



miningmx^x
higher grade

TODAY In Gold & Silver >
diamonds eskom
south-africa coal china
copper platinum gold

"This turned into a war.

News Opinion Multimedia Data Special Reports Events Jobs Rainmaker

Gold & Silver Platinum Group Metals Energy Markets Diamonds Base Metals Fe

Miningmx » News » Gold & Silver

Aurora defends gold mine plans

Allan Seccombe | Mon, 22 Feb 2010 18:07

[miningmx.com] -- LIQUIDATORS of the Orkney gold mines now run by Aurora Empowerment Systems have given their approval in principle for the leasing of the Number 2 shaft for around R23m as they await a reverse listing of the mine pursuant to payment for Orkney and grapple with paying the workforce there.

Aurora management is compiling a R300m plan to deepen the Number 7 shaft at Orkney to tap into untouched ore, extending the life of the mine by five times to around 25 years, and to build a processing plant using equipment garnered in a R20m deal to buy the plant at DRDGOLD's defunct ERPM mine.

News of late salary payments for workers employed by Aurora continues to trickle into the market, something sure to make Aurora MD [Zondwa Mandela](#) apprehensive ahead of reversing the Orkney mine and possibly the Grootvlei mine into listed Labat Africa, an R80m business services support company.

Miningmx has received a number of complaints from workers saying they had not been paid or received late wages at Orkney and the Grootvlei mine on the East Rand, which Aurora is acquiring from the liquidators of Pamodzi Gold's assets.

On Monday, the National Union of Mineworkers lambasted Aurora for late salary payments and poor working conditions, threatening to approach mines minister Susan Shabangu if there's no resolution. Trade union Solidarity has also complained about late and incomplete wages.

Miningmx has also seen letters of demand and threats to terminate relationships by services companies dealing with Aurora.

Mandela told Miningmx a couple of weeks ago that there was no financial stress in the group, but his comments are undermined by the NUM statement. He argued away some of the services companies' complaints as being those hanging over from the days when Pamodzi Gold owned the mine.

BLEEDING MONEY



Zondwa Mandela, MD of Aurora Empowerment Systems.

RELATED STORIES

- » Aurora stems gold mine flooding
- » Flooding forces closure of Aurora gold mine
- » Aurora: more light than heat?
- » Aurora buys DRDGOLD's ERPM plant
- » Aurora says it is financially sound
- » DRDGOLD sells Blyvoor to Aurora

Dawid Stander, the managing director of Aurora's mining interests, conceded on Monday that things are tough at Orkney and cannot be allowed to continue, so the company is making sweeping plans to change the way the mine is operated to win market confidence ahead of the reverse listing.

The mine, which one director described as "bleeding money", has consumed more cash than Aurora expected and is not generating enough money of its own. One figure in the market is that Aurora and its Malaysian backer, AM Group, have already spent nearly R80m on the mine.

"If you are not the rightful owner then you do not get financial backing to turn the mine around," Stander said. Aurora has agreed to buy the Orkney and Grootvlei mines from the liquidators for R605m in a deal that is yet to be finalised. It is managing the mines in the mean time.

There's no time line yet on when the reverse listing will take place or when Aurora will take ownership of Orkney and Grootvlei, which are still owned by the liquidators. Mid- to- end-April has been mentioned and the two events will need to take place in close order, with the reverse listing raising a significant portion of the funds needed to acquire the mines.

A critical component in turning around the Orkney mine, which some industry experts have written off as an old, difficult, worked-out mine with little to offer, is installing its own mill to avoid the high toll-treatment charges which helped sink Pamodzi Gold.

The ERPM plant will give the Aurora the mills it needs and Stander reckons it will take 18-24 months before the mills will be sent Orkney. There is a big clean up process at ERPM's plant which will yield some 500 to 800 kilograms of gold, Aurora management has said.

That time frame for the mills will coincide with the deepening of seven shaft, which will then generate 60,000 to 80,000 tonnes/month of ore, the bulk of Orkney's monthly production, Stander said. "With its own mill Orkney will wash its own face," Stander said.

An interesting deal is the possible leasing of 2 Shaft, which is currently costing Aurora a lot of money for very little because the ore body there is mined out. Miningmx has a document detailing the R23m, nine-year lease agreement with Frisbee Investment 1207 CC. The agreement is yet to be finalised.

A company search shows Frisbee was registered in March 2007 and Tshokolo Maetso and Marius Nienaber are shown as holding an 80% and 20% interest respectively. Frisbee has the right to remove all movable assets. Aurora, however, is understood to want to use the shaft infrastructure to deepen 7 Shaft.

The liquidators have given an "in principle agreement" to the scheme to lease 2 Shaft provided there are no job losses in the scheme. A formalised agreement is being drawn up, said Enver Motala, one of the liquidators.

Asked if there were any concerns about Aurora's funding to acquire the mines, he said: "Their funding looks okay. We will do everything in our power to assist them in this deal. It's a good one and we don't want to lose it."

The fear in the market is that Aurora, much like Pamodzi Gold, has grown too quickly and doesn't have the cash to invest in the mines it has bought. It has committed to spending around R1bn buying the Pamodzi mines, 60% of DRDGOLD's Blyvoor mine and the Primrose mine.

"We're not like that [Pamodzi Gold] at all. If it means a process is needed to restructure and do things differently that's what we'll do. I'm not prepared to carry on the way we are. We've had enough time on these assets to realise we have to do things very differently," Stander said.



[USER COMMENTS \(2 \)](#)

[Click to View](#)

[COMMENT](#)

[SHARE](#)

[E-MAIL](#)

[PRINT](#)






[Add Your Comment](#)

No bad language or hate speech please.

Your Name Your E-mail

Your comment subject

[Submit >](#)

 <p>Podcasts Big opinions by big guys.</p>	 <p>Jobs Current listings.</p>	 <p>JSE Listed stocks Real time resources c</p>
 <p>RSS Feeds News delivered really simply.</p>	 <p>Events Current listings.</p>	