

AngloGold weighs up its local options

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AngloGold Ashanti is reviewing its under-performing South African mines after a poor start to the year offset increased output in its international portfolio, prompting the world's number three gold miner to study its options for the Kopanang and TauTona mines.



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The South African mines had a difficult March quarter, posting a considerable loss despite a stellar safety performance and the group's first fatality-free first quarter. They produced 198,000oz at an all-in sustaining cost of \$1,327/oz versus 236,000oz at \$919/oz for the first quarter of 2016. AngloGold received \$1,216/oz for the gold it sold during the quarter.

The mines in SA, which contributed about a quarter of the company's gold output in the March period, dragged group production down to 830,000oz, compared with 861,000oz a year earlier.

Deutsche Bank's Patrick Mann said: "AngloGold's international business remains the attractive component of the company " with all-in sustaining costs below \$1,000 an ounce and growth potential.

"The South African operations were a significant drag on the first quarter, with production down 16% year on year and all-in sustaining costs rising 44% in dollar terms."

AngloGold was confident it could make up the under-performance and kept its full-year production target in place.

Bank of America Merrill Lynch said the South African mines were still the biggest risk to AngloGold hitting its target.

The first quarter is generally tough for miners in SA as they restart after the year-end break. For AngloGold, this was compounded by geological issues, lower grades, rain disruption and "unwarranted deviations" from mining plans, implying a breakdown in discipline at a number of shafts.

The Mponeng, Moab Khotsong and surface operations form AngloGold's core assets.

CEO Srinivasan Venkatakrishan said the review was partly to see if other mines could be integrated into their infrastructure to lower costs and give extra access to tackle the reef.

The two mines coming under particular scrutiny were Kopanang and TauTona.

"These two assets we will look at very closely, given where their rand/kg gold price is and where they are for their remaining lives. One of the options is to integrate them into existing infrastructure," said Venkatakrishan, referring to the way that Great Noligwa was integrated into Moab Khotsong. Asked whether these mines could be sold, he said that all options had to be considered.

"We are really talking about Kopanang, because we will need to keep TauTona for Mponeng's longer-term flexibility as that mine goes deeper.

"I can't tell you much more than that. I'd rather wait until we finish the exercise and come back to the market later this year," Venkatakrishan said.

On the quarterly performance, which was marred by mines veering off agreed mine plans, difficult geology and a generally slow start to the year, he said it would not make sense to extrapolate what the rest of the year's performance would be from the South African asset base. "We probably should have done better, but we've got the rest of the year to catch up."

The international operations raised output to 632,000oz from 625,000oz a year earlier. All-in sustaining costs were \$963/oz, up from \$822/oz in the 2016 first quarter, attributable to "stronger local currencies, lower average grades and the planned increase in sustaining capital expenditure".

AngloGold maintained full-year production guidance at 3.6-million ounces to 3.75-million ounces at an all-in sustaining cost of \$750/oz to \$800/oz with capital expenditure pegged in a range of \$950m to \$1.05bn.

Source: Business Day