

ARM looking to buy distressed mines

By [Allan Seccombe](#)

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African Rainbow Minerals (ARM) is looking for opportunities in distressed mineral sectors such as platinum, while also casting an eye over the South African manganese mining business for growth.



ARM sees this time of subdued prices in various commodities as a good time to look for growth options, company chairman and billionaire, Patrice Motsepe, said at an interim results presentation on Tuesday (26 February).

ARM's headline earnings for the six months to end December fell 30% to R1.4bn, dragged down by weak iron ore prices and higher operating costs.

ARM is a diversified mining company, with interests in iron ore, manganese, platinum, nickel, coal and chrome.

"This is a good time to buy," Motsepe said. "When there's global uncertainty, pressure, this is when we usually find good opportunities," he said.

ARM has a small exposure to Mozambique by entering the second year of an exploration agreement with privately owned Rovuma Resources looking for platinum, nickel, copper and base metals in northern Mozambique.

"Even though we see Africa as ARM's backyard where we have a hugely competitive advantage in the medium- to long-term we will be outside Africa," Motsepe said.

Papua New Guinea

As chairman of Harmony Gold in which ARM holds a stake, Motsepe has visited Papua New Guinea where he was impressed by the way the government treated and engaged with foreign investors.

It was not the first time that Motsepe has hinted at the growth opportunities ARM is looking at, with it almost being a standard feature at ARM's public results presentations.

Jan Steenkamp, chief executive of ARM exploration and technical services, said ARM was not undertaking exploration work

in Papua New Guinea but it was looking at options in platinum and manganese.

If ARM found a good quality manganese operation to buy it would do so through its successful joint venture, Assmang, which it shares equally with JSE-listed Assore, he said.

ARM has joint ventures in platinum with Anglo American Platinum and Impala Platinum and it is keen to take advantage of the depressed platinum market, weak prices and a largely loss-making industry to grow its exposure to platinum, Steenkamp said.

A key constraint for Assmang, which exports about 2.5m tons of manganese ore a year, is the rail and road bottleneck to the harbours at Port Elizabeth, Durban and Richards Bay, which collectively export about 7.5m tons a year.

The rail contract to move manganese to Port Elizabeth expires at the end of this month.

Mining companies are negotiating five-year contracts with Transnet ahead of the railway expansion programme that will see capacity rise from about 5,5m tons to 12m or 16m tons.

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