

New operation initiated by **blackentrepreneurs**



The quest to carve out economic space in which black people are allowed meaningful participation in the South African economy poses a number of challenges for the new players. Least of these challenges is the creation of sustainable business models without the benefit of collateral in most instances, and in certain instances shortage of skills, in a sometimes hostile environment. Limpopo-bred entrepreneur Vincent Mafore Phaahla shares his vision of Black Economic Empowerment (BEE) with *Mining Mirror's* Shavana Mushwana.

Tjate Platinum Project's Phaahla reckons he has found the Holy Grail that has eluded many a player. He says his group is pioneering an ideal model for BEE in the mining industry, because this might well be the only operation initiated and driven by emerging black entrepreneurs without the participation of one of the established mining majors.

"Ours can be considered to be the correct model for economic empowerment as it is intended to create value instead of recycling and transferring the already existing value or wealth to the few black elite," he adds.

Platinum consortia

Tjate Platinum Project is a consortium made up of Phaahla's group; Sebata Kgomo Mining Consortium; the Deacon Mathe-led MK Veterans Association and Tiego Mosenek's New Platinum Corporation.

The group was allocated mining rights and licenses by the Department of Minerals and Energy on three farms located in the eastern limb of the

Bushveld Complex. The farms are: Dsjate, Fernkloof and Quartzhill.

The Eastern Bushveld Complex is one of the geological wonders of the world. The Complex, with an estimated extent of about 66 000km², is renowned not only for its size but also for the importance of its mineral deposits. The layered rocks contain the world's largest known resources of the platinum group metals (PGMs) – platinum, palladium, ruthenium, rhodium, osmium, iridium – and chromite and vanadium.

Phaahla takes full cognisance of the complexities of the operational challenges that lie ahead. He goes to extreme lengths to clarify, that Tjate's quest for economic empowerment will not come at the expense of running a professional and a competitive operation.

"We will source expertise because we will obviously not be able to do everything on our own, but the most crucial aspect of our empowerment model is that we will be dictating the terms of all the joint venture deals or partnerships that we enter into," he explains.

The firm's employment policy will be

Left: Vincent Phaahla updates the local Chief about progress at Tjate Platinum Corporation during a recent visit to the area. The Chief is waiting impatiently for mining to commence so that his area can move towards prosperity.

Above: The Chief's seat of power. The shabby royal office will soon be transformed into a respectable centre with the aid of the mining profits.

geared towards the meaningful empowerment and participation of black people in all aspects of the mining operations.

"We will at all costs strive to employ black people at all levels of our operations, and we will make a concerted effort to ensure that there is a meaningful transfer of skills to our employees."

Plans are also in the pipeline to create a trust that will act as a shareholder for the Djate community within the consortium, as part of local empowerment and economic development. The community will be allocated a still to be determined equity.

Valuable resource

The three farms cover a geographical area of 51 143ha on the Bushveld Complex, and form a part of the Merensky and UG2 reefs.

Previous holder Anglo Platinum had already drilled several holes on each of the farms, with preliminary reports indicating deep platinum deposits with consistent quality across the three farms. The establishment of the greenfield project bordering Impala Platinum's Marula and Anglo Platinum's Twickenham projects is estimated at a current value of between R2-billion to R3-billion.

The mine, which is expected to come on stream within the next 18 months,

and will at full production employ some 2 000 people, has an anticipated 30-year lifespan.

According to Tjate's preliminary reports the mine has projected production capacity of 60-million ounces of PGMs. (159-million tons at 4,52 g/t C 5E +Au on the Merensky Reef equalling 23-million ounces; while the UG2 Reef stands at 144-million tons at 8,75g/t C 5E +Au equalling 40-million ounces).

Memorandum of Understanding

In November the consortium signed a memorandum of understanding (MOU) with two Canadian firms, Langa Capital and Fasken Martineau Du Moulin LLP, in terms of which the two firms are expected to raise R2-3-billion as start-up capital for the mine. The signing took place in Toronto and was witnessed by President Thabo Mbeki and Phumzile Mlambo Ncquka, the Minister of Minerals and Energy. This was during Mbeki's state visit to Canada last November.

Langa is an independent Toronto-based finance facilitation company that assists Canadian and South African mining companies to access Canadian equity or partners. Fasken Martineau is an international law firm that specialises in mining legislation.

Asked why the decision was made to raise capital offshore, Phaahla says: "We decided to partner with the Canadians because they have a much better understanding of the junior mining industry. However in the event of a shortfall we will raise the capital locally."

Details pertaining to the financial model are in the process of being finalised.

Shallow resources

It is envisaged that the first shaft will be sunk at the sparsely populated Djate village where there are shallow resources and which consequently are relatively cheaper to mine. The depth of the shaft will only be ascertained when additional drilling is done in the first quarter of the year.



Left: Phaahla stands on one of the three farms which cover a geographical area of 51 143ha on the Bushveld Complex. The open area will soon be a hive of activity when mining operations commence in 18 months.

Below: Building community relations. Vincent Phaahla keeps close contact with the local villagers, explaining the intricate process of mining to these impoverished people. Plans are also in the pipeline to create a trust that will act as a shareholder for the Djate community within the consortium, as part of local empowerment and economic development.

In the last 18 months, besides trying to raise the required capital, the Tjate Platinum Project has been involved in a gruelling schedule of conducting feasibility studies on the three farms that entailed inter alia: drilling, environmental management programmes, actual physical planning and budgeting for the project, development plans, including procurement, engineering projects and construction management.

Phaahla says his consortia were awarded the mineral rights as a result of a tender issued by the Department of Minerals and Energy. The rights on these farms were originally held by the then Amplats, as a result of an agreement with the former Lebowa government.

As part of the Executive Committee of the South African Mineral Development Association (SAMDA), which represents junior and emerging miners, Phaahla played an important role in the development of the new mining legislation and mining charter. "I consider what the government has done for us a true model of BEE. It has allocated us these resources so that we can utilise them to create employment and economic growth."

Tjate's long-term goal is to be involved in the whole value chain, ie refining, processing and product beneficiation.

"Hopefully the price of platinum will keep on increasing and by the time we start operating platinum will be trading at US\$1 000oz and rising," he adds optimistically. ■

Report and photographs by Shavana Mushwana

The shaft in Djate will be employed to gain access to the adjacent Fernkloof farm, via a connecting horizontal tunnel.

"With hindsight, it would have made a lot of economic sense to have pooled resources with the Marula and Twickenham projects and to sink two shafts, linking our respective operations through tunnelling," reasons Phaahla.

Phaahla says the project is characterised by rugged topography with the central part of the project at 900m, and the mountain peaks at 1 500m with a strike length of 1,1 km. The dip of layers is to the west at nine to twelve degrees.

Competitive edge

Phaahla says mining is one of the industries in which South Africa enjoys a competitive edge globally. "I chose to go into mining because it is the original South African industry, and in which we, as a country have a head start over other countries in terms of minerals resources and expertise. After toying with ideas of venturing into agriculture and tourism, it dawned on me that mining was the logical choice because it was the only avenue through which I felt I could make a significant impact in reconfiguring the country's economic landscape."