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Ian Rozier

The current 'basket price' of PGM is approximately US$1,200 per ounce. Most smelters charge between 15% and 20% of the value of the product produced, i.e. the basket price, so on an annual basis and at steady production rate, the smelter could earn us revenues of between US$100m and US$140m from the treatment of concentrate from other producers under 'offtake' agreements. We estimate that to refit the smelter will cost approximately US$75m. The arithmetic is easy; the smelter will be a cash cow for the company.

Secondly, we'd like to push ahead with pre-development and trial mining at Spitzkop. With the high grades there and the current record prices of all the platinum group metals, it makes sense to 'fast track' the project.

Q So, what do you propose to do with the remaining capital?

We netted approximately Cdn$190m from the financing with the 'green shoe' over-allotment provision. The balance of Cdn$30m will be used for working capital, which most people assume in our case means working on making other acquisitions.

Q Duly noted! According to your projections, Eastplats is set to become a 460,000oz PGM producer by 2010. Tell us how you intend to maintain your current momentum in terms of organic growth and acquisitive growth.

It is difficult to imagine being able to 'pull-off' another Barplats type acquisition - there is simply nothing else like it out there to be acquired. Having put together a complete package of resources, producing mines and a smelter, we are now in a position to grow by project development. Crucially, we are able to do this from 'in-house' assets and do not, therefore, need to incur debt.

The CRM smelter in itself provides us with a huge growth vehicle. So although we expect to be producing over 460,000 ounces by 2010 from our own operations, the smelter could effectively increase this by 15% to 20% of 600,000 ounces, or by another 90,000 to 120,000 ounces. This represents very significant growth.

Q Indeed, your aggressive growth strategy appears to be paying off. As Canada's largest PGM producer and a TSX- and AIM-listed company, are there any plans in the pipeline for an eventual JSE listing?

Yes, we expect to be trading on the JSE on 29 May of this year. In doing so we will absorb the 5% public float in Barplats as well as gaining exposure in a marketplace that really understands the platinum business. We've already had extensive research reports published by groups such as Investec in South Africa as well as by UK- and Canada-based research groups. Our exposure to the South African investment sector by way of the JSE listing can only enhance our profile.

Q And your thoughts regarding current M&A activity in the platinum mining industry?

It's a very exciting time in the mining industry and there have been several high-profile multi-billion dollar takeovers and mergers involving producing and developing companies in the platinum sector. I think that this activity will continue.

What is rather unique, is that the global trend in the mining industry is towards consolidation, but in South Africa it is towards the unbundling of the natural resource sector. This is because of the history of mining in a country whereby all the resources were effectively 'locked up' by three or four large mining houses. This is particularly evident in the platinum business which has, until recently, been controlled by three companies, that in turn control the world's platinum market. The New Mining Act in South Africa has enabled and encouraged groups like ourselves to actively participate in the sector and we have taken up those opportunities. The regulatory sentiment in South Africa is against the big boys swallowing each other, so it leaves the field open for new entrants and we expect to see major new players enter the business in the next year. We're just trying to get a fair crack at the game, and we've done well to get a good piece of it in just three years.

Q Absolutely. Any forward-looking statements, Ian?

Looking ahead, the fundamentals of platinum are incredibly strong. The world has to go diesel, but wants to go 'green' at the same time. Stricter emission control standards are being applied everywhere and the world demand for platinum group metals for catalytic converters is increasing all the time. As reported recently in the 'Economist', 110 million new cars are expected to be produced this year, and a good portion of those will have diesel engines, plus trucks and buses that all have diesel engines. In the case of diesel engines, at least, the only PGM that can be used for 'autocats' is platinum, as the sulphur in diesel fuel cannot attack it. A recent research report by 'Independence Platinum' shows that driven by steadily rising demand from autocatalyst producers, annual platinum production will have to rise by about six million ounces over the next eight years. Not surprisingly, the rate of investment in new platinum mines has reached unprecedented levels, but a 100% increase over current annual production in just six years is not going to happen. What do you think is going to happen to the price of platinum and share price of companies that produce it? So whilst the outlook for all platinum group metals is good, the outlook for platinum is excellent. Ever heard of rhodium? Check out the price of this metal and when you do, remember that it only occurs as a by-product of platinum mines, and that Eastplats produces it.

We did. Rhodium is trading at over US$6,000/ounce.
ACQ

Ian Rozier, President and CEO of Eastplats

DETAILS

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