the world

The company has also increased its reserves estimates at Steenkampskraal by 30 percent this year, but still has substantial exploration potential to extend its current reserves

Rareco has streamlined its business, concentrating on its core mining activity, and has written off debts accumulated by Precision Magnets, its troubled super-magnets subsidiary

This company, in which Rareco had a 50 percent stake, was on the edge of liquidation. Rareco replaced the management and increased its share to 70 percent, renaming the company Rareco Cape Magnets

Rareco released its results for the year to June 30 yesterday, reporting an operating loss of R11,1 million, mostly as a result of the Precision Magnets write-off

Saner said "We see this as a positive and constructive solution to the drain on resources that Precision Magnets has been over the past three years, and have every confidence in Rareco Cape Magnets' future now it is being restructured and commercially reorientated"

Rareco has entered into a joint venture with Caledonia Mining of Canada to develop the Kangankunde monazite and strontianite deposit in Malawi, which could add reserves for another 40 years to the project

Imports hit 'inefficient'

SA copper producer

CT(BE) 8/12/97 (217)

JONATHAN ROSENTHAL

INDUSTRIAL EDITOR

Johannesburg — A report by the Board on Tariffs and Trade (BoTT) has found that South Africa's largest manufacturer of copper pipes and tubes was unable to compete with imports from Yugoslavia because of inefficiencies and higher domestic cost structures.

The report was produced as a result of a petition brought by Maksimal, a Springs-based manufacturer accounting for about 75 percent of the country's domestic copper pipe production, which alleged that copper pipes were being dumped on the South African domestic market by Yugoslavian producers.

The BoTT initiated an investigation in August last year, and in June this year implemented a 3,6 percent provisional duty on copper pipes and tubes imported from Yugoslavia when it found that dumping was taking place. But last month the BoTT reversed its earlier findings in a final report which stated that there was no evidence for dumping.

The final report, which was based on a trip to Yugoslavia, indicates that Maksimal had lost market share to Yugoslav imports

because of greater competitiveness of Yugoslav manufacturers.

It found that labour costs in Maksimal's operation were proportionally double the labour costs of FBC, the Yugoslavian producer. While salaries and wages comprised 12 percent of the Maksimal's total production cost, they only accounted for 6 percent of FBC's cost. Similarly, power and fuel made up 4 percent of Maksimal's production cost, compared with 1 percent of FBC's cost.

"It was found that FBC's administration and selling expenses were very low owing to the set-up of the company (and) the continuous production line method used by FBC; it also employed fewer labourers than Maksimal, while it saved on energy costs and retooling. Furthermore, the cost of labour is significantly lower in Yugoslavia than in South Africa," the report said.

But the report also found that Maksimal's quality control reduced its ability to compete. BTT investigators discovered that Maksimal over-used its dies, which meant that "similar lengths of copper tubing had different weights ... indicating different production costs".

Maksimal declined to comment on the report.

Group also buys out Chromecorp minorities

Südelektra takes 81,7% Rhoex stake

ANDI SPICER

MINING AND RESOURCES EDITOR

Johannesburg — Südelektra, the Swiss minerals and resources company, has bought a R297 million stake in South African vanadium producer Rhoex, the company said yesterday.

Another part of this significant foreign investment was Südelektra's offer of 720c a share to minority shareholders in Chromecorp, in order to acquire the 13,1 percent of the chrome producer it does not currently own and delist the company.

Südelektra bought the 81,7 percent interest in Rhoex from Glencore at 619c a share and also agreed to take total control of Vantech, Glencore's vanadium processing company.

"The acquisition of Rhoex and Vantech complements our existing interests in South Africa and is a further indication of Südelektra's continued confidence in the country's competitive position in natural resources," Daniel Sauter, the company's managing director, said yesterday.

Südelektra is a diversified natural resource holding company that owns and manages businesses in the energy, forestry, and metals and minerals sector. Rhoex produces vanadium at its facility near Brits, in the North West Province, through its 95 percent-owned Rhovan subsidiary.

Glencore is a major shareholder in Südelektra, which is restructuring into a commodity

focused group and is the only such company listed in Switzerland.

"Glencore acquired its interest in Rhoex in July 1996 and made an offer to minority shareholders existing at that time of 435c a share. The current offer by Südelektra represents a premium of 42 percent to Glencore's offer price," the company said.

"The inherent volatility of commodity prices has contributed to Rhoex's unsatisfactory share price performance. To ensure stability, the group has entered into a fixed price offtake agreement for a term of three years," Südelektra said.

Südelektra also said that despite the expansion of Chromecorp's operations, its share price performance has also been "disappointing".

"We believe the benefits of acquiring the remaining Chromecorp shares which it does not already own outweigh the benefit of retaining Chromecorp's listing," the company said.

Currently, Südelektra owns 86,9 percent of Chromecorp. It said the offer of 720c represented a premium of 44 percent over the original issue price, and 12 percent over the present Chromecorp share price.

Südelektra said it had financed the offers through a loan, but it would hold a shareholders' meeting on January 14 to authorise the creation of 450 000 additional shares with a value of \$35 each. They would be used to fund this and other acquisitions.

(217) CT (BR) 17/12/97

Asbestos industry on verge of extinction

BD 18/12/97 (210) (217)

David McKay

THE SA asbestos industry, once the largest contributor to the country's total industrial minerals sales, is on the verge of extinction, largely because of the danger of cancer caused by the product.

According to the minerals and energy department's latest bulletin, its minerals bureau expects the closure of independent asbestos producer Griqualand Exploration and Finance Corporation (Gefco), announced earlier this year, to be followed by African Crysolite Asbestos within the next two years. If this occurs, SA's entire asbestos requirements will be sourced from two small operators.

"These currently contribute a mere 2,6% to total asbestos sales and may themselves, in due course, become casualties of their product's carcinogenic potential," the bureau said.

However, the expected demise

of SA's asbestos industry cannot be blamed entirely on negative publicity arising from the health risks associated with asbestos fibre and dust.

The bureau said fundamental economic principles had played a role in the industry's demise, including distance to major markets, slight dissimilarity of products, differing economic conditions and economies of scale.

Canada, historically the world's second-largest producer, had experienced the same declining trend in its asbestos industry. However, when the respective inflationary impacts were taken into account, SA seemed to have fared worse, the bureau said.

Canada's asbestos output has stabilised around 520-million tons a year, while SA's has continued to decline, hitting 57-million tons last year, with forecasts as low as 2 500 tons a year made for next year and further into the future.

MINING - OTHER
1998

SA asbestos production firms take a knock

David McKay

18(217)
THE Griqualand Exploration & Finance Company (Gefco), due to close its Kuruman-based asbestos mines, and sister company Msauli Asbestos, struggled with difficult trading conditions in the year to December

Gefco, which expects to have disposed of its remaining blue fibre asbestos assets by the year end, yesterday posted a loss of R817 000 compared with a R4,5m taxed profit in the previous financial year

The rehabilitation of Gefco's

defunct mining areas was continuing and would be completed by the year end, it said

Gefco's cement brick division, expected to continue operating after the asbestos mines close, had another difficult year owing to poor demand

There had been a steadying in demand for cement bricks, however, and the company hoped for a better performance

Msauli reported a taxed profit of R121 000 in the year under review compared with a loss of R1,5m previously. Its financial results were fair given rational-

isation costs of about R4,3m in the period

During the year, the resolution of certain production problems and reduced market share resulted in a stock buildup

Given poor market demand for asbestos, spearheaded by the French government's decision to ban all use of asbestos fibre, a major rationalisation programme had to be implemented at Msauli

Prospects for the current financial year have been dimmed by the pressure exerted on demand by the Asian financial cri-

sis which would result in a less than significant sales increase

Asbestos production was likely to be reined in again resulting in higher costs and placing pressure on operating margins. Msauli said dollar prices are expected to remain under pressure and the dollar-rand exchange rate will be key to continued profitability.

The two companies have dominated SA's asbestos production and their continued problems have been billed by analysts as the end of SA as a significant asbestos producer.

BD 3/3/98

LATS AMPLATS A

IN PLATINUM

WORLD LEADER IN PLATINUM

WOR



LIKE MINDS Barry Davison (left), the managing director of Amplats, and Roeland van Kerckhoven, the financial director, announce the company's annual results yesterday

PHOTO JOHN WOODROOF

Best results ever for Amplats

ANDI SPICER

MINING AND RESOURCES EDITOR

Johannesburg — Anglo American Platinum (Amplats), the world's largest platinum producer, stormed ahead in its annual results to report an 85 percent surge in headline earnings, it emerged yesterday

Barry Davison, the managing director, said: "These are the best results ever achieved by Amplats and are really quite outstanding."

Davison attributed the surge in earnings for the year to the end of June to higher than average prices of platinum group metals, the weakness of the rand and a 9,4 percent increase in production

Headline earnings rose by R516,3 million to R1,12 billion. Net attributable profit to ordinary shareholders increased by

171,2 percent to R1,035 billion

The total dividend for the year rose by more than 50 percent to 305c, with a final dividend of 190c. The weaker rand added an extra R656,6 million to the earnings.

Davison said if the dollar price of platinum group metals (PGMs) remained stable and the exchange rate to the dollar remained over R6, "we can expect a further significant increase in headline earnings"

Roeland van Kerckhoven, the financial director, said: "The rise in earnings was slightly offset by an increase in operating costs. Metal prices on balance had also firmed during the year"

The average price of PGMs moved up 19,3 percent in rand terms and by more than 7 percent in dollar terms

But the PGM market remained volatile, with much depending on the behaviour of Russian exporters, the Asian financial crisis and the low gold price

The company said "(The outlook for PGMs looked good) with sound platinum demand and reduced Russian supply from stocks. This bodes well for the platinum market"

"Strong palladium demand growth coupled with supply concerns are likely to have a positive impact on platinum demand in the medium term"

The negotiations with Gold Fields of South Africa over the possible acquisition of Northam Platinum should be concluded within a few weeks, Davison said

Amplats' share price rose 20c yesterday to close at R78

(217)

CT(BR) 13/8/98