AngloGold Ashanti a billion dollars richer

By Charlotte Mathews

22 Jun 2015

The recent sale of its Colorado gold mine, Cripple Creek & Victor (CC&V), to Newmont Mining Corp will improve AngloGold Ashanti's financial well-being in several ways.

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CC&V was sold for US820m cash and a net smelter royalty. AngloGold had been planning to spend $200m in capex on the mine, so taking it all round, AngloGold gains about 1bn from the deal.

CEO Srinivasan Venkatakrishnan says the money will be used to partly pay down debt of 3,67bn at the end of December, which will save some debt servicing costs. The net smelter royalty, which is at a rate of 2,5% of CC&V's net revenue after smelting and refining costs from the current planned underground or surface operations, will also add to cash flow.

CC&V, which mines from open pits but plans to move underground, produced 211000oz of gold last year.

The loss of ounces from CC&V is relatively insignificant for AngloGold, which produced 4,4moz of gold last year. The loss will be offset by other lower-cost production, as the newer Kibali and Tropicana mines ramp up. In the current tight gold price environment, management of gold mines tends to focus on profitable ounces, not volumes, unlike five years ago.

CC&V's all-in sustaining production cost of $1147/oz was above AngloGold's average cost of $1026/oz last year.

Newmont, naturally, takes a different line. It says it believes it can lower CC&V's operating costs by about 10% through improved productivity and optimisation. It says the deal will add 350000oz-400000oz of gold a year to Newmont in 2016 and 2017, after the completion of the current expansion, at an allin sustaining cost of $825/oz875/oz.

On the NYSE, Newmont shares fell almost $2 to $23,62 in the days following the announcement, but that could be partly because it is raising 682m through a share issue to part-finance the deal. AngloGold's shares gained 37c to $9,07.

Source: Financial Mail