

Scamming for gold

Top mining executives commit fraud with impunity, confident their highly paid lawyers will make criminal charges 'go away'. By Barry Sergeant

As ANC VOTERS CONTINUE TO SHOW little concern for the corrupt doings of their party's leadership, so the fund managers that direct the bulk of investments on the JSE apparently choose to ignore the blatant dishonesty and corrupt dealings of the executives of major companies in which they continue to invest pension and other trust funds.

If the terrible saga of Gold Fields and South Deep (*nose192* "Digging into South Deep" and, before that, *noses179,181&183*) is not a sufficiently powerful symbol of South Africa's inexorable loss of innocence – since Nick Holland took the CEO seat in May 2008, Gold Fields' executives have earned more than R700 million in return for shamelessly spinning a plainly impossible future-production profile for South Deep – consider the scandalous goings-on at JSE-listed Sibanye, which was spun out of Gold Fields early in 2013.

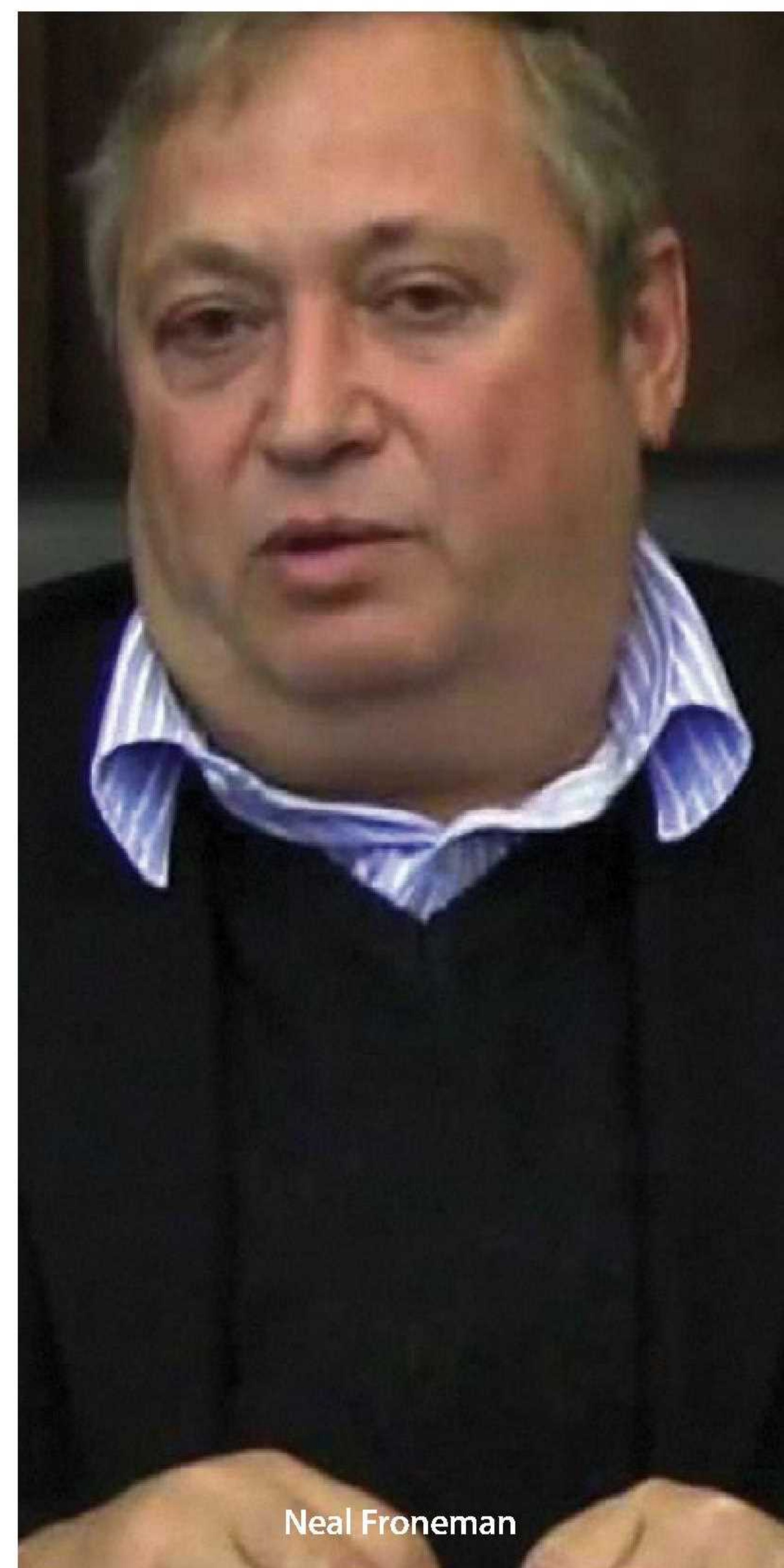
At Sibanye, CEO Neal Froneman has taken a different route. He initially promised that Sibanye would pay excellent dividends for many years to come but is now offering explanations why this may no longer be possible. Sibanye, like Gold Fields, is listed both in Johannesburg and on the NYSE. Historically, investors in gold stocks are very impatient and insistent on dividends. They also seem

determined that a gold company should stick to gold – exploration, development and production – and should not dare touch anything else.

In recent months, Sibanye has done exactly the opposite. It has announced a string of non-gold transactions: acquisition of certain (essentially prehistoric) assets from Anglo Platinum, the purchase of a bankrupt coal entity (plenty of those around at the moment), and a bid for all of the cash-strapped Aquarius Platinum (where his friend Jean Nel is CEO).

Had Froneman lost his mind? To find the answer we need to go back to 1997, when Peter Skeat, a mining engineer and entrepreneur, decided to buy Anglo American's Afrikander Lease mine (Alease) with its low-grade gold deposit near Klerksdorp. The relisting of the Alease assets was to be handled by Investec, where Skeat dealt with corporate banker Malcolm Dods, resources analyst Dean Cunningham and the latter's then sidekick Jean Nel (the same). It proved to be a very good investment.

The dollar gold price had been in a multi-year bear market, but had shown signs of turning upwards during and after 2001. At this time, Skeat started casting around for other prospects and after a close look at a small but high-grade black reef deposit near Johannesburg, known as East Mod-



Neal Froneman

der, owned by the New Kleinfontein Mining Company (NKMC), he decided it had unexploited potential.

Sadly, after he had confided to Dods his plans to buy the mine at Investec, the latter went behind Skeat's back and hurriedly rounded up a motley crew of "investors" which became known as the Neal Froneman Consortium (NFC). It included Froneman, Marais Steyn, Dods, and Dods's sidekick at Investec, Jean Nel. Their intention was to hijack the New Kleinfontein deal away from Skeat to the NFC – and they did so, in a particularly scandalous manner. ("Given our previous relationship I had not thought it necessary to ask [*Dods*] for a renewed confidentiality agreement," Skeat said later.)

On 13 September 2002, Alease (at the consortium's prompting) signed an agreement to buy New Kleinfontein Mining Company (NKMC) from the Neal Froneman Consortium for 54 cents per New Kleinfontein (NKMC) share.

Just days later, on 18 September, the directors of New Kleinfontein, which included Froneman and Marais Steyn,