

Press Cuttings

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New player emerges in PGM industry

A new major player in the South African platinum group metals industry has emerged, with the formation of a strategic partnership between investment consortium Pallinghurst Resources, the Industrial Development Corporation, the Bakgatla Ba Kgafela Tribe and Platmin.

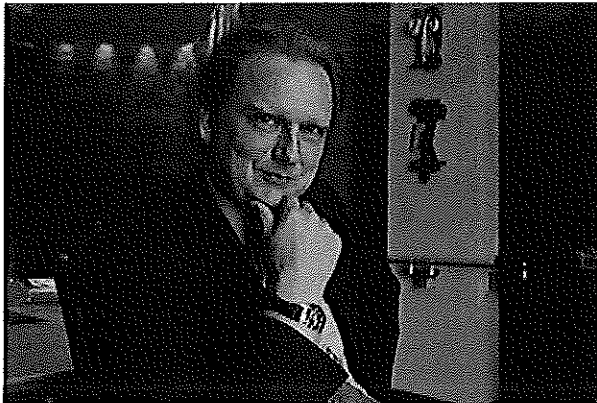


Image: Tark
Pallinghurst CEO Arne Frandsen

The partnership, which will create a major new platinum group metals (PGM) producer, involves the consolidation of the PGM interests controlled and owned by Pallinghurst and the Bakgatla tribe and will see the creation of a large, shallow and low-cost mining complex, with long life - in excess of 30 years.

Pallinghurst CEO Arne Frandsen said at the launch of the strategic partnership on Thursday that there were plans to list the new JV entity on the JSE. It would also be listed on the Hong Kong and/or London exchanges, he added. And investors gave the transaction a huge thumbs up, boosting Pallinghurst's share price by 40 cents, or 12.9%, to 350 cents by 1.30pm on the JSE.

The partners also plan to form a joint venture to explore and fund opportunities for PGM beneficiation and processing. The entity will be an unhedged and debt-free producer, with a healthy balance sheet, including cash of US\$500 million.

The Industrial Development Corporation (IDC) has made a R3.24 billion (US\$420 million) investment for a 16.2% interest in the consolidated entity. The venture represents a major investment in the platinum mining and beneficiation industry that will see the creation of a significant PGM company in the North West Province. The investment will be into a newly consolidated company, NewCo, which has the potential to create about 9,000 direct and permanent jobs.

The venture has a promising strong growth profile. NewCo's resource base is approximately 70 million 4PGM ounces, and uniquely, the majority of the ounces are shallower than 600 metres. By comparison, many new projects announced by the industry majors are rapidly approaching 2,000 metres. This makes the new venture one of the safest and most energy efficient new generation PGM operations in the world, giving it a clear advantage in respect of employee safety, as well as being mineable without the need for expensive and electricity-intensive ventilation and refrigeration. NewCo is expected to become a global top-4 PGM producer within the next four to five years and will continue to grow thereafter.

The R3.24 billion transaction brings about the consolidation of a number of important PGM properties around the Pilanesberg Platinum Mine. The consolidation facilitates the development of three historically stand alone, shallow (mainly open-cast) contiguous PGM properties into a single regionally optimised mega-mine. The properties, situated north of the Pilanesberg on the western limb of the Bushveld Complex, are Pilanesberg Platinum Mine (PPM), the producing operations of Platmin; the Sedibelo Platinum Project, owned by Itereleng Bakgatla Minerals Resources; and the Magazynskraal Platinum Project, owned by Richtrau No 123 (Pty) Limited.

These properties are the last shallow PGM resources on the Western Limb, situated immediately south of Anglo Platinum's Union Mine. Announcing the partnership on Thursday, IDC CEO Geoffrey Qhena said the strategic partnership would certainly transform the local platinum mining and beneficiation landscape. "The IDC's equity funding is the catalyst that is required to implement the consolidation plan that has been developed by Pallinghurst over the last five years. This will assist the consolidated PGM entity to become one of the major PGM players within five years. The investment is attractive to the IDC as the PGM consolidated entity will benefit from shallow resources, which will allow for safe and cost efficient mining."

"This investment is the first step in developing downstream beneficiation of PGM's and demonstrates the IDC's commitment to the development of SA's mineral beneficiation industry," he said. The IDC's total exposure to the mining industry is R45 billion.

The chairman of Pallinghurst and Platmin, Brian Gilbertson, added that this PGM partnership was intended to create an industry-transforming entity, generating capital investment and jobs for SA. "We are proud to welcome the IDC as a cornerstone shareholder at this pivotal time. The IDC's involvement will ensure the consolidated company is well positioned to become the next major producer in the strategically important platinum industry."

His Royal Highness Kgosi Pilane of Bakgatla Ba Kgafela Traditional Community in SA, a 27% shareholder in the post consolidated company, said the deal crystallised the vision always held by the tribe to develop a regional PGM mining leader, which would create wealth and jobs, and which would also be used as a catalyst for other developments to benefit the entire community. "It is significant for our 350,000 strong Bakgatla Ba Kgafela Tribe, by not only creating additional permanent jobs in the region, but also providing the financial engine for further upliftment of our community."

CEO of Pallinghurst, Arne Frandsen noted that the consolidation has been almost five years in the making and represented an exciting development for all stakeholders.

"The IDC's equity investment will allow NewCo to remain debt-free with a strong balance sheet, thereby providing financial security to execute our unique growth opportunities. Our beneficiation partnership with the IDC has the potential to transform the PGM smelting industry and to provide third party juniors access to cost-efficient concentrate processing."

By 10.47am on the JSE, Pallinghurst's share price was up 20 cents, or 6.45%, to 330 cents.