

P. R. B. LEWIS

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THE FIRST
SEVENTY-FIVE
YEARS 1897-1972



Union Corporation Limited



The year 1972 marked the 75th anniversary of Union Corporation although on 29th December 1897 this mining finance house was registered under an entirely different name. From a small beginning as A. Goerz and Company, Union Corporation has increased and diversified its investments which today cover four continents and are valued at R400 million. The Corporation's origin dates back to the arrival on the Witwatersrand in 1888 of a somewhat enigmatic young German named Adolf Goerz. In spite of the important part he played in establishing some of the foremost gold mines on the Witwatersrand, not a great deal has been recorded about Goerz. One looks in vain in the reminiscences of Rand pioneers or the newspaper columns of those days for paragraphs that say: "Adolf Goerz was there . . ." or "Goerz said . ..". Yet he was a member of many syndicates and eventually the purchaser of many claims. He is always described simply as "a mining engineer". He was a graduate of the School of Mines at Freiberg. At 31 he was young for the responsibilities he bore and he gave those who met him the impression that he was a very grave and serious-minded young man. And well he might have been for he represented two of Germany's most important financial institutions—the Deutsche Bank of Berlin and the Berliner Handelsgesellschaft. Behind this impressive front was a syndicate of some of the most influential men in the German capital.

The Germans in Africa

The Germans were deeply interested in Africa at that time. In 1883 an agent of Franz Luderitz, a Bremen merchant, obtained a cession of land at Luderitz Bay. The following year the Imperial Chancellor, Otto von Bismarck, proclaimed a protectorate over what was to be, until 1914, Deutsch-Sudwestafrika.

When gold was discovered in the Transvaal German financiers immediately became anxious to participate in anything that would help to finance their country's trade with African territories. At first the Witwatersrand goldfield was regarded as just another of the many new sources of gold that had been discovered in various parts of the world during the 19th century. No one thought the field would last for more than five or ten years, but when it was found that the reefs dipped to the south and continued at depth, there was a vast enlargement of the mining area and the so-called "deep level" mines attracted attention from abroad. Bergrat Schmeisser, the mining commissioner sent out by the German Government to undertake an on-the-spot investigation, estimated an output of gold valued at £349 million in 40 years and his report so sharpened the interest of German investors in the Transvaal mines that by 1890 there was probably more German capital invested in South African gold mining shares than British.

The Deutsche Bank proceeded to investigate the possibility of doing business in the new goldfield and sent Adolf Goerz to negotiate a banking concession for the Transvaal. When this failed he turned his attention to studying the mining possibilities. He returned to Berlin late in 1888 and persuaded the Deutsche Bank to form a syndicate with the Berliner Handelsgesellschaft and Jacob Stein of Frankfurt, to back him to the tune of £100 000.



Adolf Goerz

Options and share dealing

Goerz returned to South Africa in 1889 but his task in finding suitable claim areas in which to invest the syndicate's money would have been simpler had he arrived earlier. By then the whole of the Central Rand was firmly held by the companies that had been first on the scene and he was obliged to look for options and claims in what were then regarded as the outlying districts of the Rand.

He and his principal clerk, Amandus Brakhan, began by buying their way into a number of syndicates and embryo companies. These may not have appeared to be impressive investments at the time as they were a long way from the Robinson mine and Langlaagte, but some were to prove most profitable in the years to come.

Of immense importance was the acquisition by Goerz of an 82 per cent interest in 326 claims (194 hectares) on the farm Modderfontein in 1894. Some years later the Modder Deep mine was to be established on this ground.

Another important event was Goerz's success in acquiring in 1895 a 15 per cent interest in the syndicate that held the option to buy President Kruger's farm, Geduld, on the East Rand. This option was a curious one which illustrated a mining fallacy of the day, for it stipulated that the purchase price was to be £100 000 if the Main Reef ran through the farm and £70 000 if other reef series were found.

When the young mining engineer had completed this stage of his work, a concern called Ad. Goerz and Company was formed in Germany in 1893 to take over the interests he had acquired for the syndicate. This company amply rewarded its shareholders who had sent Goerz to the Transvaal. In a little over four years it paid dividends totalling 91 per cent, largely from profitable share dealing.

The firm would probably have continued its career, but in 1895 the boom in gold mining shares was brought to an abrupt end by the Jameson Raid which knocked the bottom out of the stock market and led to a wholesale writing down of assets. The Germans who controlled Ad. Goerz and Company no doubt shared the general uneasiness about the political situation in the Transvaal, for they formed a new concern, A. Goerz and Company, which was registered in the South African Republic on the 29th December 1897, and took over all the assets of its predecessor. But they had enough faith to subscribe additional capital for the new company.

A British chairman

The new company, forerunner of Union Corporation, had an authorised capital of £1 015 000 in 1 000 000 ordinary shares and 15 000 founders' shares of £1 each. The founders' shares had preferential voting rights, and also gave the holders the right to subscribe, at a price not exceeding 30s. a share, for one half of any new issue the company might make. Of the ordinary shares, 640 000 were allotted originally to the shareholders in Ad. Goerz and Company as vendors and 360 000 were taken up at 25s. each by a syndicate headed by the Deutsche Bank, the premium giving the new company a reserve fund of £90 000.

Apart from the enlargement of the capital, and the change of registration of the company from Germany to the Transvaal, the difference between Ad. Goerz and Company and A. Goerz and Company was that British and French interests, represented by Lord Battersea and the Comte Jean de Agyuesvives respectively, were allowed to take up some of the ordinary shares from the vendors, though not many of them at this stage. The directors intended to dispose of these shares at a realistic price in London, Paris and Berlin, and when 200 000 of them were offered at 32s. 6d. each to the public in 1898, the offer was over-subscribed several times.

The German directors, who held seven of the ten seats on the



Lord Battersea
Chairman
1897-1904

board, nominated Battersea as chairman though Goerz himself, as managing director in London, was the chief executive. There was one other British director and the French representative also had a seat on the board. Thus the company had taken steps to protect its assets in the event of war in South Africa. It was a Transvaal concern, registered in the South African Republic. Yet it had a London office and its chairman was British and a peer of the realm.

A peculiar feature of its articles was a clause which ruled that directors' meetings could take place in London, Berlin, Paris, Johannesburg or any other city, but that meetings of shareholders were normally to be held in Johannesburg as the company was domiciled in the Transvaal. As a result of this arrangement the chairman was rarely seen at annual meetings. Nor, for that matter, were the other directors and the shareholders as nearly all of them lived abroad. The exception was the able and immaculate Amandus Brakhan, who, as managing director resident in Johannesburg, presided over several of these gatherings.

A. Goerz and Company started life with shareholdings in five producing mines—Princess Estate, Geldenhuis Estate, May Consolidated, Meyer and Charlton, and Roodepoort United Main Reef—though it did not control these properties. It also controlled the Lancaster Gold Mining Company and it had substantial interests in two developing mines—the Lancaster West at Luipaardsvlei and the Roodepoort Central Deep. It was also a large shareholder in the Rand Central Electric Works at Brakpan and in the Rand Central Ore Reduction Company. Beyond these was the usual miscellaneous array of holdings in syndicates and claim areas on the East Rand and in the Klerksdorp and Lydenburg districts and Mashonaland. Its interests in the Modderfontein claims and its control of the Geduld syndicate were not regarded as particularly promising assets at the time. However, this attitude was soon to undergo a radical change.

Activities at a standstill

All Rand mining finance companies went through a bad time in the years that followed and for A. Goerz and Company it was worse than for most of the others. The Jameson Raid had marked the beginning of a period of increasing political tension as Great Britain and the South African Republic drifted through arguments and disputes towards war. Even so, the company proceeded with its development and exploration plans. The Lancaster West Gold Mining Company, formed in 1897 to work 144 claims adjoining the Lancaster mine, and the Roodepoort Central Deep had each developed more than 90 000 tons of ore and were about to start crushing, while the claim area of the Roodepoort United Main Reef Gold Mining Company had been enlarged. The chairman's statement, made by Amandus Brakhan to the first meeting of shareholders, clearly defined the principles on which the company worked and contained an appreciation of the value of centralised group control of the gold mines of the Witwatersrand. The three principles he laid down were the concept of using the parent company's resources to keep companies operating under difficult conditions; to minimise working costs and thus lengthen the lives of mines, and to be highly selective in taking up new business.

In 1898 the company began sinking three boreholes on the farm Geduld and these produced results that astonished the mining experts though they did not reveal the presence of vast reservoirs of underground water. The average assay value of the three cores of 48½ dwt (20 dwt—one ounce) over 10 inches convinced the Goerz group that it would soon have a number of mines in the area and in March 1899, it floated Geduld Proprietary Mines with a capital of £400 000 and planned to establish six subsidiary companies to mine 2 371 claims. In the following month Modderfontein Deep Levels was



Amandus Brakhan
Chairman
1904-1915

registered with the modest capital of £100 000 to exploit the claims on the farm Modderfontein and in June the Tudor Gold Mining Company was formed to work a block of 261 claims on the West Rand. In later years small profits were produced from this property, but it was never really successful and eventually it was incorporated into the East Champ d'Or mine.

The outbreak of the South African War in October 1899 brought the mining industry on the Witwatersrand to a standstill. A. Goerz and Company established a temporary office in Cape Town and there the young and brilliant Henry Strakosch, who had joined the firm four years earlier and had become principal assistant to Amandus Brakhan, was in charge of affairs while Brakhan himself and three members of the staff remained in Johannesburg. Most of the mine managers stayed at their posts to maintain machinery and keep the pumps going, and fortunately the only damage sustained by the group during the war was the dynamiting of three of the four generators at the Brakpan power station of the Rand Central Electric Works. In this period, however, there occurred the first of many misfortunes that were to beset the company in the next two decades. On the 28th July 1900, Adolf Goerz died. His passing was a severe loss not only to the company he had founded but also to the mining industry as a whole.

While forced to mark time in the Transvaal, the Goerz group explored other mining prospects in Western Australia, India, the United States, Spain and South West Africa. The only tangible outcome of all these operations was the acquisition of an interest in the Otavi Mines and Railway Company which operated in South West Africa. This was to lead, many years later, to a holding in the immensely rich Tsumeb mine that produces copper, lead, zinc, germanium and cadmium.

Although fighting was still going on elsewhere in South Africa, conditions on the Witwatersrand were stable enough by mid-1901 for the British military authorities to permit the limited resumption of mining activities. In April of the following year the company's temporary offices in Cape Town were closed and the staff returned to Johannesburg.

Difficult years

A. Goerz and Company's annual report for 1901 was optimistic and the directors declared a dividend of 10 per cent on the ordinary shares. After the end of the South African war in May 1902 the British administration appointed two commissions of vital concern to the gold mining industry—the Gold Law Commission and the Water Commission. Mr. Brakhan was a member of both bodies.

What had not been foreseen was the acute shortage of labour that now developed. Most of the African mineworkers who had left when the war broke out failed to reappear and as late as 1903 there were only 67 000 at work on all the mines on the Rand, a number which represented about half the pre-war force. To add to the company's difficulties, these workers were allocated first to the producing mines and then to developers strictly on the basis of pre-war enrolments. Thus the development of the Tudor and Geduld mines was greatly delayed while crushing on others was well below normal for some time. The seriousness of the position may be judged from production figures. In 1902 the gold output of the Witwatersrand mines amounted to a little more than 1,7 million fine ounces valued at £7 million, whereas in 1899 it was valued at £18 million. This shortage of African mineworkers led to a depression and widespread unemployment among the Europeans on the Witwatersrand and in 1903 the company's profit dropped to £10 095, the lowest since its registration. Meanwhile indentured Chinese workers were imported to fill the gap until African labour was organised to meet the industry's needs. Although this step helped to solve the problem for a time

it led to considerable political difficulties and within ten years the Chinese were repatriated.

In 1902 the directors called up the 15s. a share which remained unpaid on 200 000 ordinary shares so that its working capital had been increased by £150 000. At the same time, Henry Strakosch was elected to the board and appointed managing director in London. The capital of the company was reconstructed so as to enable it to take full advantage of the increased tempo of activities which the directors confidently predicted. The 15 000 founders' shares were extinguished through the creation and issue to their holders of 100 000 ordinary shares. In this way the issued capital increased from £1 015 000 to £1 100 000, the additional £85 000 being a capitalisation of reserves to allow for the conversion of founders' shares into ordinary shares.

A. Goerz and Company was the first Transvaal finance company to be granted a quotation on the London Stock Exchange when its ordinary shares were given an official listing in October 1902. Convinced that the shortage of labour was temporary, the company continued its prospecting activities and 26 768 feet of drilling was carried out in 1903. Some 2 702 morgen (2 315 hectares) of land was acquired on the western half of the farm Witpoort No. 297 on the East Rand and in the following year this property was transferred to Van Dyk Proprietary Mines, forerunner of Van Dyk Consolidated Mines.

Despite a slump on the Stock Exchange in 1903 and the company's poor profits for the previous years, the confidence of investors in A. Goerz and Company was such that its shares continued to stand at more than £3 each.

Seizing an opportunity presented by a revival on the Stock Exchange in 1904, the company again increased its capital, this time to £1 400 000. The 300 000 shares issued brought in £739 000, which would have been difficult to raise when the market again sank into the trough of a prolonged depression which began in the following year. Meanwhile a dividend of 15 per cent was declared; the reserve account, strengthened by the premiums on the recent share issue, stood at £430 125 and the balance sheet reflected an excess of cash and cash assets over liabilities of more than £1 million. It was, however, a flash in the pan and the shareholders were not to receive such a dividend again nor was the balance sheet to look so healthy for the next 15 years.

In 1904 Lord Battersea resigned from the chairmanship, which he had held for six years, although he remained a director until his death in 1907. He was succeeded as chairman by Amandus Brakhan, the company's managing director in Johannesburg, who had begun his career as principal clerk to the founder, Adolf Goerz, in 1892.

It is doubtful whether Mr. Brakhan could have taken over at a more inauspicious time. As a result of the 1905 Stock Exchange crash the company's profit for the year plummeted to £1 027. The sum of £331 851 had to be written off as depreciation in shareholdings and the excess of cash and cash assets over liabilities dropped to £347 628. Stock market prices continued to recede until, in 1907, the shares of A. Goerz and Company that had been quoted at 68s. 9d. three years previously were as low as 11s. 3d. In this period the company disposed of one of its original and most successful undertakings, the Rand Central Electric Works, which was sold to the Victoria Falls and Transvaal Power Company in 1906.

Throughout these trying years A. Goerz and Company continued their activities on what was then called the "Far East Rand". This area was not regarded highly by the other mining finance houses and the Goerz group was the pioneer of what was to become an immensely profitable field. The labour shortage remained a problem and so, too, was underground water. The company's engineers were to find that the whole area was underlain by vast reservoirs of water which, when tapped, poured millions of gallons into the mine workings. Indeed, the early history of the

company's efforts to establish Geduld is largely the story of its battle against flooding. As a result of difficulties experienced in shaft sinking, it was decided in 1906 to abandon the idea of a number of separate mining companies and they were all amalgamated into Geduld Proprietary Mines.

The mine was ready to start producing in 1908, but development work unleashed a flood that "drowned" the mine. Men were trapped underground and marine divers were brought up from Durban and sent underground to rescue those who had been trapped in raises. This is probably the only time that marine divers have been used on a Witwatersrand mine. Because of this flooding, the production stage was put back twelve months while adequate pumping equipment was installed.

In its early years Van Dyk Proprietary Mines was also a "problem" mine. Two shafts were sunk and by October 1910 24 352 feet of development work had been completed. By that time the company owed its parent concern £70 000 and the total payable tonnage in the mine was not considered sufficient to warrant the building of a reduction works. Operations were suspended and the property was regarded as a low-grade proposition until the price of gold rose after South Africa abandoned the gold standard in 1933, when it was combined with surrounding areas and formed into Van Dyk Consolidated Mines which became a profitable producer.

Modder Deep Levels was in the midst of building a reduction works at the outbreak of the First World War. It had run out of money in the middle of 1914 and was unable to pay for machinery that was vitally needed to complete the plant. Delivery of this machinery had been refused until payment was made. In order to provide the company with temporary funds pending more permanent arrangements, Goerz and Company arranged to borrow money in Germany. Realising the dangers of the imminent outbreak of war, the London office pressed hard for this money to be transferred to London, and finally succeeded in getting a draft after banking hours on 3 August 1914.

Henry Strakosch and C. T. Pott went to the bank and insisted on remaining there until they were satisfied that it had been credited that day and, in the end, they achieved that objective. War was declared that night and all such transactions with Germany were frozen. Had this money not come through on that particular day, Modder Deep would probably have been closed and, in due course, been amalgamated with some adjoining property.

For many years Modder Deep and, to a lesser extent, Geduld were Union Corporation's main revenue producers and it is doubtful whether, without Modder Deep, Union Corporation could have survived as a group. The saving of just a few hours in this one transaction affected the outlook for the Corporation more, probably, than any other single event in its history.

No dividends

The company now controlled Geduld Proprietary Mines, Modder Deep, Van Dyk, May Consolidated, Princess Estate which absorbed Roodepoort Central Deep, and Lancaster West which took over the Lancaster company and its properties. The May, Princess and Lancaster West mines had been planned for shallow working and they were now approaching the end of their productive lives. Amalgamation with adjoining properties helped to spread overhead costs and to arrest the fall in output by keeping the mills supplied with ore which was of lower grade, but it could not check the fall in profits.

No dividends were declared by Goerz and Company between 1904 and 1910. In the latter year the company paid 10 per cent, but thereafter it made virtually no profits until 1915 and dividends again had to be passed. Throughout this bleak period it lived on hope—the hope that eventually its East Rand mines would overcome their difficulties and fulfil their promise. In spite of these misfortunes, or perhaps because of them, the



Joseph Temperley
Chairman
1915-1924

company turned its attention to other parts of the world and, in particular, started prospecting in Mexico where it founded La Fe Mining Company to work a number of scattered mines whose principal product was silver. A mill was built and started crushing in April 1914 but the venture soon came to a halt because of political unrest and revolution.

C. T. Pott, who had been sent out from the London office as Goerz and Company's sub-manager in Mexico City, and his staff were forced to flee the country later that year. Pott survived this hair-raising adventure to become an important figure in the history of Union Corporation and managing director in London. However, Goerz and Company's presence continued in Mexico and in 1922 the La Fe mill was reactivated. Unfortunately, estimates of the amount of ore available proved to have been quite wrong and, in addition, there were unexpected metallurgical difficulties. As a result there was virtually no production.

In 1914 a substantial interest was acquired in San Francisco Mines of Mexico which owned claims in the province of Chihuahua. The property, which was a lead/zinc/silver proposition and which also produced some copper and gold, was put into production in a small way in the late 1920s, but had to close down during the years of the depression in the early 1930s. It was subsequently re-opened and has been a profitable mine since although it has had some troubled years. In the 1960s a way of recovering fluorspar from the tailings was found after many years of experimenting and today the mine is a major producer of acid grade fluorspar. It is the oldest producing mine in the Union Corporation group.

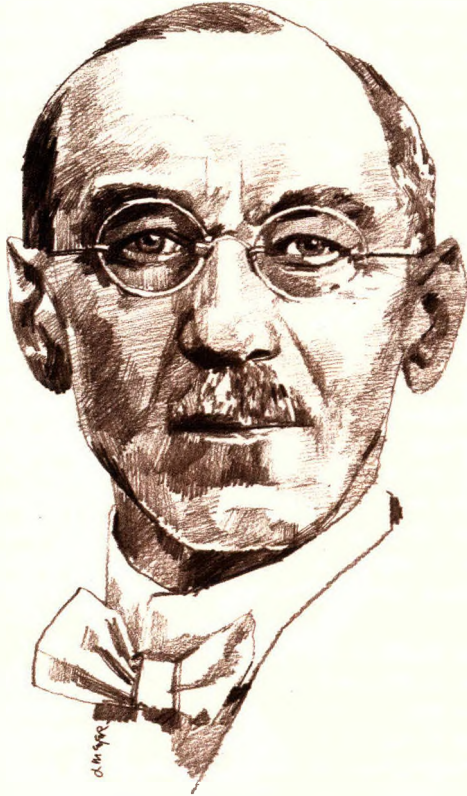
In 1960 the mine was transferred to Minera Frisco, a Mexican registered company, 51 per cent of whose shareholders are required by law to be Mexican nationals but Union Corporation still retains a substantial interest and acts as technical advisers.

Amandus Brakhan goes

Notwithstanding British and South African affiliations, A. Goerz and Company was a predominantly German concern, largely owned by German shareholders and controlled, no matter how the fact might have been disguised, from Berlin. Consequently, when war broke out in 1914 and "enemy-held" shares in United Kingdom and Empire companies were sequestrated, the greater part of its shareholding came under the control of the Public Trustee in Britain and the Custodian of Enemy Property in South Africa.

During the anti-German campaign which rose to a crescendo after the sinking of the Lusitania in 1915, the company became the target for bitter attacks. Amandus Brakhan, for whom London had become "home", had never troubled to take out naturalisation papers and he was threatened with internment. Other employees of German origin, although they were naturalised British subjects, found life extremely difficult. But A. Goerz and Company had to continue to function, irrespective of what happened to its directors and staff. In terms of the law those directors resident in Germany were removed "in absentia" from the board and the other German nationals resigned. Joseph Temperley, the well-known London merchant and shipowner, was appointed chairman in Brakhan's place. On the board with the new and inexperienced chairman and directors there remained, as managing director, that most capable and versatile administrator, Henry Strakosch, a naturalised British subject who had been the mainspring of the business for some time.

The "enemy" shares confiscated by the governments of Great Britain and South Africa were bought for 13s. each by the company and sold at the same figure to British and allied shareholders. The nominal value of the stock was reduced from £1 to 12s. 6d. thereby effecting a reduction in the issued capital



Sir Henry Strakosch CBE
Chairman
1924-1943

of the company to £875 000. This manoeuvre made it possible to write down certain shareholdings which had depreciated considerably. Finally, to mark the end of the German association the name of the company was changed on 16 October 1918, from A. Goerz and Company to Union Corporation Limited.

Prosperity at last

The prosperity that came to Union Corporation after so many trials and tribulations was founded on the profits earned by Modder Deep and, to a lesser extent, Geduld. Geduld declared its first dividend of 5 per cent in 1914 followed by 10 per cent the next year, and maintained this rate for some years. Modder Deep started crushing in 1915 and achieved the remarkable record of declaring a dividend of 35 per cent in its first year as well as paying off the balance of its debt to Goerz and Company. The following year the company paid 67½ per cent and continued with an unbroken series of increased dividends until by 1921 it was paying 150 per cent. It was small wonder that Modder Deep was known on the Johannesburg Stock Exchange as the "jewelbox of the Reef".

By this time Henry Strakosch was recognised as a world authority on foreign exchanges and after the war, at General Smuts' invitation, he visited South Africa to advise the Government on the monetary problems which faced the country. Strakosch insisted on the amendment and consolidation of the South African banking laws, and the establishment of a central reserve bank charged with setting the discount rate. On his advice the South African Reserve Bank came into being and he also devised ways of checking the substantial outflow of gold that was threatening the reserves of the commercial banks. For his services to the South African Government he received a knighthood. Meanwhile Peter Maltitz Anderson had joined A. Goerz and Company in 1911. He was to be the first South African trained mining engineer to reach the top of his profession. He became manager of the Princess Estate and in 1916 he was appointed consulting engineer of the group. Five years later he was made a manager of Union Corporation and in 1942 joint managing director. In 1945 he became deputy chairman and sole managing director. For three decades he was to exert a considerable influence over the group's affairs and those of the entire South African mining industry.

East Geduld mine

After World War I efforts were made to cut costs and keep marginal mines in production, but these moves met with considerable resistance from the trade unions and culminated in the general strike on the Witwatersrand in 1922. After the strike had failed, the mining finance houses were able to effect the necessary reorganizations which enabled milling to continue on at least fifteen of the older properties.

The next important event in the Corporation's history was its successful tender for a lease of some 2 641 claims on ground to the east of the Geduld mine. Two years previously tenders for this ground had been rejected by the Government, but in 1926 the Corporation's third bid was successful and East Geduld was floated. P. M. Anderson was able to get a clause inserted in the lease which stated that if there was any increase in mining taxation, such increase was to be a charge against any lease payment due. As a result of this clause East Geduld never made a lease payment in its history.

The new lease area was prospected by underground tunnelling from the Geduld mine. In return, Geduld was to share with the Corporation the financing of the new prospect. Thus Geduld built up a substantial holding in East Geduld which formed the basis for the present investment status of Geduld after its own mining operations ceased.

Five years elapsed before production began, but once underground water problems had been overcome the mine



P. M. Anderson
Deputy Chairman and Managing Director
1945-1954

rapidly made up for lost time. The new mine had been launched at an opportune moment as it was able to show an annual working profit of more than £1 million after South Africa left the gold standard in 1933.

Among the Corporation's other acquisitions in the 1920s were considerable shareholdings in the copper mines of present-day Zambia, including Roan Antelope.

The faith and perseverance that Goerz and Company, and afterwards Union Corporation, had shown in the East Rand was never more justified than in the early 1930s when the effects of the world-wide depression were felt by joint stock companies, banks and investment trusts. It was then that the Corporation found itself more fortunately placed than most companies as it had two producing mines which continued to pay good dividends and a third that was reaching the profit-making stage. However, shareholdings were written down drastically and its Mexican mining venture was forced to suspend operations. Dividends were reduced from 44 per cent in 1928 and 1929 to 26 per cent in the following year and in 1931, when the Corporation's net profit fell to £229 000, the dividend was reduced to 20 per cent. However, the Corporation was able to pay a dividend when many other companies were in serious financial straits.

New mines

Britain abandoned the gold standard in 1931 but South Africa decided not to follow her example. The country remained "on gold" for 15 months until, in the face of impending economic disaster, the Government was forced to give way and the South African £ was allowed to find its own level, and reverted for many years to being on a par with sterling.

Large blocks of hitherto unpayable ore were worth mining as a result of the higher price which the gold mines received for their product from January 1933. Overnight it became feasible to open up new mines in areas that previously had been regarded as unprofitable.

Union Corporation took full advantage of the position. Even before the gold price rose it had acquired new properties. In 1930 it had bought a controlling interest in the old Grootvlei Proprietary Mines, a property it planned to develop from East Geduld. Development work in one corner of the property was pushed ahead and as soon as payable ore was found it was decided, in the changed circumstances, to go ahead immediately with sinking a vertical shaft on Grootvlei. Development from East Geduld continued while the shaft was being sunk and by the time it had been completed sufficient working areas were available to enable the mine to go into production.

Further to the east, Marievale Consolidated Mines was floated following a programme of diamond drilling from the surface. Another development concerned the property of Van Dyk Proprietary Mines which had lain dormant since 1919. This was now merged with other ground acquired by the Corporation in the Boksburg area and Van Dyk Consolidated Mines was floated in 1934.

The effect of the increase in the price of gold was seen most clearly in the improved results returned by the Corporation's producing mines. In the twelve months from December 1932, working profits at East Geduld, Geduld and Modder Deep rose from £314 000, £589 000 and £700 000 to £1 023 000, £1 203 000 and £961 000 respectively.

Apart from all these mining activities, Union Corporation developed a chrome interest in the Lydenburg district. After World War II this property was merged with other chrome mining interests in the Rustenburg district to form Chrome Mines of South Africa, which is still administered by the Corporation and is one of the largest producers of chrome in South Africa.



Lord Bracken
Chairman
1945-1958

St. Helena mine

In the years before World War II, when geologists from the Klerksdorp area crossed the Vaal into the Orange Free State, the Corporation played an active part in the search for new gold mines. Options were acquired in the Western Transvaal and in the Bothaville district of the Free State. Further south Sir Abe Bailey's company, South African Townships, formed Western Holdings to take up a large number of options in the Odendaalsrus/Wesselsbron area of the Free State. Union Corporation was invited to give technical assistance and Alfred Frost, head of the Corporation's geology department, recommended that the offer should be accepted. It was agreed to do so.

Working in collaboration with Dr. Oscar Weiss a geophysical consultant, Frost advised a geophysical survey over the ground held by Western Holdings. Dr. Weiss was given a contract to do the work. The major areas under option revealed negative results. But it was finally decided to check the farm St. Helena which was a detached area some miles to the east of the main block under option. Here the geophysical work gave the first encouraging results in the Orange Free State. This led to an immediate programme of drilling. It was predicted that the Upper Witwatersrand quartzites would be found at shallow depth and in fact in May 1938 on the farm St. Helena, a reef which contained gold was struck at a depth of only 991 feet. The publication of the results stimulated further exploration and aroused intense interest throughout the mining world.

In the midst of all this, Union Corporation signed an agreement with Western Holdings in terms of which it would have the right to administer the first two mines to be established on Western Holdings' ground and it also received considerable other rights in the Orange Free State in return for undertaking certain obligations. Although it subsequently transpired that the reef struck in the first borehole was not in a payable area, nevertheless it was this hole that led to the development of the Orange Free State goldfield and, immediately, to a scramble for options over ground in the surrounding areas.

A year later in April 1939, Western Holdings' borehole No. 7 intersected a reef with rich values. The core assayed 1 893 inch dwt and a deflection gave 2 777 inch dwt. The name "Basal Reef" was chosen by Alfred Frost to describe the new reef zone and this is the name by which it is known today. This result gave a further fillip to prospecting in the Orange Free State and from then onwards encouraging results continued to flow in regularly. Development plans for any mine in the Free State had to be suspended because of the outbreak of World War II, but after the war St. Helena Gold Mines was formed to take over from Western Holdings the mining lease granted to that company. Thus Union Corporation established the first mine in the Free State goldfield. Once again, and most unexpectedly, the mine was plagued by troubles. Considerable amounts of water were struck underground and this water was not only salty but it contained substantial quantities of methane gas. In the early days there were serious floodings and gas explosions. Methods of coping with both the water and the gas situation were developed but production from the mine was delayed. Nevertheless, St. Helena became the first mine to produce gold in the Orange Free State in 1951.

Something of a miracle—Evander

Once St. Helena was under way, the Corporation was administering six producing gold mines and had substantial holdings in a number of new flotations, including Western Holdings and Stilfontein Gold Mining Company. The Corporation was also carrying out prospecting programmes in other areas and in the year that the first bars of gold were poured at St. Helena, the Corporation announced the discovery



Sir Charles Joselyn Hambro KBE MC
Chairman
1958-1962

of the Evander goldfield to the east of the Witwatersrand. The prospecting operation had been conducted with the strictest secrecy through subsidiary companies, foremost among which was Capital Mining Areas. More than 300 boreholes were drilled and as the drilling programme traced the pattern of the ore-bearing formation, further options were taken up and others dropped until the first mining lease area was demarcated. All values were found on the Kimberley Reef which again made the area unique.

Six years after prospecting had begun, Winkelhaak Mines was floated in 1955 and four years later two more mining leases were granted and Bracken Mines and Leslie Mines were incorporated. Finally Kinross Mines was formed and began production towards the end of 1967. Today the Evander goldfield produces about two million ounces of gold a year or five per cent of total world gold production. While none of the mines can be regarded as high grade in comparison with the Free State and the Far West Rand, they are profitable producers and stand comparison with most of the older mines of the East Rand.

To house the employees of Winkelhaak, in 1955, the Corporation founded Evander Township, named in honour of Evelyn Anderson, P. M. Anderson's widow. Evander, which is 110 kilometres east of Johannesburg, is now one of South Africa's model towns with a population of 30 000.

Union Corporation had gained sole control of an entire new goldfield. Although two of the Group's older mines, Geduld and Van Dyk, were at the end of their working lives, the Corporation's income from gold mining dividends was assured for many years to come and the aggregate working profits of its gold mines continued to grow. Perhaps even more important, through the development of this goldfield, Union Corporation engineers improved mining and refining techniques and initiated many cost saving procedures. This knowledge was invaluable when the Corporation began its next mining venture.

To assist in financing the development of the new goldfield, Capital Mining Areas changed its name to U.C. Investments and became a public investment company. Its investment in the four Evander mines still forms about 40 per cent of its assets. In addition, U.C. Investments subsequently participated with the Corporation in financing many projects including Impala Platinum and its market value is now more than R100 million:

United Kingdom

In 1934, the Corporation formed Unicorpora Investment Trust as a private company in the United Kingdom. All the remaining "ex-enemy" shares in Union Corporation as well as its holding in various industrial companies, among them Haggie, Son & Love, were transferred to the new concern. It became a public company two years later and changed its name to Bay Hall Trust. Bay Hall Trust has remained closely associated with the Corporation and has partnered the Corporation in the development of its overseas exploration and mining ventures. It eventually acquired all the shares of San Francisco Mines of Mexico and, as a result, the Corporation's interest in Minera Frisco S.A. It also assisted in the acquisition of Cudgen R Z and Consolidated Rutile in Australia and took part in exploration in North and South America, Europe and Australia.

Bay Hall partnered the Corporation in the acquisition of a substantial interest in Capital & Counties Property Company which is a leading United Kingdom property developing organisation. Capital & Counties now has interests not only in the United Kingdom but also in Australia, Canada, the United States, Singapore and Europe. The Corporation's investment in Capital & Counties is today one of its major holdings and the most important outside South Africa.

In 1972 the Corporation bid successfully for the shares in Bay



Thomas Price Stratten
Chairman
1962-1972

Hall Trust that it did not already own and Bay Hall Trust has now become a wholly-owned subsidiary of the Corporation, thus reverting to the situation that existed at the time that Unicorpora Investment Trust was founded. As a result of the merging of the Corporation and Bay Hall, the Corporation's issued capital increased to R3 631 000, and a total of 58 100 000 shares in issue.

Major industrial interests

Since its formation in 1897, Union Corporation has held investments outside its mining activities but it was not until the 1930s that diversification and expansion into industry became of any major significance, apart from its interest in power generation in the early years of the Witwatersrand. Industrial interests now form about 25 per cent of the Corporation's total assets and are valued at more than R100 million. The first major expansion into industry was the launching, at the end of 1936, of South African Pulp and Paper Industries. Known as Sappi, this enterprise has grown into a vital South African industry.

Before the formation of Sappi, almost all the paper consumed in the country, including newsprint, was imported. Sappi was established to produce bleached pulp from local raw materials, principally straw, using the "Pomilio" process under licence from an Italian group. The pulp was to be used for manufacturing "fine" paper and cardboard. Land was purchased from Geduld Proprietary Mines to build the Enstra mill (ENterprise STRAw) and a long, uphill struggle began. The straw process proved unsatisfactory, local wood pulp had to be substituted and a great many costly experiments were carried out before the company was able to compete with imported products.

By the time the paper shortages occurred during World War II, Sappi was ready to meet the demands of the printing industry and rapidly established a reputation for the quality of its paper. Since then the company has expanded. The Enstra mill's capacity was doubled and in 1951 another mill was completed at Mandini near the mouth of the Tugela River in Zululand to produce unbleached pulp and paper. Mandini began production with one paper-making machine, and since then three more machines have been added to make the mill the largest producer on the African continent. In 1961, after negotiations with the Newspaper Press Union of South Africa, Sappi began producing newsprint at Enstra for the inland market. A few years later Mandini also began production of newsprint. The Enstra mill was the first in the world to use the Sapoxal oxygen bleaching process, developed by the company's research scientists and engineers in collaboration with L'Air Liquide of France and other overseas research teams. This process eliminates much of the pollution identified with the conventional processes and for this reason is attracting interest from overseas paper manufacturers.

Sappi's acquisition in 1964 of Adamas at Port Elizabeth took it into the field of high quality fine papers and boards. This was followed by the opening of the Ngodwana mill in the Eastern Transvaal in 1966 which increased the supply of pulp. Sappi now owns vast forestry operations in the eastern Transvaal, Zululand and Natal and a chlorine-caustic chemical plant. Its mills produce 1 100 metric tons of paper a day and supply the bulk of South Africa's newsprint, kraft and fine papers.

In another section of the paper industry, Union Corporation with Kimberly-Clark Corporation of America and Sappi, formed Kimberly-Clark of South Africa which established a R5 million crêpe wadding factory on a site adjoining the Enstra mill. Following on this successful association Union Corporation, Sappi and Kimberly-Clark bought the controlling interest in Carlton Paper Corporation, which is in the household paper market. Together the two operating companies supply the bulk of South Africa's tissue requirements.



C. B. Anderson
Chairman
1972-1974

Another industrial enterprise closely associated with Union Corporation's paper interests is the Kohler Brothers packaging and printing group, which began as a small family business in the Eastern Cape. The Corporation now has a majority holding in the Kohler group, the assets of which exceed R30 million. It operates 25 factories throughout Southern Africa, producing a wide variety of paper, plastic and board products. The printing of its packaging material as well as general printing is executed by a group company, Hayne and Gibson, which has works in Durban, Pinetown, Port Elizabeth and East London.

The Corporation's move into shipping began with the acquisition of a majority shareholding in African Coasters during 1964. This investment came about partly because of a need to improve the transport facilities between Durban and Cape Town to move the newsprint from Sappi's Natal mill to the Cape. African Coasters merged with Thesen's Steamship Company and Smith's Coasters, both major coastal shipping companies. All vessels of these companies operate under the flag of the holding company, Unicorn Shipping Lines. The fleet totals 27 vessels and provides services to South Africa, South West Africa, Angola and to Mauritius, Malagasy, Réunion, the Seychelles and Eilat, Israel.

Engineering and construction

Many years ago Unidrilling was formed as a wholly-owned subsidiary of the Corporation to carry out surface diamond drilling work for the group's gold mines. Since then the company's operations have expanded considerably and also include underground diamond drilling, grouting, cementation of shaft sites, foundation investigation and soil sampling both for group and outside customers in Southern Africa. To complement this activity in 1970 the Corporation and Murray & Roberts Holdings jointly formed an international company to undertake shaft sinking, tunnelling and mine exploitation. The new concern, R.U.C. Mining Contracting Company, has won contracts in Australia, Europe and South Africa.

In 1963 the Corporation became the majority shareholder in Darling & Hodgson and assisted in a major programme of consolidation of that company. The D. & H. group has progressed rapidly in the last ten years and concentrates its interests mainly in South Africa's capital growth industries. Darling & Hodgson became a quoted company in 1973. One of its subsidiaries, Savage & Lovemore, is one of the largest road construction companies in the Republic. Other companies are involved in the supply of ready mixed concrete, bulk road transport, structural steel fabrication and erection, and industrial waste disposal. Through Darling & Hodgson, Union Corporation had participated in a number of civil engineering projects when, with its eye on the major construction contracts that were to be awarded by the South African Government for the Orange River development programme, it decided to enter the highly competitive field of large-scale civil engineering. The Corporation established Union Corporation Public Works which formed a consortium with two French civil engineering contracting companies, Société Dumez and Entreprises de Travaux Publics André Borie. The consortium tendered for some of the major phases of the Orange River project and in 1966 was awarded the contract for the construction of the main wall of the Hendrik Verwoerd Dam. In spite of the numerous problems which arose during the construction of the 1 000 metre double curvature wall, the contract was completed ahead of schedule in 1971 and opened the way for the development of a gigantic irrigation scheme.

Platinum

Impala Platinum, the world's first undertaking to provide a completely integrated operation from the mining of ore to the production and sale of high-purity platinum group metals, nickel and copper, has been one of Union Corporation's most



E. Pavitt MC
Managing Director
from
March 1972
and
Chairman
from
April 1974

successful enterprises. After intensive prospecting, in 1968 Impala was granted two mining leases over an area of about 10 000 hectares to the north-west of Rustenburg. The lease area covers land owned by the S.A. Bantu Trust and the Bafokeng tribe from which Impala's first mine took its name. While establishing the mine, the company also built refineries at Springs for processing nickel, copper and platinum group metals. By mid-1969, only 18 months after applying for the mining leases, production of all these metals had begun. Impala planned to produce 100 000 ounces of platinum annually which, with the output of palladium and the other platinum group metals, as well as nickel and copper, would have earned about R15 million. Before refining had begun the company raised its targets and production expanded steadily until the American economic recession and large sales of Russian platinum forced Impala to halt its expansion in the latter part of 1971. Less than a year later Impala was again expanding to meet the demands of the American motor car industry for platinum and palladium catalytic converters. An agreement with General Motors Corporation of America to supply 300 000 ounces of platinum and 120 000 ounces of palladium annually was followed by contracts with other car manufacturers. To meet these contracts and a general increase in demand for platinum metals, expansion has been planned to a rate exceeding one million ounces of platinum a year by 1975. Impala will then produce more than one-third of the free world's output of platinum, earning more than \$150 million a year from platinum sales and further revenue from the output of other platinum group metals, nickel and copper. Three separate mines, Bafokeng South, Wildebeestfontein and Bafokeng North have been established while a central metallurgical section gives the advantages of a "super mine". Impala, which is Union Corporation's youngest mining company, has become the largest mining operation in the group, with a valuation of some R200 million. After operating for four years, Impala earned profits of more than R2 million a month, a target which has not been achieved by many mines in South Africa. Much of the credit for this achievement goes to Hugh L. Monro, the first chairman of Impala, who had the foresight to establish a completely integrated mining, refining and marketing operation from the outset.

Gold

In 1967 and in the first quarter of 1968 the free world's official gold reserves dropped by 66 million ounces, equivalent to eighteen months' production by western countries. It was also apparent that the demand for gold for jewellery and industrial purposes and for private hoarding would increase while the price of gold remained at \$35 an ounce, the figure set by President Roosevelt in 1934. In March 1968, the central banks of the seven major countries of the free world finally abandoned their efforts to maintain the gold price and established a two-tier system for gold. The formation of an unofficial market marked the beginning of a new era for gold. However the official monetary price was retained and although sales of gold from monetary stocks at market related prices have been advocated no such sales have taken place to date.

The South African gold mining industry, struggling against inflation, was given a new lease of life. Initially the gold price on the free market jumped to more than \$40 but it was not until 1972 that the rising price enabled mines to work significantly lower grade ores and still increase their profits. By the end of 1972, when the free market price was \$64,70, the Corporation's mines calculated their reserves at a price of R1 300 per kilogram of gold (\$50,97 per ounce). On Grootvlei reserves increased from 1,1 million tons at the end of 1971 to 4,5 million tons. All other mines by lowering their grade, were able to increase their reserves.

In May 1973 the gold price on the free market broke the \$100 an ounce barrier for the first time. Revenue received by St. Helena Gold Mines increased from R11 million in the first quarter of 1973 to R14 million in the second quarter and to R18 million in the third quarter of the year. Between 1966 and 1973 the Corporation's gold mines doubled their profits from a combined total of R25 million to more than R50 million. This increase was achieved in spite of the fact that Van Dyk ceased operations in 1966 and East Geduld in 1970. These two mines had together produced more than 20 million ounces of gold and paid dividends of R100 million.

The higher gold price also meant that it became possible to take a new look at areas which had previously been considered too low grade for profitable exploitation. One of the first areas to be investigated was the farm Jurgens Hof to the south-east of St. Helena. The mineral rights over this farm were acquired in the 1930s with the Corporation and Selection Trust holding equal interests in any exploitation of the area. It was not until 1973 that Jurgens Hof was considered viable and an application for a mining lease was made for the new mine.

The eminent men

The Corporation has always worked as a team led by skilled administrators and backed by dedicated and proficient engineers and it is only right that more should be said about some of those who have been at the head.

In 1915 Joseph Temperley was appointed "stop-gap" chairman in response to agitation for an English name at the head of the board. He remained chairman until 1924, and was still on the board in the early years of World War II.

From 1924 Sir Henry Strakosch was chairman as well as managing director, and remained to guide the destinies of the Corporation for 19 more years. Near the end of his term of office there were a number of changes in the board. Alfred Chester-Beatty (later Sir Alfred), who had founded Selection Trust which was the Corporation's partner in the Orange Free State, joined the board in 1940. There was also an influx of younger blood about this time when Brendan Bracken (later Viscount Bracken) and Charles Hambro (later Sir Charles) joined the board.

Sir Henry Strakosch died in 1943. Above all others he made a tremendous contribution to Union Corporation's growth. He spent 44 years in its service and saw the annual working profits of its gold mines increase from little more than £10 000 to £8 037 619 in 1942.

Brendan Bracken, who was to have been the next chairman, became Winston Churchill's Parliamentary Private Secretary in the early period of the war. From there he went on to do a magnificent job as Minister of Information and was created a viscount for his services to Great Britain. In 1945 he rejoined the board as chairman.

Sir Henry had appointed P. M. Anderson and C. T. Pott as managing directors in Johannesburg and London respectively, but in 1945 C. T. Pott retired as an executive and P. M. Anderson then became deputy chairman and sole managing director. He was to hold these appointments until his death in November 1954. By then he had spent 44 years in the service of the Corporation and his experience in the gold mining industry spanned more than half a century.

With the death in 1958 of Lord Bracken, the Corporation lost the services of a most active and energetic chairman. He was succeeded by Sir Charles Hambro who held the appointment until the transfer of the Corporation's central control and management from London to Johannesburg in 1962. Thereafter he relinquished the chairmanship although he remained a director and became president, a position he retained until his death in 1963.

T. P. Stratten followed Sir Charles Hambro as chairman. A Rhodes scholar, he joined the group in 1935 after graduating with distinction as an electrical engineer. He became a member of the board in 1948 and succeeded P. M. Anderson as managing director in 1954. In 1962 he became the first South African born chairman of the Corporation and continued to fill the joint roles of chairman and managing director until 1967 when he relinquished the latter position in favour of C. B. Anderson. T. P. Stratten continued as chairman until 1972 when he retired from executive functions but remained a director and was appointed president of the Corporation. Colin Bruce Anderson, son of P. M. Anderson and a graduate of Cambridge and McGill Universities joined the Group in 1936 as a junior engineer and after World War II returned to South Africa where he became manager of the Marievale mine. In 1948 he joined the board and in 1967 became managing director. In 1972, on the retirement of T. P. Stratten, he was appointed chairman.

He was succeeded as managing director by Edward Pavitt, M.C., who joined the group in 1946 after a distinguished war record. In 1962 he became general manager of Leslie Gold Mines and in due course became chief consulting engineer. He joined the board in 1969, became assistant managing director in 1971, and was appointed managing director in the following year.

Ever-widening horizons

The Union Corporation story is not one of rags to riches: the institutions which backed Adolf Goerz in 1889 were wealthy and despite the lean years during its early life, the Corporation has always succeeded in remaining financially sound. The keynote has been a professional approach to both the financial and technical aspects of business, with the Corporation's principal objective being the identification of sound projects in which to invest capital and expertise.

Union Corporation has developed as a finance house with its mining and industrial operations incorporated in separate companies (mostly with their own stock exchange quotations) in whose capital the Corporation holds a substantial stake. The group has always maintained a strong sense of common identity and the management and technical staffs of all the companies in the Union Corporation group are available to assist in the development of a group project or the solution of a problem. An impressive feature of recent history has been the ability to develop new skills—a particular case being the metallurgical and marketing skills called for in the refining and selling of platinum group metals.

The Corporation over the years has carefully guarded its reputation with the investing public. At the first annual general meeting Amandus Brakhan stressed the importance of ensuring that investment opportunities put before the public by the Corporation were offered at a fair price and with full disclosure of the risks involved. This has remained a guiding principle and the public has had the added safeguard of being able to rely on the engineering ability and cost consciousness of the Corporation's technical staff to ensure that any ventures promoted by the Corporation yielded the best possible results. In general, the Corporation relies on the retained portion of dividend income as the principal source of new risk capital. Nevertheless, the ability to raise public money to assist in the development of new ventures remains an important weapon in the armoury of any mining finance house.

In the 85 years since Adolph Goerz first arrived in the young mining town of Johannesburg, he and the men who came after him have, in conjunction with European and South African investors, developed the Corporation into a substantial mining and industrial group in terms both of resources controlled and of people employed. Through the Corporation they pioneered

the Far East Rand and later led the way into the Orange Free State; they discovered the Evander goldfield and brought Impala Platinum to production in record time. Industries have been established which have filled vital gaps in the South African economy and talents and resources have been contributed to the development of businesses whose names have become household. The enterprises already within the group will carry it into the 21st century and the present management intends continuing to seek profitable new opportunities in any part of the world where the contribution by the Corporation of its financial strength and ever increasing range of skills will be welcomed. As new and more refined techniques permit the further exploitation of natural resources, the horizons of Union Corporation will continue to widen.

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