

Platinum IPOs suggest better days lie ahead

David McKay | Tue, 04 Dec 2012 15:25

[miningmx.com] – FOR all its ills lately, South Africa's platinum sector continues to attract investment as evidenced by two listings in the past two months.

Last week, Sable Platinum reverse-listed into cash shell New Corpcapital while a month earlier, on the Toronto Stock Exchange, the extraordinary whirlwind of spin and hyperbole that is Robert Friedland, brought the long-awaited IvanPlats into being.

In many respects, however, you couldn't get two more different debuts.

In the global mining world, Friedland is legendary. In the late Nineties, he famously sold the Voisey's Bay nickel deposit in Canada to Inco for \$3.1bn.

More recently, he championed the development of a copper and gold prospect in Mongolia through a company called Ivanhoe Mines. It set out at a time when Mongolia's vast coal and other minerals were not considered prime exploration fodder. Earlier this year, Rio Tinto completed the \$16bn takeover of Ivanhoe Mines.

One can only suppose Friedland's eye for tomorrow's 'gold rush' remains intact because IvanPlats not only bases its investment case on South Africa's beleaguered platinum business, but also on copper and zinc exploration properties in the Congo where rebel forces earlier this month cut a wide swathe through the country's northern reaches.

Someone believes him.

IvanPlats raised just over C\$307m in cash in Toronto, taking overall equity raised above C\$500m for the prospects. The public offering has provided rare takings for investment banks and, in the estimation of PwC, constitutes a litmus test for a revival of mining listings in Toronto.

Says Friedland: "We firmly believe that the Flatreef discovery will prove to be transformative for the platinum-mining industry". 'Flatreef', as Friedland terms it, is situated in the Northern limb of the Bushveld, about 280km northeast of Johannesburg, located near to Anglo American Platinum's Mogalakwena property.

According to one consulting engineer, the 'Flatreef' is extremely low-grade and relies on high volumes and by-product credits from mining other minerals with it, such as nickel. Worryingly, Friedland says it's given to mechanisation – a type of mining that is thought to be the root cause of Lonmin's mining problems when adopted by previous CEO, Brad Mills. Exploration stocks are nearly always a slow burner; the gestation period is extremely long in some cases. South Africa's answer to Robert Friedland, the colourful figure of Rob Still, most recently the former chairman of Metorex, made the sobering observation that mining initial public offerings (IPOs) need handling with care.

Presenting at a recent conference in Johannesburg, Still showed IPO capital fell to \$2bn in 2011 from \$8bn in 2010, and will be lower this year. In addition, 80% of 2011's IPOs are now trading below their listing price. Something to think about.

James Allan, CEO of the newly-listed Sable Platinum, says Friedland's marketing has provided extra lift to the platinum exploration space. Sable is a different proposition, however. The style is more conservative certainly, but no less respected with expert platinum analyst René Hochreiter taking up the role of technical director.

Sable has five projects on the western side of the Bushveld which Allan believes is the best address for new platinum production. Some properties are held in joint venture with existing companies with overall resources estimated at 70 million oz. "The platinum market has bottomed," says Allan. "This is the right time to list."

Allan is hoping for a more modest capital raiser than achieved by Ivanplats of some \$30m but says investment demand among institutions has been good, although somewhat stunted in the UK.

At R1.05 per share, the business is valued at just under R40m on the JSE against the R203.5m implied by the company's calculation of net asset value.