

AngloGold left with two SA assets

AngloGold Ashanti will have just two major assets left in SA, halving output from the country after agreeing to the sale of its Moab Khotsong and mothballed Great Noligwa mines and uranium assets to Harmony Gold, and selling its Kopanang mine to China's Heaven-Sent SA Sunshine Investment company, realising nearly R4.2bn in total.



Srinivasan Venkatakrishnan, CE AngloGold Ashanti

AngloGold has retained its Mponeng mine, the world's deepest mine, as well as its Mine Waste Solutions, a tailings retreatment project. They are both large assets that will generate 14% of the group's annual production and bring SA in line with output from Australia, Tanzania and Brazil.

Mponeng and the tailings operations will generate 450,000oz of gold at \$1,021/oz, which is down from the 967,000oz in 2016.

Three years ago, AngloGold ditched a short-lived plan to separate its assets into international and local portfolios, entailing a \$2.1bn rights issue that ran into stiff headwind from shareholders and since then, some analysts have speculated it could begin selling local assets piecemeal.

"This is a good deal for both parties, and certainly not a retreat," said AngloGold spokesman Stewart Bailey. "We have got two large, valuable, long-life assets with very attractive margins that we will continue to manage in SA."

AngloGold had earmarked its Kopanang and TauTona mines for closure, with 8,500 jobs on the line. It received unsolicited interest in Kopanang from Heaven-Sent, which operates the Tau Lekoa mine nearby, and they subsequently agreed the sale of the mine for R100m cash to the Chinese company.

The R100m will offset the roughly R400m AngloGold has set aside to pay all employees at Kopanang retrenchment packages, regardless of whether the mine was sold or not.

About half of the 8,500 job cuts will come from Kopanang, with thousands of jobs now potentially saved if the transaction is finalised and Mineral Resources Minister Mosebenzi Zwane gives his approval for the transfer of mineral rights to China's Heaven-Sent. AngloGold will keep the Kopanang processing plant and rock dumps, and it will also acquire rock dumps from Heaven-Sent that will be treated through the Kopanang gold plant.

The transaction to buy the loss-making Kopanang mine and West Gold Plant should be concluded in the first quarter of 2018.

AngloGold has no intention of selling TauTona, which is intertwined with Mponeng.

AngloGold's \$300m, or R4.05bn, from Harmony for the cash-generative Moab Khotsong mine and the Great Noligwa assets, as well as the whole of the Nufcor uranium plant and sizeable tailings dumps that can be retreated for gold, will be used to repay debt and to invest in growth projects at Mponeng and outside SA.

"This transaction is in line with our capital allocation strategy and our aim to effect the improvement of our global portfolio, through projects that extend mine lives, enhance margins and provide quicker cash turns on investment," AngloGold CE Srinivasan Venkatakrishnan said.

Given the long list of international projects either under way or in planning, the Zaaiplaats extension to add 15 years of life to Moab Khotsong was unlikely to be started any time soon and was better off in the hands of a company such as Harmony, which has a lower corporate and operating cost structure.

Source: *Business Day*

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