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Breaching the platinum cost curve: cost curve selection and development, marginal production survival

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ABSTRACT

The report considers survival mechanisms used by Platinum Group Metal (PGM) producers over the period 2008 to 2017 when mining operations were considered marginal for an extended period. Various methods to build cost curves for the PGM industry were tested, with co-product costing, inclusive of sustaining capital, selected. Industry cost curves were developed for the period, showing that a significant portion of producers were marginal from 2014 to 2017, with Impala lease area, Rustenburg mines and Lonmin marginal for more than two years in that period. Survival was achieved through cross-subsidisation, utilising cash reserves, deferring sustaining capital, re-capitalisation and working capital management, before ultimately restructuring through sale or closure took place. While industry cost curves were effective at indicating operational competitiveness in a particular year, a mechanism to indicate relative financial strength (ability to sustain this position) needs to be sought.