

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 54/LM/Aug02

In the large merger between:

Armgold/ Harmony Freegold Joint Venture Company (Pty) Ltd

and

St Helena Gold Mines Limited

Reasons for Decision

Approval

On 23 September 2002 we unconditionally approved the merger between Armgold / Harmony Freegold Joint Venture Company (Pty) Ltd ("Freegold") St Helena Gold Mines Limited ("St Helena"). Our reasons for this decision are set out below.

The transaction

This is an acquisition by Freegold of the St. Helena Mine, as a going concern.

The primary acquiring firm is Freegold, a joint venture company between Harmony Gold and ArmGold.

The primary target firm is the St. Helena Mine, which is controlled by a wholly owned subsidiary of Gold Fields Ltd.

The acquisition is intended as part of Freegold's consolidation process of the gold mines in the Free State region and follows other acquisitions previously approved by the Tribunal. The parties submit that this will improve regional stability and that the transaction will enable the transformation of the St. Helena Mine into a low cost, high productivity producer and will ultimately extend its lifespan.

Evaluating the merger

The relevant market

The primary business of the parties to the transaction is the mining and processing of gold. It is common cause that the relevant market is the international market for the production and supply of gold and that is not a concentrated market.

Effect on competition

As noted in previous decisions, a single producer of gold is precluded from influencing the price of gold in the international market, largely because the price is contingent on various extraneous factors.¹

Within this market, of which the merged entity's post merger market share will remain relatively small, participants are faced with an international price and are essentially price takers. Thus, the transaction is unlikely to substantially lessen or restrict competition in the market.

Public interest Issues

Although the transaction will result in a maximum of 600 job losses, the lifespan of the mine will be extended for a further two years. As a result, it is expected that the number of man years worked will increase by 36%.

The transaction does not raise any other public interest issues.

We agree with the Commission's recommendation that the transaction be unconditionally approved.

N. Manoim

10 October 2002
Date

¹ See Tribunal Cases: Harmony Gold Mining Company Limited and Randfontein Estates Limited 16/LM/Feb00; Franco-Nevada Mining Corporation Ltd and Gold Fields Ltd 77/LM/Jul00 and Randfontein Estates Ltd and Anglovaal Ltd 03/LM/Jan01.

Concurring: D. Lewis, P. Maponya