

GOLD

in South Africa

2 0 0 7

Mining | Refining | Manufacturing | Retail | Investment





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FOREWORD

In 2004 AngloGold Ashanti and the World Gold Council, together with the Department of Trade and Industry and the Industrial Development Corporation, funded the first study ever undertaken of the entire gold value chain in South Africa, from mining through to fabrication and retailing. The resulting publication was well received and, for the first time, provided data on gold fabrication industries in South Africa.

Since 2004, many changes have occurred in the gold industry. Most significantly, the dollar gold price has increased by almost 58% over two years on the back of a boom in global commodities prices. Though this price increase has brought major economic benefits to South Africa as the world's largest producer of gold and significant exporter of other raw materials and commodities, its impact on other sections of the value chain has not necessarily been as positive.

The short term volatility which accompanied recent price increases impacted heavily on gold jewellery offtake. Gold jewellery consumption fell worldwide in volume terms by 16% between 2005 and 2006, with gold usage in some major markets falling off by up to 30%. Though demand has now recovered, South Africa's manufacturers used less gold in jewellery fabrication during this period of volatile prices, meaning that a smaller proportion of South Africa's gold production was beneficiated to value-added product.

Other changes in the gold value chain in South Africa have been significant. New legislation regulating the sector was introduced which cut red tape for jewellery manufacturers, the Jewellery Council of South Africa was restructured and revitalised, and a precious metals regulator appointed. Musuku Beneficiation Systems was closed, leaving only one primary refiner, Rand Refinery Limited, in operation in South Africa.

These changes and others are documented in detail in the research that follows. It is hoped that this book will provide a valuable source of reference to those working in the industry or looking to invest in the industry in South Africa.





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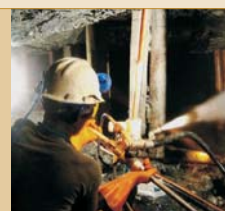
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GLOSSARY

| | |
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| Assaying | In chemical analysis, the process of determining proportions of metal, particularly precious metal, in ores and beneficiated metal. The method known as 'Fire Assay' is the oldest known method of assaying gold and continues to be the most accurate and economical method of determining the purity of gold |
| Cast bar | A cast bar is made by the basic process of forming a bar in a mould (Contrast minted bar) |
| Casting | Jewellery manufacturing process in which gold and alloys are extruded into moulds under vacuum |
| Coin blanks | Semi-fabricated stamped gold discs used to manufacture numismatic or legal tender coins |
| DME | Department of Minerals and Energy |
| Doré | Impure alloy of gold and silver produced at a mine to be refined to a higher purity, usually consisting of 85% gold on average |
| DTI | Department of Trade and Industry |
| ETF | Exchange Traded Fund. A gold investment vehicle whose sole asset is physical gold and whose value is fully backed by physical gold |
| Finding | A small, value-added component (a clasp, clip or hook) that forms part of the overall jewellery piece assembly |
| Fine gold | Pure gold of at least 995 parts per 1,000. Fine gold refers to jewellery of a minimum of 9 carat gold. |
| JCSA | Jewellery Council of South Africa |
| JSE | Johannesburg Securities Exchange |
| LBMA | London Bullion Market Association |
| Legal tender | Bullion or other coins which are, at least theoretically, accepted for the purchase of goods and services e.g. Krugerrand |
| LIBOR | London Inter Bank Offered Rate, based on rates that contributor banks in London offer each other for inter-bank deposits |
| London good delivery status | Awarded by the London Bullion Market Association to refiners that meet certain criteria with respect to their refining standards. This status gives refiners international recognition for the quality and purity of their products |
| Minted bars | A bar punched out of a strip of gold which has been produced by continuous casting. The punched out bar is then minted in a purpose-designed minting press, similar to the process used to make coins (Contrast cast bars) |
| Mintek | Provider of minerals processing and metallurgical engineering products and services to industry |
| MPRDA | Minerals and Petroleum Resources Development Act 28 of 2002 |
| NewGold gold bullion | Gold Exchange Traded Fund launched by ABSA bank |

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|------------|---|
| PGMs | Platinum Group Metals |
| Plate | Product created by the process of continuous casting which allows a constant rectangular shape to be withdrawn from the bottom of a mould. Solidifies into a long strip of metal which can be rolled and reworked into different dimensions |
| Ribbon | Plate which has been rolled into a thin strip, usually with a thickness of less than 0.5mm |
| SAMDA | South African Mining Development Association |
| Small bars | Bars with a weight of less than 1kg, generally of the cast variety |
| Sweep | Floor sweepings sent to the recycler to recover very low grade gold content |
| VAT | South African Value-Added Tax, currently at 14% |
| Washings | The wash water from the jewellery manufacturing process which can contain anything from 4% - 5% gold (in weight) which is sent for recycling |
| WGC | World Gold Council |
| Wire | Gold in wire form of varying diameter and alloy destined to be manufactured into chain |

Unless otherwise stated, all references to volumes of gold are measured in metric tonnes (mt) of fine gold.

