

Manganese project holds promise

WHERE there's muck, there's brass (Yorkshire proverb). Manganese may not be muck but it isn't exactly glowing with excitement either, coloured as it is a dull black or brown. Yet there's lots of money attached to it.

The essential ingredients of steel making are iron ore, coking coal, nickel, ferrous scrap and manganese. The Chinese in particular need millions of tons of these commodities every year.

Enter Tshipi Borwa, a new manganese mine under development in the Kalahari Manganese Field. This basin has the largest sedimentary manganese deposits in the world, so interest in the area is intense. Tshipi is owned by the Ntsimbintle black economic empowerment consortium (50,1%), chaired by businessman Saki Macozoma, and by Australia's Jupiter Mines (49,9%).

Jupiter's stock was bought from a consortium that included Brian Gilbertson's Pallinghurst Resources, and it all became tragically complicated when a plane crash in June last year in the Democratic Republic of Congo killed Jupiter's nonexecutive



TORQUE
David Gleason

chairman, Geoff Wedlock, and 10 others. Pallinghurst Co-Investors owns 85% of Jupiter and Gilbertson replaced Wedlock as chairman.

The development of Tshipi Borwa is, in some respects, a no-brainer. The mine is expected to produce about 2,5-million tons of ore a year for 24 years (probably longer). And it's unlikely there'll be any problem disposing of its product — Asian markets alone will absorb everything it can deliver.

But it will cost a fair whack to develop. The estimate delivered in

February this year said R1,5bn, all of which, says Gilbertson, has been raised. But that introduces what may turn out to be a problem child.

OM Holdings, Singapore-based but listed on the Australian Stock Exchange and registered in Bermuda, owns a manganese mine in Australia and controls a ferromanganese smelter on mainland China.

At one stage it was announced that it would buy an effective 60% in Tshipi Borwa by taking over Jupiter's 49,9% in exchange for shares and buying a 26% stake in Ntsimbintle for R430m. And it would acquire Jupiter's holding through a share exchange that would see Gilbertson become nonexecutive deputy chairman of OM Holdings.

This didn't happen.

Ntsimbintle got its cash but Pallinghurst said in November 2009 agreement had not been reached between it and OMH. It is now clear that OMH has some formidable difficulties of its own, though Gilbertson tells me the reason the sale to OMH did not go ahead was purely because of commercial considerations.

I am taking something of a guess, but what seems to have happened is

that OMH has been engaged in a bitter and protracted battle with one of its biggest shareholders, Australia's Consmin, which holds 11,35% in OMH and is chaired by Russian Gennady Bogolyubov.

OMH appears to be controlled by a husband and wife team: Low Ngee Tong is executive chairman and his wife, Heng Siow Kwee, is company secretary and human relations director. But it seems a large group of Chinese investors stands behind the couple. It is led, apparently, by Tung Chee Hwa, who was China's first CE of Hong Kong after Britain relinquished control. Tung, who seems to be looked on with unusual favour by Beijing, became so unpopular in Hong Kong that the authorities were obliged to remove him before his second term expired.

OMH's first attempt to dilute minorities was by converting large numbers of options into equity. Bogolyubov complained and went to court; the case was suspended when the Lows promised improved co-operation. Their next effort was to list OMH separately in Hong Kong. That has now been canned too.

The latest avenue is the potential demerger of OMH's smelting and trading businesses from the mining operations. Since most of its manganese is sold in China, shareholders ask why it needs a raft of offshore trading companies. A Consmin spokesman was quoted as saying sniffily: "We will have to consider this to make sure it is not another scheme for destroying shareholder value."

I've had my spats with Macozoma in the past but I have to hand it to him over Tshipi. It has the hallmarks of a project that will deliver solid dividends to a wide variety of shareholders, many of whom live in an impoverished region. The project's capital expenditure programme is currently fully funded. I am sure many will share my hope that Tshipi will one day be listed on the JSE.