

The Bafokeng's royal platinum play

11 May 2010

Source: www.miningmx.com

Author: Brendan Ryan

ROYAL Bafokeng Holdings (RBH) is the “kingmaker, if not the king himself” in the platinum sector, according to Steve Phiri who heads up subsidiary Royal Bafokeng Platinum (RB Plats).

RBH is the business arm of the Royal Bafokeng nation, a 300,000-strong community of predominantly Setswana speaking South Africans based in North West Province.

“We know that everybody wants to deal with us. We hold the key to the future of platinum mining in our area and we love that,” Phiri added.

RB Plats - formerly dubbed Newco after its creation through the deal with Anglo Platinum (AngloPlat) – should list on the JSE before the end of 2010.

Phiri, the former CEO of Merafe Resources who was appointed CEO of RB Plats at the beginning of April, outlined his broad strategic approach in a wide-ranging interview with Miningmx.

He stressed his priorities at this stage were to list the company and get development of the Styldrift project under way. He hoped to have shaft sinking underway at Styldrift by the end of the year.

But he also indicated there was substance to widespread market speculation over hugely ambitious plans by RBH for its future growth in the platinum business.

Much of this speculation involves the consolidation of the region around RB PLats' Bafokeng-Rasimone mine, which could take in sections of Impala Platinum's (Implats') operations as well as Wesizwe Platinum and TSX-listed Canadian junior Platinum Group Metals (PTM).

Such a deal would also draw in AngloPlat as the junior partner in RB Plats.

Phiri said: “I would be lying to you if I said we had not conceptualised this already.”

He emphasised the long history of the RBN in SA's platinum industry, dating back to the discovery of the platinum-bearing reefs by famous geologist Hans Merensky in the early 1920s.

Phiri said: “The operations of Implats and some of AngloPlat's Rustenburg platinum mines were established on Royal Bafokeng ground.

“We have travelled a long journey, during which our relationships with AngloPlat and Implats have evolved and developed.

“We have moved from merely receiving royalty payments to board representation to the stage where we will now run our own operations.

“The relationship has been rocky at times and there have been ups and downs, but we now deal on the basis of mutual respect.”

Phiri said RB Plats' major advantages included ownership of the operating Bafokeng Rasimone mine, which would

generate the cash flow needed to develop the adjacent Styldrift deposit.

He described Styldrift as the best undeveloped Merensky Reef platinum deposit left in South Africa, and one which had an economic life of at least 40 years.

The Merensky Reef is higher-grade than the other main exploited platinum reef, the UG2.

Experience has shown that the platinum reefs found on the Western Limb of the Bushveld Igneous Complex (BIC) around Rustenburg are geologically more consistent and easier to mine than the reefs on the Eastern Limb of the BIC.

Phiri commented, “Styldrift is big, it’s high grade and it’s shallow. The reefs are easy to mine because they are consistent and flat dipping. What other company has that kind of asset?”

“It’s a quality asset and we have 25 to 30 years of life left on the Bafokeng Rasimone mine, which will provide the cash flow to develop it.

“That puts us in a position where we can look at other opportunities for growth through merger and acquisition activity. We are open to discussions in this regard.”

RBH holds 75% of RB Plats, which owns 67% of the Bafokeng Rasimone mine and Styldrift. AngloPlat owns a 33% direct stake in the operations and a 25% stake in RB Plats.

Phiri said RBH would raise some funds through placing RB Plats shares in the listing but at all times would maintain absolute control – above 51% - of the company.

He added AngloPlat was likely to gradually sell down some of its 25% stake in RB Plats “over time to provide trading liquidity in the stock”, but would retain its 33% holding in the underlying operations.

Phiri said: “We will not be raising a big amount of money because we don’t need it at this stage. There’s no point in raising money only to leave it lying idle on the balance sheet.

“The listing is more about having a vehicle for our growth strategy through which we can bulk up.

Phiri rejected the view of some platinum sector observers that RBH now had undue influence over Implats, following the ousting of former chairman Fred Roux in which RBH CEO Niall Carroll played an important role.

RBH is the largest shareholder in Implats, with a 13.2% stake. New Implats chairman Khotso Mokhele is viewed by some as being close to the Royal Bafokeng.

Phiri replied: “The Royal Bafokeng are not timid or meek. We have learnt to stand our ground. Yes, we do have a significant influence at Implats but I do not agree that it is an undue influence.

“The departure of Fred Roux was unfortunate, but the new chairman is not close to the Royal Bafokeng.

“Khotso Mokhele is a fair-minded person and a man of integrity, who must be given credit for that.

“He cannot favour us over the interests of other shareholders and he has a lot of respect from me.”