

Merger negotiations between South African mining house JCI and British conglomerate Lonrho have once again been resumed after a number of difficulties had been encountered, according to a statement issued by JCI. The negotiations are against a background of Anglo American selling its full 26,8% holding in Lonrho to JCI for R2,5-billion.

HENDRIK VORSTER writes:

New move in merger talks between JCI and Lonrho

Earlier talks between JCI and Lonrho broke down after shareholders in Lonrho voiced strong objections to the proposed sale of Ashanti Gold Mines in Ghana to Anglo American Corporation, which they felt would be the outcome if a JCI-Lonrho merger was finalised.

But, talks are also still continuing in respect of possible share swaps and amalgamations, including the possible sale of Duiker Coal to JCI's Tavistock.

It has been confirmed by JCI that it "has been approached to discuss other possible transactions which could be beneficial for the shareholders of both JCI and Lonrho."

The two mining houses locked horns in respect of a full merger when Lonrho shareholders dug in their heels over the proposed sale of the Ashanti gold mine in Ghana to the Anglo American Corporation.

Throughout the discussions, Tiny Rowland, former head of Lonrho and still the company's biggest single shareholder, mounted a campaign, which included full-page advertisements in newspapers, to sink the deal, saying it was not in Lonrho's interest. The management of Ashanti also opposed the proposed merger.

Tavistock, the flagship colliery of JCI at Witbank, recently assumed the position of a fully-fledged coal house when it took over all JCI's coal interests and bought Shell's South African coal assets.

It is now argued in some quarters that if Tavistock can enter into a merger with Duiker Coal, it would create a new giant SA coal company with the clout to challenge Gencor's Ingwe, which is presently the world's

largest steam coal exporter. Commenting on the failure of the earlier merger talks Tiny Rowland says: "For once the board of Lonrho has followed our advice and has done something right in the interest of all shareholders." He believes, he says, something can still be done (on coal) "but if the Lonrho board gets the deal wrong, I will sue them." He sees a merger between the two groups as a stepping stone for Anglo American to gain control of Ashanti in Ghana. If Anglo wishes to pursue the deal further, he says, they must make the same offer to all shareholders in Lonrho which he was offered for his shares.

In terms of the latest agreement, which grants JCI a right to acquire a 28,8% interest in Lonrho, an announcement by JCI says that further to the cautionary announcement published on July 1, 1997, JCI has entered into agreements with Anglo American, De Beers Consolidated Mines and the Southern Life Association (the shareholders) pursuant to which the shareholders have granted JCI call options and JCI has granted the shareholders put options (together 'The Options') over some 26,8% of Lonrho's issued share capital ('the Transaction').

The announcement says the transaction will provide for closer co-operation between JCI and Lonrho and position them to take advantage of the re-alignment and restructuring currently taking place in the SA mining industry. Further the transaction will also provide JCI with a strategic interest in Lonrho's valuable portfolio of international assets and will enable JCI to participate in the expected rerating of Lonrho as it increases its focus on its mining

Swazi king permits Taiwanese mining digging in nature reserve

The Swaziland Minerals Committee has granted a five-year mining lease to Taiwanese company Michael Lee Enterprise to prospect and mine ornamental chert, a green stone used for making floor tiles and jewellery.

The digging licence is the first in two years and will allow the Taiwanese to prospect and mine the mineral in a proclaimed nature reserve at Malolotsha.

Mining licences are normally only granted grudgingly by the Swaziland Minerals Committee, which is appointed by King Mswati III and reports directly to him.

Gwece Dlamini, chairman of the mining committee, has paid tribute to the 28-year old monarch, saying the licence is a direct result of an investment tour of the Far East during which Mswati invited Taiwanese investors to the Swaziland Kingdom and signed a protocol for investment with the increasingly isolated Republic.

Chert, which is believed to be plentiful in the protected nature

reserve Malolotsha on the Western Mountains in a belt bordering South Africa up to the Bulembu area near the Havelock asbestos mine area, has up to now been mined by bootleg operators from Swaziland and South Africa. The Taiwanese company will undertake a two-phase development to prospect the area and identify 'ideal' mining sites.

In a subsequent phase, they will establish a factory for processing the product before export.

"This will, in turn, provide training opportunities and employment as well as earn vital foreign exchange for the country," Dlamini said at the signing ceremony. Michael Lee, who signed on behalf of his company, said the operation would immediately employ between 50 and 100 people, with more jobs coming available as the mine started operating. He says he has been working on feasibility studies for the project since Mswati visited Taiwan in 1995.

There are only two active mines in Swaziland at the moment.

business. The shareholders have granted JCI all options and JCI has granted the shareholders put options over 211 075 167 ordinary shares of 25 pence each in the issued capital of Lonrho. These options will be exercisable between December 1 and December 31 this year. The price payable per Lonrho share equates to a present value of R11,64, amounting to an aggregate purchase consideration of R2,456-billion.

The agreements concluded are subject to approval of the appropriate regulatory bodies, the Commission of the European Community, and JCI's shareholders in a general meeting.

Anglo American and associates first acquired an interest in Lonrho in March 1996. In April 1996 AAC entered into an option agreement with Laerstate BV (Dieter Bock). Laerstate BV exercised its put option over 18,5% of

Lonrho in October 1996. The option price of the current arrangement with JCI of 155 pence compares with a put price of 180 pence, which was agreed with Laerstate BV in April 1996. The shares were originally acquired in Rand, and, if the options are exercised, the consideration will be settled in Rand.

On April 23, 1997 the European Commission ruled that Anglo America Corporation and associates could only vote 9,99% of its shareholding in Lonrho with the remainder of the shares to be put in trust and sold within two years.

On May 19, 1997 Lonrho announced that it was in talks with JCI which might lead to a merger of the two companies, but on June 30 it was announced that these talks had been discontinued.

Fresh talks have started since then, on a new basis.