

Sable Platinum's Steady Shares

Exploring its options

Charlotte Mathews | 06 December 2012



James Allan

Image by: Robbie Tshabalala

Sable Platinum's shares held steady in the days following its reverse listing into the New Corpcapital cash shell, no mean feat for a platinum explorer in weak markets.

New Corpcapital bought Sable's assets at 120c each, setting an indicative price for the listing. By the middle of last week the shares were still holding around 115c, on small volumes of trade.

In the past few years JSE investors have shunned higher-risk, junior mining ventures. Platinum explorer Platfields, which listed in January 2011 at 40c, is now 4c. Another platinum explorer, Bauba Platinum, which reverse listed into Absolute Holdings in mid-2010, when the shares were around 400c, is now at 135c.

The price could still slide, but Sable has a core of long-term shareholders and is likely to have been realistic in its pricing, since both its founders, James Allan and René Hochreiter, are former top-rated Barnard Jacobs Mellet analysts.

Management of a junior miner needs to have a meaningful stake to ensure they have a financial interest in making it a success. Allan and his wife own 15,4% of Sable's shares, while Hochreiter and his wife own 12,6%. Another adviser to the company, David Levithan, owns 14,5%, which means 43,4% of Sable's shares are held by management and are subject to various lock-up periods. The largest single shareholder is Legacy Platinum, which is a Forbes & Manhattan company, with 17,9%.

Allan, who is CEO of Sable Platinum, says the reason for listing Sable on the JSE, rather than a stock exchange known to be more receptive to exploration ventures like Toronto or Australia, was that most of the shareholders in Sable are South African and they would have had to sell their shares under SA Reserve Bank regulations if it was listed offshore.

The listing was not intended to give shareholders a way to exit, but to raise the company's profile and provide a route for future capital raising.

Some of Sable's shareholders, such as Legacy Platinum, are Canadian, and a listing in Toronto could be considered at some point in the future, depending on market conditions, he says.

Sable Platinum had undertaken to shareholders that it would list before the end of this year, and "the timing is good from the point of view that we believe we have seen the bottom of the platinum market," Allan says. "The market started the year with a surplus forecast for 2012 and finished with a deficit, and further deficits are forecast for next year."

"The current cycle in the platinum sector is very similar to that of the late 1980s, early 1990s, which was followed by more than 10 years of continuous supply shortfalls of platinum," Sable says in its circular.

Sable has investments in several properties around Pretoria and Rustenburg containing platinum, vanadium and iron ore. A competent persons report says the properties have a target resource of between 42moz and 70moz of three platinum group metals and gold.

Sable has spent R65m on exploration so far. The two priority areas for drilling are the Klipfontein (51%-held) and Abrina (59%-held) projects, both of which have shown attractive grades, though the deposits are deep.

Work on two other areas, Syferfontein and Uitvalgrond, has been suspended because the Bakwena ba Magopa community claims the person who concluded a transaction with Sable over the mineral rights was not authorised to do so. Allan expects a court date to hear this dispute will be set shortly.

He says Syferfontein's platinum deposits appear to be less attractive than Klipfontein's, but Syferfontein has the rights to explore for vanadium and magnetite, which are close to surface. Syferfontein is adjacent to the Evraz Highveld Steel vanadium operations.

Though Sable states in the circular its strategy is "to acquire and develop a portfolio of precious metals mining assets", it is also applying for rights to explore for, and mine, iron ore and vanadium on some of its other properties. Allan says as these are generally shallow, they could generate cash more quickly than the platinum deposits.