

# Anglo reports mixed results for June

By [Allan Seccombe](#)

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Anglo American reported a mixed set of production results for the June quarter, with declines in iron ore, metallurgical and thermal coal as well as nickel.



Anglo, the latest of the major diversified mining companies to release production results, reported an increase in copper and diamond output and a small increase in equivalent refined platinum production.

Anglo made no mention in the report about its Minas Rio project in Brazil. Anglo results are due out on July when it is likely to update the market on the Minas project that has drawn fierce criticism from analysts and investors for the high costs and lengthy delays.

Like much of the mining industry around the world, Anglo is reining in expenditure. It cut spending on evaluation of iron ore, metallurgical coal, copper and diamond prospects by 35% to US\$87m. The company said the inclusion of De Beers' exploration spend in Anglo offset cuts made within the group. Anglo spent US\$45m on exploration in the June quarter, a US\$5m increase attributed largely to De Beers.

Anglo bought the Oppenheimer family's stake in De Beers for US\$5.2bn last year, giving it an 85% stake in the world's largest rough diamond producer by value.

Results from Kumba Iron Ore, which is an Anglo subsidiary, showed a 1% decline in output to 11.3m tons in the June quarter, the second in Anglo's financial year. The reason for the decline was Kumba is still feeling the effects of a strike late last year at its flagship Sishen mine in the Northern Cape.

"Production at Sishen mine suffered from low supply of higher grade material as the mine continued to recover from stock drawdowns during the unprotected strike in the fourth quarter of last year," Anglo said.

## Kolomela

A strong performance from the new Kolomela mine offset the difficulties at Sishen. Kolomela turned in a 49% year-on-year increase in output, generating 2.6m tons.

Kumba reported a 4% drop in export sales, down to 10.2m tons compared with a year earlier. This was because of reduced stockpiles, which were drawn down during last year's strike and the continued build up to pre-strike levels at Sishen. Stockpiles are 11% smaller at 3.3m tons than a year earlier.

Anglo's metallurgical coal output fell 9% in the quarter to 4.4m tons after Anglo made "strategic production cuts" in this division last year because of an expected weakening of market conditions. Metallurgical coal is used in steel production.

The thermal coal operations in SA and Colombia reported mixed production levels, with coal for export markets from both countries down 5% and 3% respectively. In SA, the drop in export coal volumes to 4m tons was largely a result of "poorer than planned" geological conditions at the Goedeheop mine. In Colombia, the Cerrejon mine was recovering from a strike in the first quarter.

In SA, coal production for Eskom rose 5% to 8.77m tons, while coal for other domestic users was flat at 1.57m tons.

Copper production jumped 14% in the quarter to 182,900 tons and Anglo maintained its full-year target of 680,000 tons. Production at all its mines apart from Monteverde increased.

Nickel output fell 22% to 87,500 tons in the quarter after production was stopped at the Loma de Niquel mine in Venezuela in November last year. The Barro Alto mine in Brazil increased production by 13% to 6,100 tons. The mine is increasing its production levels and had a number of stoppages during the quarter. Anglo forecast Barro Alto will produce between 20,000 and 25,000 tons of nickel this year.

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