

AngloGold Plans Spending Boost to Complete New Mines

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AngloGold Ashanti Ltd. (AU), the world's third-biggest gold producer, said it plans to increase spending next year to bring new projects like its Tropicana mine in Western Australia closer to production.

The company will also push construction workers on its new mines harder to meet the company's buildout targets following slow progress early on in the development of the Tropicana project, AngloGold's Chief Executive Mark Cutifani said in an interview.

AngloGold reported Monday that second-quarter profit fell to US\$287 million--down from US\$470 million a year earlier, due in part to higher capital expenditure. The company plans to spend US\$2.2 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 labor and materials costs. According to analysts at Macquarie Group, unexpected increases have forced some producers to revise their spending estimates higher by as much as 20% 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 A\$790 million--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 300,000 troy ounces a year, from 250,000 ounces, he added.