

# Few remaining Bushveld opportunities

By: **andrew lanham**

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There are precious few opportunities left for platinum properties in the Bushveld, explains Rene Hochreiter, a platinum analyst with Nedcor Securities, speaking at the Investing in Mining Indaba 2004 in Cape Town.

“Access to properties will have to be gained through dealmaking in future,” he says.

There are very few greenfield properties left, and the downdip properties are too deep to mine at current prices.

What also influences the attractiveness of a platinum property is the platinum:palladium split.

In the north-eastern Bushveld, the ratios of platinum to palladium are low, making these properties less attractive.

The platinum market on the demand side is about a seven-million-ounce market at present.

The autocatalyst market dominates this, at about 3,2-million ounces in this calendar year.

On the supply side, Anglo Platinum dominates the market, with Impala Platinum and Lonmin in second and third places.

There has been a perpetual supply shortfall of 600 000 oz which could grow to a million ounces by 2015.

“There has been a shortfall for the last seven years and this situation is set to continue unless the jewellery market falls off or South Africa increases its supply,” says Hochreiter.

In looking at the key drivers, the platinum price is about \$837/oz at seven rands to the dollar.

Hochreiter estimates that, in the long term, the price should average in the \$650/oz range.

Cash costs are about R75 000/kg average on a weighted basis, the best being about R59 000 at Lonmin and the worst is R106 000/kg at Northam.

“If we had to start a 100 000 oz platinum-mine today, it would cost about R1-billion,” he adds.

On the Western Bushveld cash costs are about R50 000 (Amandel-bult) to R106 000 (Northam).

Some of the smaller properties immediately to the north of the Pilanesberg are out to tender at the moment.

Placer Dome is involved in this area with the Bakgatla people and then there are also a number of smaller players such as Boynton and Nkwe Platinum.

The south-western Bushveld is well tied up, as all the bigger mining houses having a presence in this area as well as Aquarius Platinum.

In the Northern Limb of the Bushveld near Potgietersrus, Anglo Platinum once again dominates, with it operating Potgietersrus Platinum Mine (PPRust).

The costs at PPRust run at about R75 000/kg mainly because of the openpit nature of the project. Anooraq, Pan Palladium, Thabex, Caledonia and African Minerals are represented in this area.

In the north-eastern limb of the Bushveld, the 1:1 platinum:palladium ratio makes this the highest-cost area to mine in the BIC.

Angloplat, Barplats, Impala and Messina are mining in this area already.

Aquarius, Mvelaphanda, Cluff, and Jubilee have rights in this area.

In the south-eastern Bushveld there is no mining as yet, and it would be quite expensive at an estimated R115 000/kg to start

mining here, estimates Hochreiter.

Cluff is looking at some of the prospects in the Loskop Dam area at its properties at Blue Ridge and Sheba's Ridge.

At current economics and prices, the Merensky Reef remains the most profitable to mine.

The lowest grade is the Potplats reef, though it is very low-cost to mine.

“At the current PGM minerals basket price, I think it is unlikely we will see many new entrants, if any, into the platinum business”.

Black-empowerment companies may need to team up with established players to gain a foothold in this area.

When it comes to down dip areas, Hochreiter calls on the example of Northam Platinum, which went “through ten years of pain and took twelve years before it paid its first dividend”.

The platinum market does hold the promise of higher prices. However, Hochreiter is of the opinion that, at present, the only way to a good platinum property is through dealmaking.

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