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ACQUISITION AND DIVERSIFICATION

Consolidated Gold Fields Australia (CGFA) pursued acquisition opportunities with the intention to expand its portfolio. However, the availability of businesses that would be financially material to the group, or provide it with mineral diversification, were limited. While several opportunities were evaluated and in one case pursued, a key acquisition and important step in strengthening the group's involvement in mineral sands was the acquisition of Western Titanium in 1969. Outside mineral sands, consideration was given in 1967 to the acquisition of another Australian-listed mining company, through a project named Project Bee.¹ Board minutes in relation to this project recorded:

The Chairman explained that other acquisitions were undertaken prior to the advent of the mining boom and such opportunities will probably not arise again. He pointed out that the two principal avenues of expansion open to C.G.F.A. were by acquisition and by exploration. As far as acquisition was concerned, a survey had been made of all mining companies which could be considered to be of interest to C.G.F.A. Of all of them the Bee Company appeared to be the logical and best choice at the present time.²

1 Consolidated Gold Fields Australia Limited, 'Minutes of a Special Meeting of Directors', 14 December 1967, p. 1, Renison Goldfields Consolidated Archives (RGCA), Box 12264.

2 Consolidated Gold Fields Australia Limited, 'Minutes of Meeting of Directors', 19 August 1967, p. 1, RGCA, Box 12264.

The company is likely to have been North Broken Hill, one of the largest participants in the Broken Hill lead–zinc mines.³ However, it was determined that the ability to acquire a controlling interest in the company would involve ‘too large a commitment of the company’s resources’ and was not pursued.⁴ North Broken Hill would be reconsidered in the 1990s as a potential acquisition opportunity.

By August 1968, another acquisition opportunity had been identified: King Island Scheelite (1947). As a basis for the future development of CGFA, few companies had been identified in terms of their potential availability or materiality. King Island Scheelite was ‘one of the few’.⁵ The company was involved in mining for tungsten on King Island near Tasmania. After two meetings with directors of the company, the board of CGFA was confident that the directors of King Island Scheelite would provide unqualified support for the acquisition. In September 1968, with CGFA having provided details of its offer to King Island Scheelite shareholders, Peko-Wallsend made a competing bid. A revised CGFA offer for 50 per cent control, underwritten by the London parent, was made. By December, a revised offer was forthcoming from Peko-Wallsend. CGFA contemplated a further, higher offer, including its own shares. This bid failed, with Peko-Wallsend gaining control.⁶

In 1971 CGFA, with Mitsubishi Metal Mining (Australia), Kinsho-Mataichi (Australia) and Mitsubishi Development, acquired the Mammoth and Mount Oxide copper deposits, known as the Gunpowder Complex, 120 kilometres north-west of Mount Isa, Queensland, from provisional liquidators and receivers. CGFA’s interest was 70 per cent. Initially developed as an open cut mining operation, underground mining of the deposits began in 1972. The first copper concentrate was shipped by the joint venture to Japan in April 1972. Through further development of the Mammoth ore body, as well as production on a nearby ore body, it was planned to nearly double production by increasing concentrator capacity and installing additional grinding mills. By 1975, a loss was recorded and

3 Ted Wiles (personal communication, 18 April 2017) recalled that Commonwealth Mining Investments examined a number of companies, including North Broken Hill.

4 Consolidated Gold Fields Australia Limited, ‘Minutes of Meeting of Directors’, 19 August 1967, p. 1, RGCA, Box 12264.

5 Consolidated Gold Fields Australia Limited, ‘Minutes of Meeting of Directors’, 19 August 1968, p. 1, RGCA, Box 12264. See also King Island Scheelite Limited, *King Island Scheelite Mine*.

6 Consolidated Gold Fields Australia Limited, ‘Minutes of Meeting of Directors’, 16 February 1969, p. 2, RGCA, Box 12264.

the following year, despite the achievement of higher levels of production and the entire output being sold to Mitsubishi Metal, another loss was recorded. Despite investment to substantially increase production, the decline in copper prices meant that the financial performance was poor. In September 1977 the mine was placed on care and maintenance and while an acid-leaching program operated for a period in the early 1980s, this activity was suspended in 1982. In 1984 the assets of the operation were sold.⁷

In 1971 CGFA acquired OT Lempriere and Company, an established smelter, refiner and alloy manufacturer. The acquisition was part of a plan for a nonferrous metals processing complex that, in 1971, was also associated with the acquisition of a 51 per cent interest in Ferro Alloys of Tasmania, and the formation of a company, Kemerton. CGFA tendered unsuccessfully for shares in Aberfoyle, as part of the liquidation of interests held by Mineral Securities Australia, and while it also had the opportunity to tender for shares in the mineral sands company Cudgen RZ and its shareholding in CRL, this did not proceed. CGFA's successor company, Renison Goldfields Consolidated (RGC), later acquired both Cudgen RZ and CRL.⁸

Diversification outside minerals remained under consideration. In 1972, the company became involved in real estate and property development through a subsidiary, Lion Properties. This company undertook a canal-fronted real estate development for housing on the shores of the Hastings River at Port Macquarie, New South Wales. CGFA's 50 per cent interest in this development was viewed as 'modest diversification', as was the establishment in 1973 of Colinas, with a landholding of about 3,000 acres in the Macleay Valley and nearby areas of New South Wales for growing

7 In September 1977 it was announced that Gunpowder would be placed on a care and maintenance basis. On 30 June 1978, Gunpowder was transferred to Circular Quay Holdings. From this time, with leaching operations, Gunpowder Copper was fully reimbursed by the joint venturers for all costs and as such was not recorded as making either a profit or loss. An agreement was reached with the Japanese joint venture partners whereby Circular Quay Holdings acquired the outstanding 30 per cent held if the project proceeded to a full-scale leaching operation (Consolidated Gold Fields Australia Limited, *12th Annual Report 1978*, pp. 9 and 35; Renison Goldfields Consolidated Limited, *Report on the 1981 Financial Year*, p. 30).

8 CGFA had concerns with the impact on rutile prices, a key product for Cudgen and CRL, associated with the potential supply of upgraded ilmenite. The assessed short-life reserves of Cudgen and the cash position of AMC were factors in the decision by CGFA not to tender (Consolidated Gold Fields Australia Limited, 'Minutes of Meeting of Directors', 28 July 1971, RGCA, Box 12248, RGC 11576).

poplar trees and raising cattle.⁹ The involvement in agricultural activities was considered by the CGFA board as a 'worthwhile diversification' and although profits were not expected to be recorded for some years it was anticipated that returns from this venture would be generated at 'about the time the Goldsworthy northern reserves began to run down'.¹⁰ By 1976, however, management had become concerned at the cash outflow for Colinas, and attempts were made to sell the venture. The company's property diversification, which included a warehousing complex at Lidcombe near Sydney, did not fare much better. In 1976, with weak property market conditions, the further development of what had become known as Settlement Shores at Port Macquarie was restricted to the less expensive lots.

Circular Quay Holdings had been established as a fully owned subsidiary. The intention was for this company to hold direct investments in mining companies, some of which were of acquisition interest to CGFA. In this regard, CGFA drew upon an established Gold Fields' model where an investment portfolio was held in listed companies that did not form part of the group's major ongoing company investments.¹¹ Circular Quay Holdings became the forerunner to the establishment of an investment division in 1984.

Exploration remained a central component of CGFA's approach to attempting to identify new resources and develop production opportunities. A wide range of initiatives were pursued, including a joint venture with Mitsubishi Metal Mining (Australia) in the Norseman area, Western Australia; nickel exploration at Mount Tyndall and North Dundas in Tasmania; a nickel laterite evaluation with Dalgety in New Caledonia; an interest in an oil exploration company, Beaver Exploration; and an exploration presence in the Philippines. A kaolin project in Western Australia was also investigated for an extended period.

An interest in coal in New South Wales was established through an association with Dalgety Australia, which led to a joint venture to evaluate, trial mine and attempt to develop coal resources in the Hunter Valley. In 1968 discussions were initiated with Dalgety & New Zealand

9 Consolidated Gold Fields Australia Limited, 'Minutes of Meeting of Directors', 20 December 1972, p. 5, RGCA, Box 12246, RGC 11576.

10 Consolidated Gold Fields Australia Limited, 'Minutes of Meeting of Directors', 26 March 1973, p. 1, RGCA, Box 12248, RGC 11576.

11 Consolidated Gold Fields Limited, London, no date, p. 7 (copy held by the author).

Loan, of which Brian Massy-Greene was a director, with a view to establishing a joint venture to develop a coal prospect at Ravensworth in the upper Hunter Valley of New South Wales. The following year a joint venture agreement was in place, pending New South Wales Government ministerial approvals for the revocation of ministerial reserves. In what was a portent for continuing delays and impediments in advancing this venture, it was observed at the CGFA board meeting in June 1969 that ‘the matter was still in progress but was moving slowly’.¹² A separate company, Durham Holdings, was established to acquire the Ravensworth mineral rights on an equal entitlement basis between CGFA and Dalgety. Charles Copeman, the manager of the mining and exploration division, proceeded with plans to consolidate a large area in the upper Hunter Valley for potential coal mining while discussions commenced with the New South Wales Government in relation to the establishment of rail transport, as well as coal loading facilities at Port Stephens. CGFA’s and RGC’s pursuit of a major coal operation at Glendell consumed considerable management time and expenditure over the next two decades, but to little avail. RGC sold its interest in the Glendell joint venture in January 1992.¹³

The Lake View and Star gold mine in Western Australia was the one interest retained from the period of investment by the London parent in Australia prior to 1960. In 1966 the residence of Lake View and Star was transferred to Australia with CGFA taking over technical and administrative services previously supplied from London.¹⁴ CGFA held a 16 per cent interest. Various attempts were made to broaden the business base of Lake View and Star, including by CGFA and Lake View and Star tendering for rights to prospect for nickel at Lake Rebecca, North Kalgoorlie. An exploration company, View Star, was established. The plan was to list the company on Australian stock exchanges but instead Lake View and Star undertook a rights issue and established an arrangement with CGFA enabling it to take an interest in any of the exploration projects. Profitability of the Lake View and Star mine declined from \$560,000 in 1960 to \$287,000 in 1968. In 1970 a shortage of labour and a decline in gold price led to

12 Consolidated Gold Fields Australia Limited, ‘Minutes of Meeting of Directors’, 25 June 1969, p. 1, RGCA, Box 12264.

13 RGC sold its interest to the Liddell joint venture.

14 The transfer to Australia had been considered earlier, in the 1940s, to avoid the British excessive profits tax. The London board came to the decision not to take this course of action, due in part to close association with New Consolidated Gold Fields from which Lake View and Star company obtained ‘valuable technical and financial assistance’ (*West Australian Mining and Commercial Review*, vol. 16, no. 1, March 1951, p. 15).

the rationalisation of mining operations and cessation of further mine development activity. The mine recorded a loss and no dividend was paid. Poseidon NL made an offer to acquire CGFA's shareholding. While the board of CGFA did not view the offer as particularly attractive, its view was that 'the alternative of living with a dying mine appear[ed] to be even less so'.¹⁵ By early 1971, the Poseidon offer was declared unconditional and CGFA's ownership and 45-year involvement with one of Australia's foremost gold mines came to an end.¹⁶

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Despite the efforts to grow and diversify the portfolio, the managing director and chairman, Massy-Greene, in writing about the outlook for the 1976 financial year, warned:

The present indications are that this year will be the most difficult in the history of the Company. Continuing low metal prices, falling demand and escalating costs are having a material adverse effect on the profitability of both the Group and the Company. Export quotas set by the International Tin Council ... together with a drop in local demand have necessitated a cutback of tin concentrates produced at Renison Limited. This will materially affect the results.¹⁷

What was in train at management and board level was a fundamental review of the composition of the CGFA portfolio, and by the London board, the Australian management structure.

15 Consolidated Gold Fields Australia Limited, 'Minutes of Meeting of Directors', 28 October, 1970, p. 2, RGCA, Box 12248, RGC 11576.

16 Lake View and Star, Limited, 'Directors' Report and Statement of Accounts for the Year Ended 30th June, 1970'.

17 Consolidated Gold Fields of Australia Limited, *Ninth Annual Report 1975 and Notice of Meeting*, p. 7.

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