Sibanye changes its mind on Rustenburg closures that would have cut output by as much as 300,000oz

By Alan Seccombe

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Sibanye-Stillwater backed away from a decision to close up to 300,000oz of annual platinum group metal (PGM) production from its Rustenburg mines, saying it had saved unprofitable shafts through improved cost management.

Neal Froneman, CEO: Sibanye-Stillwater

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This is hardly the news that would cheer the platinum market, which needs a reduction in metal coming from SA, the world's largest supplier.

It also indicates producers' unwillingness to make serious production cuts to stimulate prices at a time when the outlook for platinum demand is volatile.

The palladium price, which has only three times in history been greater than that of platinum, has broken through $1,000/oz, while platinum continued to languish at the $940/oz level.

Sibanye CEO Neal Froneman talked tough after taking ownership of the Rustenburg mines from Anglo American Platinum, telling the market that the company would not tolerate loss-making ounces in its platinum portfolio.

He also said the board had given the assets until the end of this year to improve or face selective suspension that could cut between 200,000oz and 300,000oz of PGM output a year.

However, on Monday Sibanye said its work at the mines had averted the closure of marginal shafts.

"Sibanye-Stillwater is now pleased to advise that as a result of the realisation of substantial synergies, post the successful integration of Rustenburg and Aquarius into the larger Sibanye-Stillwater group, the closure of these conventional business units has been averted," it said.

Instead of cutting output, Sibanye has revised upward its outlook for full-year PGM production for 2017 from its mines in SA and Zimbabwe.

"In addition, realisation of cost and operational synergies has exceeded expectations and has been significantly ahead of initial forecasts," it said, adding that it had in the first half of this year realised R550m of the R800m of annual savings it had identified when taking over the Rustenburg and Aquarius mines.

Sibanye has now set the annual cost savings target at R1bn.

"This is significantly earlier than the three-year period we had initially guided to, to realise these benefits," it said.

"While we anticipate further opportunities to reduce costs and unlock operational synergies over time, the South African PGM operations are now well positioned to benefit from firmer PGM prices," Froneman said.

Source: *BDpro*