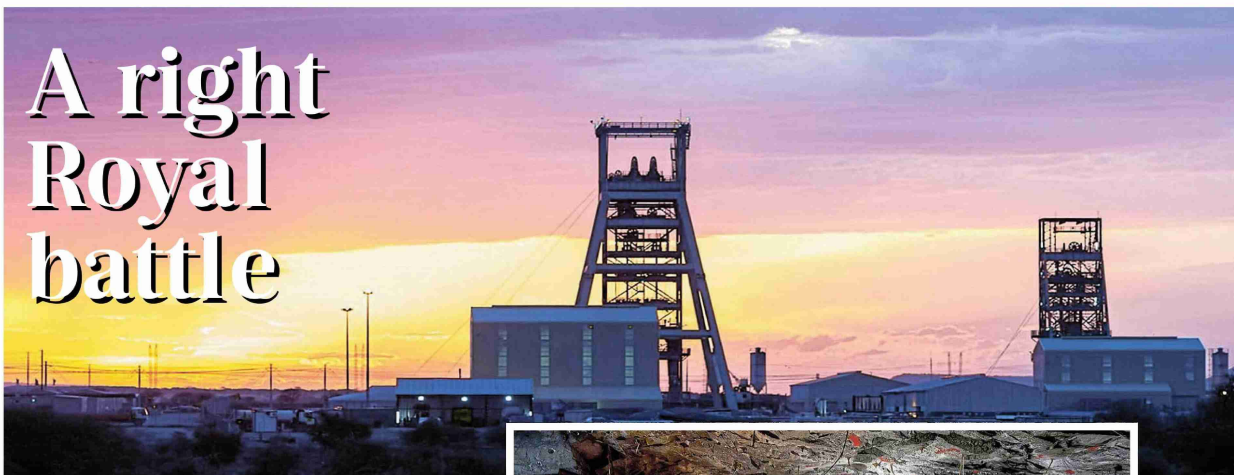


InNumbers **65 million**
The estimated ounces of 4E platinum group metals at Royal Bafokeng Platinum

Business The Big Read



The Bafokeng Rasimone mine is one of the jewels in Royal Bafokeng Platinum's crown that is coveted by Northam and Impala Platinum. Picture: Supplied

A right Royal battle

By DINEO FAKU

● The battle for Royal Bafokeng Platinum (RBPlat) intensified this week when Northam made a R50bn offer to buy out minority shareholders, raising the stakes just as the Competition Tribunal was about to announce its decision on Impala's bid for the same target.

Northam has been playing its cards close to its chest since it first bought a 32.8% stake in RBPlat from Royal Bafokeng Holdings a year ago. It has since increased its stake to 34.52% and this week it upped the ante with a bid for control of RBPlat.

"It is interesting that exactly one year later we are entering the next phase of our strategy," Northam CEO Paul Dunne said in an interview with Business Times this week. "We have a well-considered and thought through strategy that you are beginning to see."

He added that Northam had put down R10bn in cash as a guarantee with the Takeover Regulation Panel (TRP).

"So, the R10bn cash portion of the offer is there. Our competition has been saying we cannot afford it, but there you go, the R10bn is in the bank and has been confirmed independently by the TRP," Dunne said.

Northam has made a voluntary offer to minority shareholders of R17270 a share, a 15% premium to Impala's R150 a share offer.

Dunne said the offer included a healthy premium, and though it required a minimum of 50% plus one share to succeed, Northam would be happy to reach 100%.

Dunne, who previously served as executive director at Impala, added: "You would know that our colleagues at Impala also desire the asset [RBPlat] and they are sitting on just under 41%. They may or may not be prepared to sell to us, but we cannot second-guess them."

Impala, which operates mines in Rustenburg, Canada and Zimbabwe, made a mandatory offer to RBPlat shareholders a year ago – the Companies Act stipulates such a move in the event that any one shareholder acquires 35% of a company – and is await-



Our competition has been saying we cannot afford it, but there you go, the R10bn is in the bank and has been confirmed independently by the Takeover Regulation Panel

Paul Dunne
Northam CEO

ing approval from competition authorities to proceed with its bid for control of RBPlat.

Impala's executive for corporate affairs Johan Theron said Northam's offer had been expected and Impala was considering its next steps. Should Impala receive the green light from the competition authorities, it can close its offer.

"We always knew they [Northam] were playing for time with the purpose of getting into a position where they can make an offer, so the offer was not a surprise. The offer is to all shareholders, including us," he said.

"We now have to take stock and look at all of our options and make sure we do everything we can to advance the interest of our shareholders. I think we have multiple options, and we have to work through those options and come up with what is best [for our shareholders]," Theron said, adding the

company could elect to hold or sell its shares to Northam.

"We can sell our shares into the Northam offer, just as they can sell their shares to us. We can also decide to increase our offer price if we think that will offer value at a higher offer price. If we think we can generate returns at a higher offer price and it is likely we can be successful to get control of the whole company, then we can contemplate increasing our offer. There are really a couple of options to think about carefully," he said.

Theron said the transaction had long-term implications for the future of the Rustenburg area.

"The real impact of where this whole thing is going to end will only be visible in 10 to 20 years from now because we are dealing with electrification. There will be fewer cars with [internal combustion] engines; who knows what platinum group metals (PGMs) prices will be like in future, to the extent that South Africa can mine PGMs profitably in the future, to the extent of what is good for the country, not just what is good for RBPlat," he said.

Northam says the RBPlat ore body has about 65-million ounces of 4E PGMs – platinum, palladium, rhodium and gold – and a successful bid for RBPlat will take its annual production of the four precious metals to 1.5-million ounces.

Dunne said the RBPlat assets were especially attractive given that they are shallow, young, and have a substantial platinum content – 63% of the ore body by volume.

"Depth is a proxy for risk in mining. The

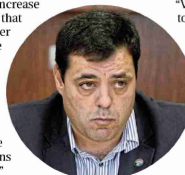
shallower you can mine, the stronger your competitive position. These are not only large but shallow assets in the context of the Bushveld [Complex]," he said.

"We have a view that platinum today has great potential into the future. Partially because of automotive [demand], and mainly because of the emerging hydrogen economy. Platinum is a hydrogen metal. It has great potential to do better," he said.

Dunne said mined supply of platinum was dropping and would continue to fall over the next decade.

"This is a young asset. Its future position in the industry is secure in our view because of depletion elsewhere."

The Public Investment Corporation declined to comment on Northam's offer, given that it is invested in the mining companies involved and the potential impact of its



Johan Theron, Impala's executive for corporate affairs

comment on these listed companies."

The acquisition of RBPlat, whether by Impals or Northam, would mark further consolidation of the platinum industry after Sibanye-Stillwater's purchase of Lonmin in 2019. Mandi Dungwa, a portfolio manager for Camissa Asset Management, said Northam's bid was well timed as it came before the closure of Impala's offer and before remaining minorities decided whether to tender their shares into the Impala offer.

Northam's offer showed it intended to take full control of RBPlats since it was available to all shareholders, including Impala, he added.

"Impala will decide whether this is an attractive proposition for them, and they could make a profit on their earlier acquisition of [a stake in] RBPlats if they tender their shares into the Northam offer."

"Impala can also decide to increase their existing offer price to match or exceed Northam's and therefore entice minorities to their offer, thereby gaining control of RBPlat."

"The battle for control of RBPlats isn't over yet," Dungwa said.



Underground operations at one of RBPlat's mines.
Picture: Royal Bafokeng Platinum