



INVESTMENT INSIGHTS

Barry Sergeant | 21 December 2009 00:01

# How gold are Mandela, Zuma?

## Strange days, as a marginal gold asset operator plans to list in Johannesburg.

JOHANNESBURG - During a week when prices for gold stocks listed around the world blew off, Zondwa Mandela, MD of Aurora Empowerment Systems Ltd., again hinted at plans to list the group's South African gold interests, this time in the first quarter of 2010. Gold stocks, of which hundreds are listed across the planet, are now on average priced back to levels seen six months ago.

This is just weeks after the dollar gold bullion price made all time records above \$1 200 an ounce. The reasons for the profit taking are unclear, but what is clear is that gold stocks with a strong South African focus rank, in turn, among the worst performing gold stocks anywhere. Harmony, a global Tier I gold miner, has lost 43% of its market value this year.

Fellow global Tier I gold stocks AngloGold Ashanti (JSE:ANG) and Gold Fields (JSE:GFI) have fared far better, but also operate substantial gold mines outside South Africa, diversifying geographic and other risks. Harmony is busy building Hidden Valley, a joint venture with Australia's Newcrest, in Papua New Guinea. Smaller South African gold stocks, most of which rank among the Tier II status, have taken a severe price beating this year, as if still wiping off the blood from the bankruptcy of Pamodzi Gold (JSE:PZG) earlier this year.

In late 2007, when bullion was around \$800/oz, Pamodzi Gold stated baldly that it "has a realistic strategy in place to become a one million ounce per annum gold producer in the next two years". The counter was listed on the Johannesburg bourse in December 2006, "in order to become the vehicle used to consolidate the South African junior mining sector".

Aurora, chaired by Khulubuse Zuma, has in the past few months spent more than the equivalent of \$100m buying marginal South African gold operations: the Orkney and East Rand mines of the defunct Pamodzi Gold for R215m and R390m, and 60% of DRDGold (JSE:DRD)'s Blyvooruitzicht mine for R296m, plus a draw down facility for DRDGold of R80m.

DRDGold said it "is to sell 60% of its struggling Blyvoor mine to emerging marginal gold asset operator, Aurora Empowerment Systems". DRDGold CEO Niel Pretorius said the incoming proceeds would be used to bolster DRDGold's balance sheet ahead of planned acquisitions of "lower risk, lower cost, higher margin" assets. Bigger miners, such as AngloGold Ashanti have been selling off earmarked South African assets for years; Tau Lekoa is the latest on the block, but delayed by issues over mineral rights in a sale to the struggling Simmer & Jack (JSE:SIM).

Mandela seems nonplussed by the beleaguered state of domestic gold miners; this from *Bloomberg* on Friday: "While Aurora doesn't plan to immediately raise funds when it lists, it will seek more gold acquisitions and may enter the diamond and coal industries, said Mandela, who was dressed in a dark suit and open-collared, purple-checked shirt as he ate fillet in a northern Johannesburg restaurant".

Aurora's funding is at least partly provided by its Malaysian partners, with board director Raja Dato Zainal Alam Shah cited as a former adviser and promoter to Al-Rajhi Banking Corp. Mandela has always declined to disclose Aurora's shareholders, but has said that some funding has been provided by "private equity."

For now, South Africa's struggling gold diggers are contending with further stock price sell downs. Simmers has surrendered 55% of its value this year; Central Rand, which also made promises to be producing a million ounces a year, is down by nearly 80%. Wits Gold, the least battered, has sacrificed a mere 14% of its value this year, possibly because the great depths of its deposits would require at least ten years of lead time, and billions upon billions of rands of capital investment. Never ruin a good mining story, as the story goes, by building a mine.

### Selected gold stocks active in Africa

	Stock price	From high*	From low*	Value USD bn
<b>South Africa &amp; beyond</b>				
<a href="#">AngloGold Ashanti</a>	USD 40.47	-14.80%	79.90%	14.66
<a href="#">Gold Fields</a>	ZAR 104.80	-16.20%	37.50%	9.827
<a href="#">Harmony</a>	ZAR 75.39	-43.30%	9.70%	4.271
<b>South Africa focus</b>				
<a href="#">Simmer &amp; Jack</a>	ZAR 1.62	-54.60%	1.30%	0.263
<a href="#">First Uranium</a>	CAD 2.18	-72.80%	26.70%	0.34
<a href="#">DRDGold</a>	ZAR 4.55	-52.40%	42.20%	0.231
<a href="#">Wits Gold</a>	ZAR 84.50	-13.80%	176.10%	0.313
<a href="#">Gold One</a>	AUD 0.32	-67.90%	37.00%	0.225
<a href="#">Central Rand</a>	ZAR 1.84	-77.00%	0.00%	0.06
<a href="#">Pan African</a>	GBP 0.07	-19.40%	247.50%	0.159
<a href="#">Mintails</a>	AUD 0.04	-50.70%	76.20%	0.035
<a href="#">West Wits Mining</a>	AUD 0.10	-34.50%	137.50%	0.01
<b>Global &amp; Africa</b>				
<a href="#">Barrick</a>	USD 38.39	-20.10%	50.30%	37.744

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<a href="#">Newmont</a>	USD 47.63	-15.60%	38.50%	22.882
<a href="#">Iamgold</a>	USD 15.15	-27.90%	195.90%	5.575
<b>West Africa</b>				
<a href="#">Goldstone Resources</a>	GBP 0.01	-58.10%	271.40%	0.003
<a href="#">Avnef Gold</a>	CAD 0.18	-37.90%	620.00%	0.014
<a href="#">Medoro Resources</a>	CAD 0.49	-47.90%	1533.30%	0.11
<a href="#">African Aura</a>	CAD 0.99	-29.30%	395.00%	0.049
<a href="#">Red Back</a>	CAD 14.74	-9.90%	134.70%	3.191
<a href="#">Moydow Mines</a>	CAD 0.74	-16.90%	1245.50%	0.042
<a href="#">African Gold Group</a>	CAD 0.70	-26.30%	2233.30%	0.043
<a href="#">Semafo</a>	CAD 4.39	-12.70%	285.10%	1.03
<a href="#">Golden Star</a>	USD 3.12	-28.90%	488.70%	0.76
<a href="#">Resolute Mining</a>	AUD 1.08	-14.70%	194.50%	0.365
<a href="#">Nevsun Resources</a>	CAD 3.02	-17.50%	297.40%	0.396
<a href="#">Perseus Mining</a>	AUD 1.74	-5.90%	421.00%	0.495
<a href="#">Etruscan Resources</a>	CAD 0.41	-38.80%	134.30%	0.127
<a href="#">Cluff Gold</a>	GBP 0.60	-25.50%	105.10%	0.119
<a href="#">Mineral Deposits</a>	AUD 0.99	-15.70%	85.00%	0.504
<a href="#">Keegan Resources</a>	USD 5.96	-21.30%	831.30%	0.17
<a href="#">Searchgold Resources</a>	CAD 0.03	-40.00%	200.00%	0.004
<a href="#">Gryphon Minerals</a>	AUD 0.48	-18.60%	713.60%	0.086
<a href="#">Shield Mining</a>	AUD 0.16	-36.00%	788.90%	0.01
<a href="#">Adamus Resources</a>	AUD 0.44	-17.00%	175.00%	0.111
<a href="#">Orezone</a>	CAD 0.78	-16.10%	200.00%	0.039
<a href="#">Axmin</a>	CAD 0.09	-51.40%	88.90%	0.024
<a href="#">PMI Gold</a>	CAD 0.14	-15.60%	440.00%	0.015
<a href="#">Azumah Resources</a>	AUD 0.25	-23.10%	400.00%	0.039
<a href="#">Pelangio</a>	CAD 0.55	-27.60%	1471.40%	0.061
<a href="#">Ampella Mining</a>	AUD 0.55	-20.30%	708.80%	0.072
<a href="#">Castle Minerals</a>	AUD 0.28	-12.50%	211.10%	0.018
<a href="#">Volta Resources</a>	CAD 0.69	-8.00%	527.30%	0.034
<a href="#">North Atlantic Resources</a>	CAD 0.06	-62.50%	100.00%	0.002
<a href="#">Avion Resources</a>	CAD 0.46	-11.50%	820.00%	0.119
<a href="#">Signature Metals</a>	AUD 0.03	-54.50%	525.00%	0.017
<a href="#">Channel Resources</a>	CAD 0.08	-46.40%	650.00%	0.004
<a href="#">Riverstone Resources</a>	CAD 0.26	-35.40%	218.80%	0.012
<b>Pan African</b>				
<a href="#">Randgold Resources</a>	USD 77.79	-13.90%	114.70%	7
<a href="#">Africa West</a>	CAD 0.05	-44.40%	100.00%	0.002
<a href="#">Pan African</a>	GBP 0.07	-19.40%	247.50%	0.159
<a href="#">Goldplat</a>	GBP 0.12	-14.80%	37.30%	0.021
<a href="#">African Queen</a>	CAD 0.53	-28.40%	211.80%	0.019
<a href="#">Central African</a>	Suspended			
<a href="#">Caledonia</a>	CAD 0.06	-53.80%	100.00%	0.028
<a href="#">Mwana Africa</a>	GBP 0.13	-26.80%	381.50%	0.084
<a href="#">Midlands Minerals</a>	CAD 0.29	-9.40%	286.70%	0.015
<b>Africa, other</b>				
<a href="#">Shanta Gold</a>	GBP 0.07	-19.20%	436.40%	0.012
<a href="#">Banro</a>	CAD 2.09	-38.00%	111.10%	0.207
<a href="#">Kilo Goldmines</a>	CAD 0.55	-24.70%	175.00%	0.032

<a href="#">Loncor Resources</a>	CAD 1.45	-9.40%	866.70%	0.042
<a href="#">Moto Goldmines</a>	Just taken over			
<a href="#">Sunridge Gold</a>	CAD 0.58	-31.80%	582.40%	0.034
<a href="#">Luiru Gold</a>	CAD 0.30	-25.00%	757.10%	0.017
<a href="#">Helio Resource</a>	CAD 0.57	-37.40%	256.30%	0.035
<a href="#">Tanzanian Royalty</a>	CAD 3.57	-45.10%	22.70%	0.301
<a href="#">Centamin Egypt</a>	CAD 2.04	-22.40%	223.80%	1.949
<a href="#">Obtala</a>	GBP 0.19	-34.80%	70.50%	0.059
<a href="#">GMA Resources</a>	GBP 0.04	-34.70%	154.00%	0.029
<a href="#">New Dawn</a>	CAD 1.35	-27.00%	1587.50%	0.037
<a href="#">Kasbah Resources</a>	AUD 0.06	-15.50%	140.00%	0.009
<a href="#">African Consolidated</a>	GBP 0.15	-15.50%	215.80%	0.087
<a href="#">KIG Mining</a>	EUR 0.19	-81.50%	1392.30%	0.014
<a href="#">Lake Victoria Mining</a>	USD 0.70	-53.00%	105.90%	0.02
<a href="#">Red Rock</a>	GBP 0.01	-38.50%	293.30%	0.013
<b>Also in Africa</b>				
<a href="#">MDN</a>	CAD 0.54	-36.50%	28.60%	0.048
<a href="#">Douglas Lake</a>	USD 0.24	-57.90%	100.00%	0.017
<a href="#">Great Basin</a>	CAD 1.74	-26.90%	56.80%	0.544
<a href="#">Gold Wheaton</a>	CAD 0.32	-21.00%	100.00%	0.424
<a href="#">High River</a>	CAD 0.57	-1.70%	500.00%	0.346
<a href="#">Crew Gold</a>	CAD 0.14	-90.80%	16.70%	0.28
<a href="#">Oromin</a>	CAD 0.83	-42.00%	115.60%	0.08
<a href="#">Vatukoula Gold</a>	GBP 0.01	-20.70%	166.70%	0.08
<a href="#">La Mancha Resources</a>	CAD 1.78	-20.90%	917.10%	0.237
<a href="#">Avocet Mining</a>	GBP 0.86	-18.60%	42.50%	0.269
<a href="#">CGA Mining</a>	AUD 2.31	-4.10%	106.30%	0.585
<a href="#">Chalice Gold</a>	AUD 0.45	-33.80%	500.00%	0.055
<a href="#">NGEx Resources</a>	CAD 0.71	-15.50%	255.00%	0.089
<a href="#">Bezant Resources</a>	GBP 0.26	-27.10%	425.00%	0.017
<b>Mainly copper</b>				
<a href="#">First Quantum</a>	CAD 79.92	-6.30%	375.10%	5.875
<a href="#">African Eagle</a>	GBP 0.04	-66.00%	277.80%	0.02

\* 12 month

Source: market & company data, crunched by Barry Sergeant

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**Should Zondwa Mandela be involved in gold?**

- No, it is a dying business
- Yes

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**WTF**

does his attire and appetite have to do with anything??

by **Reaper** on December 21 2009, 08:52  
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**they'll off load and run as soon as they list**  
i'll rather take my chances on the lotto

by **frank** on December 21 2009, 09:16  
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**Empawament**

.... and when things go wrong i.e. Harmony the directors suddenly support nationalization.

by **Chris** on December 21 2009, 09:24  
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