

Royal Bafokeng Platinum to fund growth with cash

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Royal Bafokeng Platinum (RBPlat) hoped to fund its expansion projects, including one in the pipeline that could cost R10 billion, mostly through cash generated by existing operations, chief financial officer Martin Prinsloo said yesterday.

The black-controlled, mid-tier producer of platinum group metals said when it released its interim results yesterday that its Styldrift 2 project could cost R10bn and it was readying a concept study for it.

“We are in the very early stages of this... and probably looking at a 10-year, 10-year-plus timeline,” Prinsloo said, adding that R10bn was a very rough estimate at this stage. The sum was likely to be funded mostly through capital generated by its Styldrift 1 project, which is scheduled to take off in late 2014 and is expected to more than double the group’s platinum production to 610 000 ounces a year by 2017.

“Once it is up and more than doubles our production there will be a huge chunk of Styldrift 2 that will be funded from our existing operations... over half,” he said.

He said the remainder would be funded from an “optimal” combination of debt and equity.

The Styldrift 1 project includes a concentrator and has been priced at R11.8bn. Prinsloo said more than half of this investment was being supported by cash from the business.

Referring to the second phase of the project, he said the R10bn figure just gave an idea of its potential scope.

“It’s a R10bn type project but I don’t think you should take the R10bn as the final cost. There are too many processes to be completed,” he said.

The company said yesterday that operating costs remained a challenge when it reported a 20 percent drop in first-half profit. Costs were expected to rise at a higher rate for the rest of the year, with wage increases being a big driver.

About 60 percent of the group’s costs stem from labour, high even by South African mining standards, where they typically make up about 50 percent of the cost base.

Prinsloo said the group hoped to contain this in the longer run by lifting output without adding significantly to its already high labour costs.

Styldrift 1 is heavily mechanised, so while it is expected to double group output, Prinsloo said it would probably add only about 3 000 workers to the current labour force of about 6 400.

The company last week reached a three-year wage deal with the National Union of Mineworkers. The increases ranged from 7 percent to 10 percent a year, depending on the category of worker. Most wage deals in mining are for two years.

Prinsloo said RBPlat could now plan with a fixed cost base for the next three years. “We have stability and certainty on costs over the next three years,” he said.

RBPlat shares fell by 0.39 percent to close at R55.39 yesterday. – Reuters