



Mining the Koidu kimberlite pipe in Sierra Leone – this is one of Shaft Sinker's more unusual contracts, combining elements of both shaft sinking and open pit mining (photo: Shaft Sinker).

NEW OWNERS FOR LEADING SHAFT-SINKING GROUP



Peter Nel, MD of Shaft Sinker (photo: Arthur Tussell).

Shaft Sinker, the company formed in 1961 by Anglo American to service its shaft-sinking needs, continues to evolve. In 2001 Anglo American sold its entire shareholding to management and to UK-based AMCO Investments and in 2003 Muckau Mining became a substantial minority shareholder. The ownership structure is now changing once again and will see IMR (International Mineral Resources) taking control of the group. Shaft Sinker's MD Peter Nel recently filled in the details for **Modern Mining**.

The fact that Nel is at the helm of Shaft Sinker will, in itself, be a surprise to some readers of *Modern Mining*, as about 18 months ago we published an article entitled "Shaft Sinker bids farewell to Peter Nel". The article was occasioned by the news that Nel was retiring after a 43-year career in mining, some 20 years of it spent with the Shaft Sinker group. We mentioned in the article that Nel would be succeeded by Jannie Hooman, previously of PPC.

Earlier this year Hooman moved on and Nel found himself back in the saddle, after Bridgette Radebe of

Mmakau asked him to return to manage the group. As he explains, "The current ongoing restructuring stems from the fact that Bridgette decided late last year to exercise her option to purchase Shaft Sinkers. She has brought in new partners. The restructuring is still in progress but the net result, once it is concluded, is that Mmakau will end up with 36 % of Shaft Sinkers, IMR with 54 % and a third shareholder, Holgen, with 10 %. I have returned for a limited period and will probably only remain till the end of March next year, after taking over as MD in April this year."

According to Nel, IMR is part of the same group that controls Samancor in South Africa and Chambishi Metals and Luanshya Copper Mines in Zambia while Holgen is linked with Sive Goudens, CEO of Bateman.

Nel says that the uncertainty surrounding Shaft Sinkers' future in recent months has had some effect on morale but that the group is well on its way to getting back on track. "We currently have a very nice order book and turnover is running at over R1 billion a year. Probably our flagship contract is the 1 450 m deep No 16 Shaft at Impala Platinum, but we're also working at Phakisa, Mponeng, various Lonplats' operations, IFM ferrochrome and at the Unki platinum project in Zimbabwe, where we are putting in two declines. In addition, we have two very interesting projects in West Africa – the Yalou project in Mali and the mining of the Koidu kimberlite in Sierra Leone."

The Yalou project is essentially the underground section of Randgold Resources' Loulo mine complex in Mali and Shaft Sinkers' contract involves the establishment of a boxcut (now completed), the sinking

of a 4,5 m x 4,5 m twin decline system and associated development. The contract is Shaft Sinkers' first in Mali. While Yalou is a relatively straightforward assignment for the company, its work at Koidu in Sierra Leone is unusual. In effect, a vertical mining method is being used to mine the kimberlite pipe. As Nel explains, "There is no ramp to the open pit workings and all material is hoisted out of the excavation using 13-tonne kipples with a hoisting arrangement on the side of the pit. It's almost as though we have a huge shaft with dimensions of 95 m by 75 m." He adds that the current contract will be finishing shortly, although there is a possibility of further involvement for Shaft Sinkers on additional pipes.

Also across border is the Eureka gold project, located 150 km north of Harare in Zimbabwe, in which Shaft Sinkers has a direct ownership interest, along with Mmakau Mining. When this venture was first announced in 2005, Shaft Sinkers said the mine, originally established by Australia's Delta Gold in the 1990s as an open pit, would be redeveloped as an underground operation with an annual production of at least 20 000 ounces. With Zimbabwe's economy in free fall at the moment, the project is very much on hold but will be resurrected once the country stabilises.

Nel says that Shaft Sinkers is on the brink of being awarded two new deep vertical shafts in the platinum mining field but declines to name the projects, as the company at this stage only has letters of intent from the two prospective clients. "I can say that these are exactly the type of contracts we like and will be on a par with No 16 Shaft in size," he states. "We believe



The Yalou mine in Mali, where Shaft Sinkers is sinking a 4,5 m x 4,5 m twin decline system (photo: Randgold Resources).

we currently have about 60 % of the shaft-sinking market and these two new awards will increase our market share still further."

While Shaft Sinkers has traditionally been one of the leading contract miners in South Africa, Nel says the group's enthusiasm for this type of work is fast waning. "Contract mining, based on present margins of 10 to 12 %, is really not a viable business," he observes. "One can almost get this type of return in the bank without any of the associated risk. If you think about it, a 10 % margin means that you basically have to make your profit in the last two days of the month. If anything goes wrong in those two days, your profit's gone. The unions, of course, are also making very onerous demands, such as 42 days leave a year, and this compounds the problems further, since stoping is a labour-intensive activity. Unless things change, I can see Shaft Sinkers choosing to focus more on areas of activity such as pure shaft sinking."

On safety, Nel acknowledges there has been a slight slippage in the group's traditionally good record. "This is something we need to work on – and which we are working on – and I have no doubt that the measures we're taking will see us once again becoming industry leaders. The turnaround is already happening." He also stresses that the group, which employs around 5 000 people, is also looking at a number of initiatives in the training field. "Our current training centre, which includes a mock-up shaft, is in Welkom but we're probably going to move it to the Rustenburg area," he says. "We're talking to Impala Platinum about the possibility of using one of its unused shafts – Shaft 15 – as part of a training facility and there is also a possibility that other organisations such as the Gold Fields Business and Leadership Academy and JCI Mining could partner with us."

Despite his reservations about the profitability of contract mining, Nel is optimistic about Shaft Sinkers' prospects. "We're already working at full tilt and, as I've mentioned, we have some additional deep shaft projects in the offing. Our owners, who have interests worldwide including in mining 'hot spots' such as Kazakhstan, are keen to grow the company and they're also talking about a listing. There's no question in my mind that the company has a bright future."

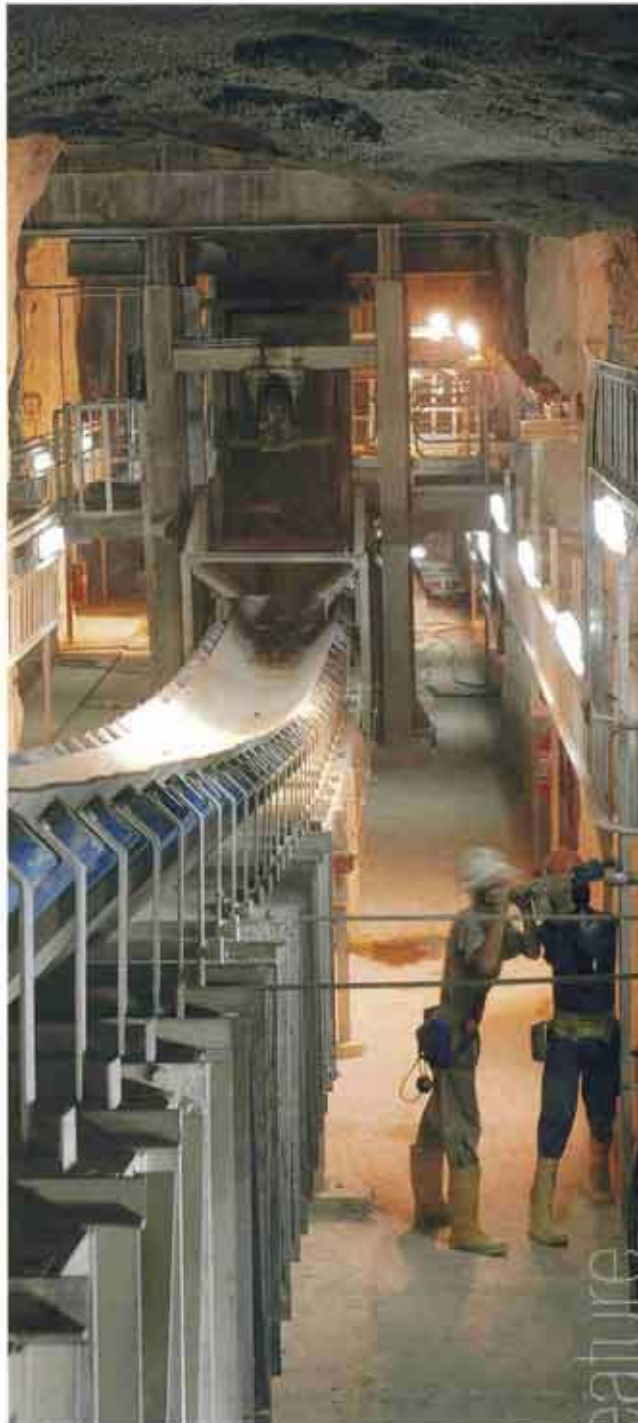
Report by Arthur Tussell

A company on the cutting edge

Technically, Shaft Sinkers ranks as one of the world's most accomplished underground mining contractors, having achieved a number of firsts during its more than 40-year history.

One of its major achievements occurred in 1987 when it set an international mechanised sinking record of 200,4 m in one month at Vaal Reefs No 10 Shaft, using a specially designed shaft-sinking jumbo. The company also claims to have sunk the deepest shaft ever sunk – 3 563 m at Western Deep Levels – as well as the widest, a 19 m diameter shaft for the Drakensberg Pumped Storage Scheme in the early 1980s.

It also pioneered the technique of mid-shaft development, a system which facilitates horizontal access to the orebody from the vertical shaft while primary shaft sinking is still in progress.



Working on underground infrastructure at Lonplaf's Saffy shaft (photo: Shaft Sinkers).

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