

South32 cranks up manganese production

Diversified miner South32 produced 8% more manganese from its local mines in the six months to December than it previously forecast, enabling it to take advantage of favourable prices.



Graham Kerr, CEO South32. Photo: *BusinessLIVE*

Other South African manganese miners are also pushing up production. According to Statistics SA figures this week, the country's total manganese ore output in October rose 84.6% from a year ago.

Apart from manganese, South32 produces thermal coal and aluminium from smelters in SA and Mozambique. It said recently it intended to spin off its South African energy coal business in 2018. It also operates in Australia, Brazil and Colombia.

Its shares fell 1.24% to R37.31 on the JSE on Wednesday.

South32's 60% share of ore produced at the Northern Cape manganese mines rose 21% to 1.1-million wet metric tonnes in the half-year compared with the matching period in 2016. It has increased its forecast output for the full year to 2-million wet metric tonnes, subject to market demand. South African manganese alloy output fell 3% to 36,000 tonnes as only one of four furnaces was operating.

South32 said its Australian manganese business achieved a new output record, as did Mozal aluminium, while South

African aluminium was set to increase full-year output to 720,000 tonnes compared with 2017 despite a production outage.

The South African thermal coal business produced 9% less coal in the six months at 13.4-million tonnes because of reduced demand from Duvha power station and scheduled maintenance at the Wolvekrans-Middelburg Complex.

Weaker domestic demand is expected to persist for the rest of 2018. South32 is investing R4.3bn to extend the life of its Klipspruit colliery.

There was little change to South32's two key assets in Australia, Illawarra Coal and the Cannington polymetallic mine. Illawarra's metallurgical coal output in the six-month period halved to 1.9-million tonnes as the Appin colliery was recovering from an extended outage and the Dendrobium longwall moved through a faulted area.

Forecast full-year output remains at 4.5-million tonnes.

At Cannington, where underground mining is coming to the end of its life, production of silver, lead and zinc fell by 33%-52% because of lower ore grades and mill throughput.

Throughput is expected to improve after the commissioning of a replacement underground crusher in March.

The full-year forecast is unchanged but depends on a significant improvement in lead and silver grades.

In a recent note on diversified miners, Macquarie said South32 remained highly cash generative and although it was likely to allocate some capital to growth options, it could still return about 2bn in share buybacks over the next four years while remaining net cash positive.

South32 CEO Graham Kerr said that despite generally good cost control measures within the business, industry costs were rising as a result of the weaker dollar, rising commodity prices and Chinese environmental policies.

Cost pressure in items such as metallurgical coal, alumina and price-linked power were particularly apparent in South32's smelters and refineries, Kerr said. But as a producer it was a net beneficiary of these higher prices.

The half-year results are due for release on February 15.

Source: *Business Day*

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