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COMPANY COMMENT

Sibanye and DRDGold will benefit from union

In an environment where Sibanye-Stillwater's shareholders are reluctant to invest anything more in South African projects, leaving a large tailings retreatment project undeveloped, the marriage of forces between SA's largest domestic gold producer and tailings retreatment specialist DRDGold makes perfect sense.

The benefits will flow both ways. Sibanye secures a 38% in DRDGold, which will essentially develop the West Rand tailings retreatment project.

The project was conceived by Gold Fields and carefully studied and added to by Sibanye, which was formed when Gold Fields unbundled three deep-level gold mines into a newly formed company.

DRDGold at a stroke gets its hands on a large, new high-grade resource and a fresh footprint in which to operate.

DRDGold, which produces about a tonne of gold every three months from its tailings resources south and east of Johannesburg, is an expert tailings retreatment company and the perfect fit for the Sibanye strategy to ensure these tailings are processed and a historical environmental problem is cleared up in coming decades.

Far from being the outright buyer of the tailings from Sibanye, something the DRDGold balance sheet could not support, the tailings company now has a big-brother investor who has the option to grow its stake to 51% within two years and has big plans for DRDGold.

Sibanye CE Neal Froneman, the most active head of a South African mining company regarding forging deals, wants to start expanding DRDGold's portfolio, adding African assets to its business and use its specialist knowledge to tap into commodities outside gold.

ArcelorMittal SA's empowerment partner Likamva Resources is implementing the broad-based empowerment structure conditional to its deal with SA's largest steel maker. It will finish this process by November 2018.

The deal, signed in September 2016, has Likamva, a 100% black-owned and 58% black woman-owned company, initially holding a 17% stake in ArcelorMittal SA. Likamva is required within 24 months of this date to introduce broad-based shareholders mainly from communities living around ArcelorMittal SA operations.

Following this, its share will be reduced to 12%, and broad-based parties will hold 5%.

Likamva says it is halfway through the process of bringing in communities after meeting with entrepreneurs, officials of the Department of Trade and Industry, elected community leaders and ArcelorMittal SA.

But it is a complex process involving getting to know the communities, their needs, and the legislative framework for these structures.

The R2.2bn broad-based black economic empowerment transaction is a far cry from the earlier — and thankfully failed — R9bn empowerment transaction involving interests linked to the Guptas that would have drowned in debt long ago.

But Likamva directors do include Yakhe Kwinana — who has been a board member of both South African Airways and the Jacob Zuma Foundation.

Meanwhile, the ArcelorMittal SA Employee Empowerment Share Trust has a 5.1% stake in the company through notionally funded shares worth about R525m issued by ArcelorMittal SA. This is in addition to the existing Ikageng Employee Share Option Scheme, which was introduced in 2015.

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