



**PRESENTATION  
BY  
LONMIN PLATINUM  
TO  
THE PARLIAMENTARY PORTFOLIO  
COMMITTEE  
ON  
THE PRECIOUS METALS BILL 2005**

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Presentation  
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## Lonmin - Key Facts



- Lonmin is a FTSE 250 London listed Plc
- Lonmin produces over 900,000 ounces of Platinum (1,700,000 ounces of total PGMs) per year
- Third largest primary platinum producer in the world
- Targeting Platinum production of 1.1 m oz/yr per year by 2008 (including Lonmin Platinum Limpopo)
- Operations in South Africa include:
  - Four mines
  - Smelter
  - Base Metal Refinery & Precious Metal Refinery
- Mine life currently in excess of 40 years
- Over 74.1m ounces of proven and probable reserves



## Lonmin Platinum Growth Strategy



- Maximise the value of our core assets
  - Production growth to 1.1 million ounces by 2008 (including Lonmin Platinum Limpopo)
- Performance benchmarked against the best in the world
  - Mechanisation & Automation
  - Six Sigma Programme
  - Shared Business Services – consolidate resources and eliminate duplication
- Identify and capture quality resources and extract maximum benefit
  - Exploration
  - M&A – Southern Platinum
- Underpinned by a focussed programme of transformation initiatives

## PURPOSE OF THE BILL



Supporting documentation identifies certain objectives :

“..... To provide greater downstream beneficiation .....”

“..... Assist towards Government’s implementation of its broad based socio-economic empowerment programme.....”

“ ..... by creating greater access to precious metals.....”

“The beneficiation of precious metals in the Republic is hampered by the fact that the export of precious metals is not discouraged by the Mining Rights Act”

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## PURPOSE OF THE BILL

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- Does the Bill deal with any of these objectives?
- Lonmin Platinum is willing to work with Government to identify and facilitate a beneficiation – friendly, enabling environment.

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## PROPOSALS

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- Initiate a constructive engagement process with Government to identify the environment that both stimulates beneficiation and nurtures SA's key position in Platinum Group Metals ("PGM'S")
- Lonmin would support an independent impact study of beneficiation in the PGM arena
- Once findings are known, frame policies and legislation as required.

## DRAFTING COMMENTS ON THE BILL



### Definitions :

- Lonmin Platinum is of the view that the Bill should adopt the definitions of "unwrought precious metal" as per the current definition in the Mining Rights Act, 1967.
- However, should it be decided to retain the definitions of :
  - "semi - fabricated precious metal"
  - "unwrought precious metal"
- Lonmin Platinum would propose the following changes :
  - Sub Clause (b) of the definition of "semi-fabricated precious metal" should be expanded to include "ingot" and "sponge" as these are the forms in which Lonmin sells certain of its refined products to its customers (all above the 99.90% purity level)
  - Sub sub clause (a)(i) of the definition of "unwrought precious metal" should be amended to limit the application of the Bill excluding unrefined precious metals not yet extracted from the ground, failing which a person will require a refining licence to conduct mining operations
  - Sub sub clause (a)(ii) of the definition of "unwrought precious metal" should be amended to delete reference to "concentrate" and "matte" as these are not refined products as contemplated – they are unrefined products with a purity level of below 99.90%

## CLAUSE 2 READ WITH CLAUSE 5



- The issue and renewal of a refining licence is a new requirement.
- Although clause 2(1)(c) exempts a producer, as defined, Lonmin Platinum, who also refines the precious metals mined by it will now require a refining licence to buy or receive unwrought precious metals from other producers.  
This could inhibit competition to the detriment of small companies.
- Lonmin Platinum processes metal from different sources and after blending with its own metal, will be unable to distinguish metals brought in under a refining licence from another producer, and metals mined by Lonmin Platinum.
- The control measures contemplated in the Bill that are applicable to a producer and the holder of a refining licence become impossible to implement.

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## CLAUSE 8

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- Permit to import – A new additional administrative burden
- Currently regulated by the Department of Trade & Industry
- Why impose an additional administrative / regulatory process with possibly different criteria via a different authority?
- Regulator will need to take cognisance of long term contractual agreements with foreign customers.

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## CLAUSE 10

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### Areas of Concern :

- No clarity on criteria required to secure Ministerial approval
- Administrative / regulatory delays inevitable. Inefficiency cost implication
- Security of supply concerns by offshore customers?  
Accelerates product substitution and discourages R&D into new demand
- Status of long term supply contracts and future ability to comply with strict delivery schedules?

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## CLAUSE 22

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### Transitional Provisions

- No allowance made for existing long term contracts
- No allowance made for the licencing of activities lawfully taking place at the moment and which would be unlawful when the Act comes into operation.
- No provisions exist for the application of the necessary
  - certificates,
  - permits or
  - licencesprior to the Act coming into operation.

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## WAY FORWARD ?

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### Conclusions

- SA has a unique position in PGM's. This should be nurtured. Additional bureaucracy is an indirect tax that raises the Platinum inducement price required to justify new PGM expansion and job creation. Raising the Platinum price also risks damaging markets which could have very material long term consequences.
- Platinum is a fungible, portable product. We compete on the world stage and are effectively price takers.
- Lonmin are constructively engaging with government to identify areas where we can practically contribute.

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## WAY FORWARD ?

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### Next Steps

- Delay implementation of the Precious Metals Bill
- Initiate a constructive engagement process with Government to identify the environment that both eliminates beneficiation and nurtures SA's key position in Platinum Group Metals ("PGM'S")
- Lonmin would support an independent impact study of beneficiation in the PGM arena
- Once findings are known, frame policies and legislation as required.