

MINEWEB RADIO

James Allan: Allan Hochreiter (Pty) Ltd

On the sale of Madibeng Platinum to Eland Platinum.

Interviewer: Alec Hogg

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MINEWEB: Well, Wayne McCurrie, you'll remember James Allan. I think he was the man who went head to head with De Beers when they wanted to delist. So he was certainly an analyst with a lot of courage. He's now an entrepreneur with a lot of courage, as well, it appears. James, nice to have you on the programme. We spoke at quite a lot of length with David Salter last night from Eland Platinum, who bought a prospect that you own within your company, Allan Hochreiter. But let's just go back a little. René Hochreiter is also better known among the investment community as an analyst. How did the two of you get together ?

JAMES ALLAN: Alec, we were actually at university together more years ago than I care to remember - and good evening to you and good evening to Wayne. And we were partners at Barnard Jacobs Mellet in the early nineties, then at Standard Bank then with [indistinct], then at Barnard Jacobs Mellet. Then René went his own way to Nedcor, and I went into the corporate finance arena and set up my own business. And then René saw the light, I guess, and came and joined me in November.

MINEWEB: Now you know a whole lot about mining, and specifically about platinum. This block that you've now sold on to Eland Platinum, how did you get your hands on it?

JAMES ALLAN: Alec, quite some time ago I started looking at a company called Ridge. They were looking for R100m, which they needed for their one of their projects - the Blue Ridge project, and in all my discussions with management they spoke about Blue Ridge and they spoke about Sheba's Ridge, which are both very good projects. And every time I asked them what are you doing with Fountain Ridge, they said, well, that's on the back burner and we're unlikely to do anything with that for quite some time. So, to cut a long story short, I had breakfast with Terence Wilkinson and we bought it from Ridge.

MINEWEB: At about the same price that you've now sold it on for?

JAMES ALLAN: No, something less than that.

MINEWEB: That's good to hear. But why sell it on in the first place - because, from asking David Salter about this and trying to get to the relative valuations of one piece of property that's got supposedly 20m PGM ounces, and your piece of property that's got supposedly 20m PGM ounces, yours is worth R100m and theirs is worth R8.5bn.

JAMES ALLAN: Yes, I think the big difference with it is that theirs has got quite a lot of area that is outcropping on surface. It's a listed company that has got a lot of cash in it, they're got a large infrastructure and as a stand-alone operation they could produce a mine on their Eland property. On the Madibeng property it was highly unlikely that we would have developed a stand-alone mine, and as it was right next door to the Eland property the best fit was with Eland.

MINEWEB: Wouldn't it have paid you, though, to maybe explore a little more and prove up the reserves a bit more than you have?

JAMES ALLAN: Yes, Alec, quite possibly. At this stage here haven't been many boreholes sunk into this piece of property. There's not a lot known about the geology, and I have no doubt that there are many millions of PGM ounces on it. One might have been tempted to hold on to it for another two to three years and develop it, but we decided that we could make a reasonable chunk of cash out of it - and there are other opportunities and things for us to look at.

MINEWEB: That's interesting. So you're a mining man, or you know a whole lot, and, as Wayne was saying earlier, there might be a lot of platinum under - there could be all kinds of difficulties there. The idea, though, that one gets when you're buying platinum shares, certainly the pricing of platinum shares, is that there are perfect and very rich reefs.

JAMES ALLAN: No, I don't think you find perfect and very rich reefs in any kind of operation, whether it's platinum or gold or coal or anything like that. There's a huge amount of work and expertise and intellectual capital that gets thrown at these things to turn them into mining operations. The team at Eland are fantastic. They're very good people, they're delivering their project on time and, as I understand it on budget. They're going to be producing concentrate fairly shortly. They're already producing ore, stockpiling ore, so they've done a fantastic job of it. And what you've got to remember, Alec, is that Allan Hochreiter, as we are, is really René Hochreiter and myself, and a couple of backroom people. We are not a mining house.

MINEWEB: You decided to take cash, though, rather than shares.

JAMES ALLAN: We did. We agreed - it was a condition of the transaction. We actually wanted to take shares, and we were not allowed to for various reasons.

MINEWEB: That's interesting! What reasons?

JAMES ALLAN: I can't go into that, Alec. There is still a cautionary on Eland and ...

MINEWEB: So you know what's going on behind the cautionary?

JAMES ALLAN: Not necessarily.

MINEWEB: You're being very cryptic, but the point is you would have preferred to take shares.

JAMES ALLAN: Would we have taken shares? Absolutely.

MINEWEB: It's a good prospect then, even at the current share price?

JAMES ALLAN: Ja, I think that Eland has got great plans. They've got a lot going for them, and certainly René was the top platinum analyst for ten years - something that has been unmatched by any other analyst in the South African market, and I would probably think in the global market. We are very bullish on the platinum market and the outlook for PGMs, and Eland is certainly one of René's favourite stocks.

MINEWEB: Thank you so much, James Allan from Allan Hochreiter. Well, there we go, Wayne. You don't have to go and dump your Eland stocks right now.

WAYNE McCURRIE: And it certainly comes from two individuals that I rate highly and respect their views. I'm still cautious to buy a mine that hasn't got a hole in the ground and isn't producing something, but then I'm not a platinum or mining expert.

MINEWEB: But what is an interesting point about Eland - and I perforce had to do quite a lot of research into it over the last few days - is they've got a surface, they've got an open-cast mine, so low risk. They can just scoop the stuff out ...

WAYNE McCURRIE: Scoop it out, yes.

MINEWEB: And then they're using that to generate cash flow, while at the same time sinking underground shafts. And in 2011 they will then move across, in theory anyway, from surface to underground. So if it all comes off it could be brilliant.

WAYNE McCURRIE: Whenever you come with any new mine, ultimately its outcome is going to be determined by the rand price of platinum. So if the rand price goes up R400, R500 ...

MINEWEB: And by what's under the ground.

WAYNE McCURRIE: Yes, but even then you can have wonderful stuff under the ground, but if the price of platinum falls to \$600 it probably won't be viable.

MINEWEB: The point being there better be wonderful stuff under the ground at the prices they are putting on these shares at the moment.

We'll talk a little bit later to Peter Major and get his view. He's also a mining expert.