

Tropicana on-track, on-budget, says Cutifani

by: Rhiannon Hoyle, From: Dow Jones Newswires, August 09, 2012 3:55PM

THE world's third-biggest gold producer, AngloGold Ashanti, plans to increase spending next year to bring new projects like its Tropicana mine in Western Australia closer to production.

AngloGold Ashanti will also push construction workers on its new mines harder to meet the company's buildout targets, following slow progress during Tropicana's early development stages, AngloGold's chief executive Mark Cutifani said.

The gold miner said on Monday that second-quarter profit fell to \$US287 million (\$271.8m), down from \$US470m a year earlier, due in part to higher capital expenditure. The company plans to spend \$US2.2 billion on new and existing projects this fiscal year - a figure it expects to rise again in 2013, Mr Cutifani said.

He said the increases "reflect the pace of implementation of the projects moving into commissioning" rather than the type of cost overruns that have plagued the gold industry in recent years.

Cost blowouts have been a recurring theme particularly in Australia's gold sector, where mining companies have had to confront fast-rising labour and materials costs. According to analysts at Macquarie Group, unexpected increases have forced some producers to upwardly revise their spending estimates by as much as 20 per cent in recent years.

Tropicana, which should be AngloGold's next mine to come into production, is scheduled to produce gold in the fourth quarter of 2013. The project - which has a budget of \$790m - is currently half completed, on-track and on-budget, Mr Cutifani said.

"Actual productivity at Tropicana had been lower than we originally hoped, so we're watching it very carefully," he said. "As a company, we have delivered on our capital budget four years running, but we are still not immune to bad news from time to time."

The company will also target better performance at its existing mines by, for instance, boosting production at its Australian Sunrise Dam to 300,000oz a year, from 250,000oz, he added.