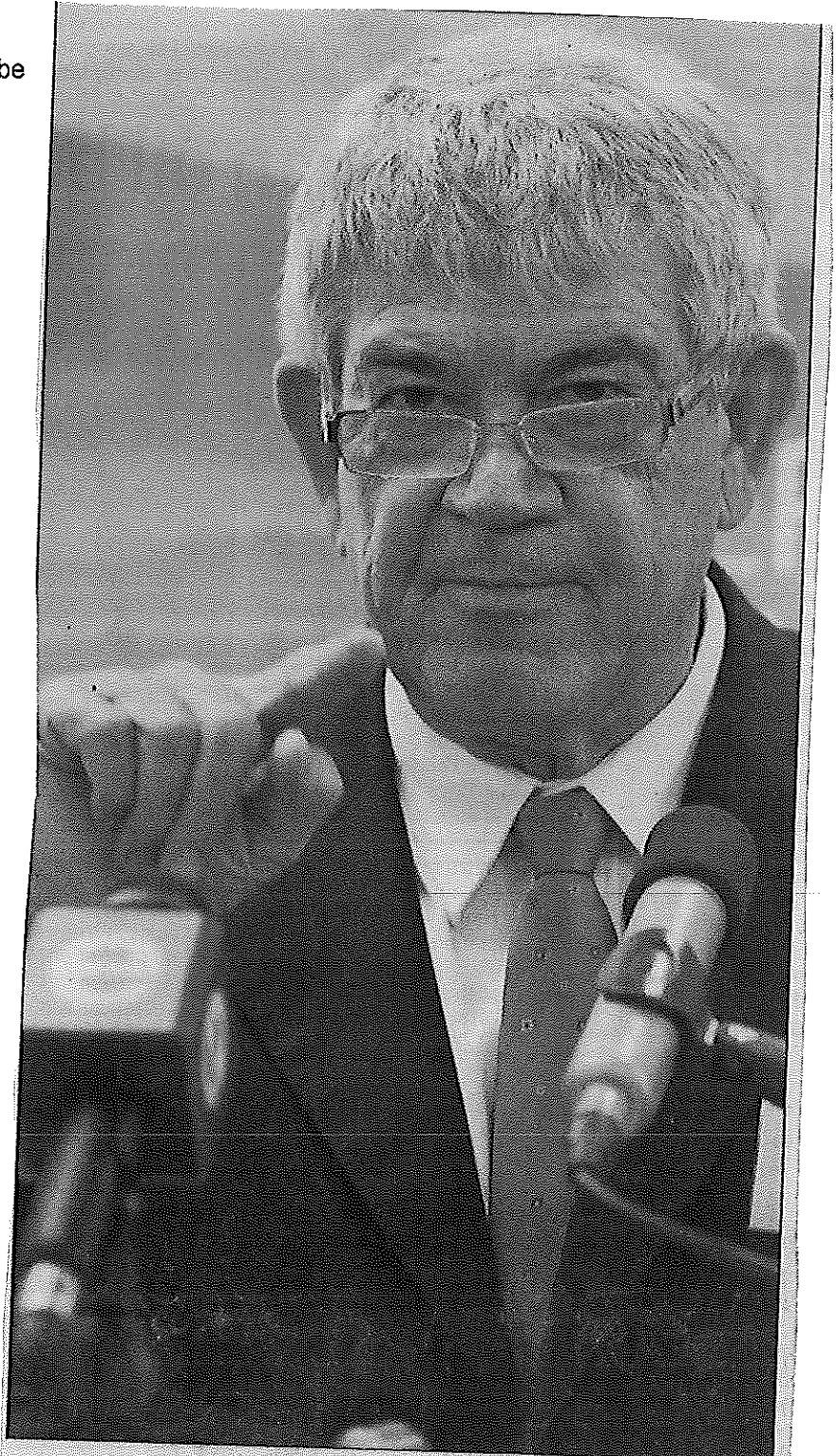


Press Cuttings

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Pallinghurst chairman Brian Gilbertson addresses yesterday's press conference on the new platinum venture with the IDC and the Bakgatla. Picture: MARTIN RHODES

IDC puts R3,4bn into Pallinghurst platinum mine as 'strategic venture'

Platmin successor sets ambitious goals on output, jobs and beneficiation

ALLAN SECCOMBE
Resources Editor

FROM the ashes of Platmin, once listed on the Johannesburg and Toronto bourses, a R23bn company has emerged that intends to become the world's third-largest platinum producer.

It will meet two key demands of the government by providing work for 9 000 people and beneficiating its product.

The new company, temporarily called NewCo, counts amongst its major shareholders Pallinghurst Resources, the 35 000-strong Bakgatla Ba Kgafela community and the Industrial Development Corporation (IDC).

It plans an aggressive, tenfold increase in output to 1,1-million ounces of platinum group metals by 2017. Platmin produces about 130 000oz a year.

Platmin's shares fell 10% last December when it said it was delisting from both bourses and would return to the JSE this year as a bigger company. Its executives urged shareholders at the time not to sell their equity.

Platmin had a net asset value of R6,9bn, compared with NewCo's R23,2bn.

The IDC said at a press conference yesterday that it was investing R3,4bn in NewCo in exchange for a 16% stake in the project, which has 70-million

ounces of platinum group metals resources in cheaply accessible deposits. Pallinghurst will hold 42% of NewCo and the Bakgatla 27% with the balance held by "other shareholders".

The company's creation comes at a time when the CEOs of established platinum miners are bemoaning the nonperforming rand price of platinum and high input costs — particularly of electricity and labour — which are not conducive to new investments and projects.

NewCo would list on the Johannesburg, Hong Kong and possibly the London bourses within a year, Pallinghurst CEO Arne Frandsen said yesterday.

Mr Frandsen said the company's shallow ore bodies gave it a cost and safety advantage compared with its mature peers, which are mining at depths of 2km in some instances.

NewCo did not need to raise capital, Mr Frandsen said, as it had \$500m cash on its balance sheet to reach its production targets of 1,1-million ounces at the Bushveld Igneous Complex, where about 80% of the world's known platinum deposits are to be found.

Geoffrey Qhena, CEO of the IDC, said at the press conference that the investment — the largest

the government-owned funder has made in five years — met two of the state's key agendas, of employment creation and adding value to raw minerals. "This strategic partnership between the IDC and Pallinghurst will certainly transform the local platinum mining and beneficiation landscape," Mr Qhena said.

The fund's capital was the "catalyst" needed to consolidate a number of contiguous properties to the north of the Pilanesberg nature reserve in the North West.

Pallinghurst chairman Brian

Gilbertson, founder of BHP Billiton, the world's largest resources company, said it had been Pallinghurst's vision and that of the Bakgatla king, Kgosi Pilane, to put the properties into a single company to create a mega-mining project.

"As Pallinghurst, we'd never have invested in Platmin as a standalone entity. From day one we've been following this consolidation strategy," Mr Gilbertson said.

Kgosi Pilane said his community had invested R1bn and its stakes in the properties abutting the Platmin project to earn its stake of 27% in NewCo, worth R5,4bn.

Unlike many other empowerment deals, the Bakgatla have not incurred debt.

The IDC and Pallinghurst plan to set up a joint-venture processing and beneficiation business. Mr Gilbertson said no final call had been made on smelting technology but the Kell Process could be favourable. It uses 140kWh of electricity per ton of concentrate, against a conventional smelter's 1 000kWh.

The plant will be available to other platinum producers, which receive about 80% of the value of the metal they send for processing.

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