

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case NO: 32/LM/Apr08

In the matter between

Aquarius Platinum (South Africa) Corporate

Services (Pty) Ltd

Primary Acquiring firm

And

Platinum Mile Resources (Pty) Ltd

Primary Target Firm

Panel : D Lewis (Tribunal member); Y Carrim (Tribunal member) and U
Bhoola (Tribunal member)

Heard on : 30 May 2008

Decided on : 30 May 2008

Reasons Issued : 08 July 2008

Reasons for decision

Approval

[1] On 30 May 2008 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Aquarius Platinum (South Africa) Corporate Services (Pty) Ltd and Platinum Mile Resources (Pty) Ltd unconditionally. The reasons for the approval appear below.

Parties

[2] The primary acquiring firm is Aquarius Platinum (South Africa) Corporate Services (Pty) Ltd ("ASACS"), a company incorporated in terms of the company laws of South Africa. ASACS is a wholly owned subsidiary of Aquarius Platinum Ltd ("AQP"), a public company listed on the JSE Securities Exchange.

[3] The primary target firm is Platinum Mile Resources (Pty) Ltd (“PMR”), a company incorporated in terms of the company laws of South Africa. PMR is controlled by Mvelaphanda Holdings (“Mvela Holdings”).

Transaction

[4] In terms of the proposed transaction, ASACS intends to acquire 50% share in PMR from Mvela Holdings. On completion of the transaction, ASACS will have joint control in PMR.

Parties Activities

[5] ASACS holds a participation interest of 50% in the RK1 consortium¹, which owns the RK1 project. This project comprises a chromite tailings retreatment plant (“CTR”) located adjacent to Kroondal mine. The CTR plant treats old dumps and tailing streams obtained from the beneficiation process used at neighbouring chromite mines. The concentrate produced is sold to Anglo Platinum and Impala Platinum for further beneficiation.

[6] AQP is involved in the exploration, mining and concentration of platinum group metals (“PGMs”), in particular platinum, which constitutes approximately 60% of its production. AQP operates Kroondal, Marikina and Everest mines.

[7] PMR operates a PGM ore tailing plant. This plant treats tailings streams in the same manner as the CTR plant. The concentrate produced is sold to Anglo Platinum for further beneficiation.

Rationale for the transaction

[8] ASACS views the transaction as representing an attractive opportunity to invest in a company with good prospects.

[9] For PMR’s shareholders, the transaction represents an opportunity to realise some of their investment in PMR at an attractive price.

¹ This is a consortium comprising of ASACS, Ivanhoe Nickel and Platinum Ltd and Sylvia South Africa (Pty) Ltd.

Competition Analysis

[10] Both merging parties are involved in the production of PGM ore concentrates. In particular, the parties' activities overlap in respect of platinum, palladium, rhodium and gold.

[11] Although the geographic market for PGMs is international², the Commission accepted national shares provided by the merging parties as even post merger, they would still not be significant players in the global market for PGMs. The merging parties combined post merger market shares are as follows: platinum 5.3%, palladium 5.1%, rhodium 6.9% and gold 2%.

[12] There are other major players in the market for PGM from whom the merging parties will continue to face competition such as Anglo Platinum, Impala Platinum, Lonmin Platinum and Northam Platinum. The horizontal overlap between the activities of the merging parties is therefore unlikely to substantially prevent or lessen competition in the identified markets.

[13] The Commission also investigated the possibility of PRM's ore tailings retreatment plant treating dumps and tailing streams from AQP's PGM mines, thus resulting in a vertical integration. The Commission was able to establish that it is not possible for the current PMR plant to treat old dumps or tailing streams obtained from mining operations other than those at Anglo Platinum's waterfall complex, where its treatment plant is situated. In order for PMR to perform treatment operations at any of AQP's mining operations, it would need to establish a new treatment plant at the relevant AQP mining operation, which the parties deem unlikely.³

Public interest

[13] The transaction does not give rise to any public interest issues and is approved without conditions.

² See Aquarius Platinum-Rustenburg merger, case no: 35/LM/Jul03.

³ It is estimated by the parties that the cost of establishing such a plant would be in the region of R70 to R 100 million.

