

Rio Tinto plc

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Mixed messages from South Africa's miners as 21-day lockdown squeezes PGM supply

First out of the gate was Rio Tinto (LON:RIO), which announced last night (24 March) that it would be suspending operations at the Richards Bay mineral sands mine in South Africa, and that its associated furnaces would also be turned off. That was then followed by a flurry of news releases from other miners with operations in South Africa including, most notably, Anglo American (LON:AAL).

Intriguingly, Anglo's announcement was the most equivocal, and said virtually nothing about the proposed measures it would take in response to the government edict.

But others, like Pan African Resources (LON:PAF), Bushveld Minerals (LON:BMN) and BlueRock Diamonds (LON:BRD) were quick to announce the shuttering of operations and a move to care and maintenance.

Other companies that are affected include Jubilee Metals (LON:JLP), Sylvania (LON:SLP), Petra Diamonds (LON:PDL), Tharisa Minerals (LON:THR) and South 32 (LON:S32).

Many companies, including Pan African Resources, were explicit in their support for the government's move. In associated commentary Pan African described its operations as "robust", and also detailed its access to cash and borrowing facilities in the event that the mine closure begins to put pressure on the balance sheet.

For Petra Diamonds though, which has been struggling in a poor diamond market with a severe debt burden, the situation looks more precarious. Nevertheless, Petra's shares rose more than 9% on the new government measures, as markets in general respond favourably to more stringent lockdown measures.

There's also the strange knock-on effect that because some commodities will become more scarce, valuations will rise.

South Africa produces 75% and 38% of global platinum and palladium supply respectively. It's also a significant producer of vanadium, chrome, manganese and titanium feedstocks. The closures could therefore provide some support for the prices of these commodities, although significant questions about demand and supply chains complicate the issue.

Palladium was up 6% in early trade on 24 March, following the announcement, while platinum was up by just under 5%. Shares in Tharisa were flat at 43p, but shares in Jubilee Metals were 3.75% stronger at 2.08p. while shares in Sylvania were up by 8.5% to 23p. However, shares in Pan African were down just over 4%.

What the longer-term impact of the South African government's measures will be remains to be seen, however.

Price: 3528

Market Cap: £43.98 billion

1 Year Share Price Graph



Share Information

Code: RIO

Listing: LSE

52 week High Low
5039 2954

Sector: Mining

Website: www.riotinto.com

Company Synopsis:

Rio Tinto is a leading international mining group that finds, mines and processes the earth's mineral resources. The Group's major products include aluminium, copper, diamonds, energy products, gold, industrial minerals (borates, titanium dioxide, salt and talc), and iron ore. Its activities span the world but are strongly represented in Australia and North America.

action@proactiveinvestors.com.au

Rio Tinto said it was "too early to speculate on when operations will resume or on 2020 production guidance". Shares in Rio and Anglo rose in line with the wider FTSE market, after UK Prime Minister Boris Johnson increased restrictions on freedom of movement domestically.

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Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

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