

Vanadium, iron-ore now set to launch Sable as platinum takes back seat

By: **Martin Creamer**
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James Allan



René Hochreiter

JOHANNESBURG (miningweekly.com) – The first source of cash flow for JSE-listed Sable Platinum – which on Wednesday received shareholder approval to rebrand as Sable Metals and Minerals – is set to be from vanadium and iron-ore, with platinum taking a back seat for the next couple of years.

The company expects to raise from R10-million to R15-million, despite the tough current market conditions.

“It comes down to having good projects,” Sable CEO **James Allan** told *Mining Weekly Online*, straight after shareholders gave a firm thumbs up to all the resolutions proposed.

The company has vanadium and iron-ore project areas with access to railway networks.

“We think there’s a lot of value to come out from what we’re doing,” Allan added.

Sable currently has a comparatively low market capitalisation when compared with peer companies holding lesser assets.

Development of the vanadium and iron-ore assets is expected to trigger cash-flow generation by late this year or early 2015.

The capital being raised currently will put the company in a position to declare a resource on the assets.

Funding is expected to arise from a mixture of institutions and private individuals.

Allan and executive director **René Hochreiter** will be talking to various shareholders against the background of the company being permitted to issue 15% of its share capital in any one year at a discount no greater than 10%.

“We are looking to complete that by the end of February,” Allan told *Mining Weekly Online* in an interview at the company’s offices in Fricker road.

The money raised will be used to do exploration drilling for iron-ore and vanadium at its Abrina and Doornpoort projects.

The deposits are close to surface and the company has local prospective customers for the offtake of the vanadium and the iron-ore.

Iron-ore export would be dependent on the securing of rail capacity.

Management has considerable ‘skin in the game’, with the three executive directors and shares being held in escrow making up close to 30% of the shares of the company.

The shares that company sponsor Java Capital has in escrow will be released on the attainment of milestones, one of them the granting to a mining right at Syferfontein, where community issues need to be settled, and another mining right at the Bank project, where the company has relinquished the platinum right but has an application in for the vanadium and magnetite.

Allan, who last year personally dipped into his own pocket to cover operational expenses, will this month ask the board for approval to put more money into the company.

He has also not drawn a salary from the company for some time and Hochreiter has sacrificed half of his salary since December 2012.

Executive director **David Levithan** has sacrificed 44% of his retainer for the same period and financial director **Marietjie van Tonder** has sacrificed 20% of her salary since December 2012.

Other staff members have also sacrificed 20% of their salaries since February, raising the amount forfeited to R2.8-million.

It will be up to the board to decide on compensation.

"Firstly, we need to raise sufficient capital to put us on a firm footing and then the issue of compensation for salary sacrifice will have to be put to shareholders," Sable chairperson, **Tom Wixley**, told *Mining Weekly Online*.

The official process of changing the name is under way and moving into a new sector is a separate JSE process.

The special resolution relating to the change of name will be lodged with the Companies and Intellectual Property Commission for registration.

The word 'platinum' in the name Sable Platinum has tended to eclipse the presence of vanadium and iron-ore in the portfolio and also given the company too little latitude to function as a diversified exploration company.

The current market conditions rule out any development of platinum assets.

"Right at the moment, I don't think any platinum companies other than Ivanhoe are looking at developing any new assets," said Allan.

Former award-winning platinum analyst Hochreiter believes that the conditions for viable platinum development will return in the next couple of years but until then, the source of cash flow is poised to be vanadium and iron-ore.

Sable has also entered into an agreement to acquire up to 26% of Global Initiatives, a Botswanan company that has the rights to process the tailings and slag at BCL Limited, a nickel, copper and cobalt mine at Selebi Phikwe in Botswana – "another reason why the change of name has become necessary".

A technical due diligence study on the Selebi Phikwe steel project has been completed and the legal due diligence should be completed before year-end.

The 45-million tons of slag on surface have an iron content of more than 40% and the team studying it originally envisaged pig-iron production.

The company is now looking at putting that iron into a steel plant for the production of wire rod and rebar as construction steel for sale into the interior African market.

"That's looking like a very interesting project and we hope to conclude the agreement on that in the next month or two," Allan said.

Sable's Botswanan partner is in the process of conducting a feasibility study for completion in June 2015.

Partnerships are envisaged to take care of the considerable capital that a steel plant would require.

At last count, the company had accumulated financial losses of R79-million and was burning cash at a rate of R550 000 a month.

It reported last year that current cash would be sufficient to cover expenses only until the end of this month.

A refund of R3.5-million from South African Revenue Services is expected in February.

The exploration company listed on the main board of the JSE in November 2012 under the platinum and precious metals sector after reversing into New Corpcapital, a cash shell.

The share price, which opened at R1.05 a share then, was 61c on Wednesday.

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