

IGC pay off to bring in Xstrata



Drilling at the Tubatse-Garatau project has defined a 44 moz PGM inferred and indicated resource to date

Nkwe Platinum Ltd is confident of raising the \$60 million needed to consolidate ownership of the Tubatse-Garatau PGM project in the coming months.

Nkwe has committed to buying out International Goldfields Ltd's (IGC) 15% stake in the three Tubatse farms, which looms as the final step before Xstrata plc exercises an option to become a 50% partner and the targeted 1 mozpa PGM project begins moving to production.

Nkwe believes a JV with Xstrata, which already has a 26% interest in the two Garatau farms north of the Tubatse project on the Bushveld's Eastern Limb, is a given.

Director Peter Landau told **Paydirt** if the partnership covering all five contiguous farms eventuated, Nkwe wanted to make sure it was on equal terms with the major – which meant dispensing with IGC's 15% interest in Tubatse.

"For us, everything we do is geared to the Xstrata JV. In order to have a 50/50 JV, it's desirable to have 100% ownership of Tubatse.

"It's more about certainty of transaction. We need to have 100% to ensure we have maxi-



Nkwe has agreed to purchase IGC's 15% interest in the Tubatse farms for \$60 million

mum leverage."

IGC chairman Tony Sage has characteristically won a good deal for his company's stake in Tubatse. At \$60 million – equal to a 50c per share return for IGC shareholders – buying out IGC's interest threatens to cause Nkwe a funding headache. It extended its option agreement with IGC over Tubatse for another six months in February, giving it some breathing space to raise the required cash.

But Landau had no doubt Nkwe would secure the residual 15% in the near future.

"Anyone coming in will get access to a very healthy royalty. A 20-25 year royalty on a project with these attributable ounces is very attractive."

He said Nkwe was also looking at a debt facility, but had ruled

out diluting equity through a capital raising because Nkwe stock was "heavily undervalued".

Landau said if Xstrata did sign on as a joint partner in Tubatse, Nkwe would be in a position to "press the button" on a ramp-up to commissioning by the end of 2009. He also said the submission of a mining application was "literally weeks away", and said commissioning could take place by the second half of 2010.

Tubatse-Garatau is to start with a 250-500,000 ozpa PGM profile. Xstrata is targeting an eventual 1 mozpa at full production.

Total resources stand at 44 moz. In February, Nkwe and Xstrata upgraded the Garatau resource to 143mt @ 5.11g/t g/t PGM for 23.6 moz.

The revised inventory included

a 4.5 moz measured resource on the UG2 reef, 3.5 moz indicated resource on the Merensky reef, and total 15.6 moz inferred resources on the UG2 and Merensky reefs.

A further 20.37 moz of inferred resources from both the UG2 and Merensky reefs is defined at Tubatse.

Landau expected total resources would increase to about 60 moz PGM before production, securing the initial target of 20-25 year's worth of feed.

Tubatse would be considered one of the key planks of Xstrata's ambitions to diversify into platinum, after its \$US10 billion bid for Lonmin plc fell over in October. With many planned and proposed PGM projects wiped out since the basket price hit crushing lows, Tubatse will be even more prominent in the major's mind.

"If you look at potential (PGM) projects that have been taken out of the game, ours will be one of the few that will move forward," Landau said.

While Landau thought it was unlikely a 50/50 partnership with Xstrata would not transpire, he said Tubatse would not go begging for suitors.

"In the worst case scenario, there are other players who would be interested."

Nkwe's BEE partner Genorah Resources Ltd has a 26% interest in Tubatse.

– Andrew Pascoe