



CHANGES IN SOUTH AFRICA – NEW INDUSTRY DIRECTIONS

I was asked to talk today about AngloGold's corporate strategies in gold mining, including our move into production outside of South Africa, and our company's attitude to gold mining in South Africa today and in the future.

Central to the position of AngloGold today has been the redefinition of the company's global potential as a South African gold mining company. South Africa is the starting point of gold production for our company and currently remains the largest part of our business. As we are all aware, the performance of the gold mining industry in South Africa declined during the 1990s, and the competitiveness of gold production in our country deteriorated sharply.

The absolute principle of AngloGold's strategies for the future was the restoration of operational excellence in gold production in South Africa. Moving on from that foundation, our intention is to become a global gold mining company, with a diversity of country potential and country risk, and playing an active role in improving the markets for our product. We intend to build AngloGold into a gold company for the 21st century, setting new operational standards for underground mining in South Africa, and developing new areas of excellence outside of South Africa.

Year-end Results (IAS/US\$/Imperial)

		1998	1997	%
Production	ozs (000)	6 921	7 691	-10
Revenue	\$/oz	326	365	-11
Cash Costs	\$/oz	229	279	-18
Op. Profit	\$m	434	135	222
Capex	\$m	172	218	-21
Tot. net earnings	\$m	318	179	78
EPS	cps	324	183	77

Amortisation

YEAR-END RESULTS

Over the past two years, we have taken the first steps to restore productivity and operational performance at the South African operations, to close or dispose of operations which lack the potential to be world-class producers in the future, and to eliminate as far as possible the obstructions and restraints imposed by the boundaries of historic mining lease areas in the country.

The results of AngloGold for the year 1998 reflect clearly the progress achieved in the improvement of productivity at our South African operations:

- in spite of the fact that we disposed of 17 producing shafts during 1998, production and revenue were only slightly down for the year compared to 1997 and operating profit was up by 222%;
- the operations reported an 18% drop in cash costs from \$279 per ounce to \$229 per ounce; and
- an improvement of 77% in earnings per share.

Financial Ratio Analysis (IAS/US\$/Imperial)

	1998	1997	%
Operating margin (%)	20	5	292
ROCE (%)	12	6	117
Operating cashflow/ operating profit (%)	114	153	26
Dividend yield (%)	6	5	29
Earnings yield (%)	7	3	116

Amortisation

FINANCIAL RATIO ANALYSIS

If we look at some key financial ratios, we see that for 1998:

- the operating margin grew from 5% to 20%; our target over the next few years is to grow this margin to 25%;
- the return on capital on balance sheet doubled; our target is to improve this return on capital further to 20% over the long term;
- we recorded a satisfactory dividend yield at 6%; our target will be at least to maintain this yield, even with a re-rating of our share price over time;
- earnings yield more than doubled to 7%; and
- even after entering into the syndicated loan of \$350 million to fund the acquisition of Minorco's gold assets, AngloGold's ratio of debt to shareholders equity is only 11% – low by international standards.

Cash Flow Statement (IAS/US\$/Imperial)

for the year ended December	1998 \$m	1997 \$m
Operating activities	406	279
Cash flow from operations	503	299
Investment income	30	56
Working capital movement	(15)	82
Taxation paid	(112)	(158)
Investing and financing activities	(116)	(204)
Mining assets acquired	(173)	(219)
Disposal of mining assets	105	17
Other activities	(48)	(2)
Translation adjustment	(45)	(9)
Net cash generated	245	66
Dividends paid	(260)	(308)
Cash resources at beginning of year	239	481
Cash resources at end of year	224	239

CASH FLOW STATEMENT

In securing these improvements in the performance of AngloGold operations, we have restored our company to its historical role as a strong cash generator. Our 1998 cash flow, depicted here according to International Accounting Standards, shows that we:

- generated \$503 million from operations;
- re-invested \$173 million in three new South African mines; and
- paid our shareholders \$260 million in dividends.

A strong cash flow and the pursuit of a substantially full payout policy after providing for long-term growth distinguishes AngloGold from many other mining companies in this industry.

How ?

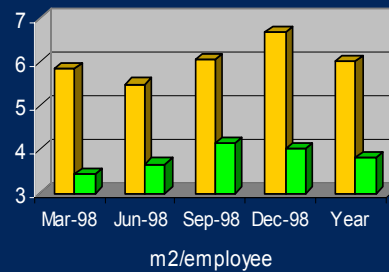
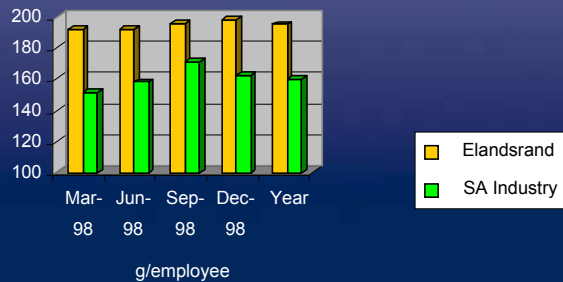
- Production cost benchmark of R40 000/kg
- Production down 10%
- Mature labour relations, no strike action

YEAR-END RESULTS

There are a number of aspects worth highlighting in the process of change which produced these results.

- We identified what would be our core long-life production sources in South Africa, and what our benchmarks for production excellence would be. In particular, a cash operating cost target of R40 000 per kilogram was set as a ceiling. With this target in mind, we started 1998 with 34 shafts and ended the year with only 17. We closed or disposed of half of our South African business units during 1998.
- Whilst we halved the number of South African operations, we reduced our gold production by only 10% for the year, with obvious positive benefits for the cash cost of production.
- Largely as a result of a mature and productive relationship with the National Union of Mineworkers and other labour unions, this significant down sizing and restructuring of our South African operations was achieved without the loss of a single shift due to strike action.

The Elandsrand Example

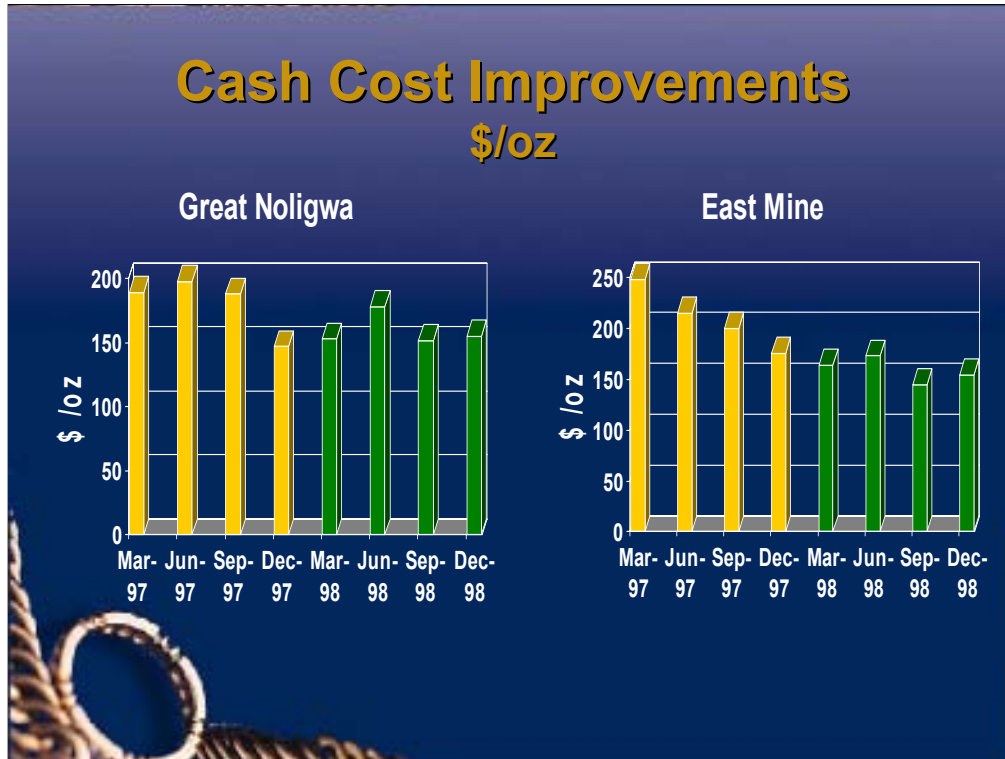


THE ELANDSRAND EXAMPLE

Productivity improvements and deductions in cash costs did not come only from the sale or closure of unprofitable business units. We are also engaged in a long-term process of restructuring the traditional workplace organisation in our South African operations to improve employee productivity.

This process is most advanced at our Elandsrand mine, where change started some four years ago. The impact of this change can be seen in measured productivity at Elandsrand compared with other South African operations. Two measures of productivity of particular relevance to South African underground mining are the grams of gold recovered per total employee costed, and the m² broken (or rate of mining advance) per total employee costed. The above bar charts show the performance in 1998 at Elandsrand in both of these categories, compared with the rest of the South African gold mining industry. These charts reflect a significant out-performance.

Training programmes and work restructuring initiatives are under way to emulate these achievements at other operations, and these initiatives are at varying levels of implementation.



CASH COST IMPROVEMENTS

Notwithstanding the fact that the process of re-establishing the global competitiveness of the South African gold mining industry is already well under way, we do not believe that we have completed this process by any means. Our latest production performance shows that our target ceiling for cash costs of R40 000 per kilogram has not yet been met in full. Whilst cash costs on a dollars per ounce basis have been assisted by the sharp weakening in the rand in mid-1998, overall average cash costs for 1998 were slightly above target at R40 439 per kilogram.

However, within this average figure there are business units at AngloGold that operate at world-class levels of excellence. These include the Great Noligwa operation at Vaal River which produced over 1 million ounces in 1998 at a cash cost of just over R28 000 per kilogram or just less than \$160 per ounce, and East Mine at Western Deepes which mines at over 11 000 feet and in 1998 produced over 700 000 ounces of gold at a cash cost of only \$154 per ounce.

South Africa – The Future

- Workplace change
- Technology
- Reserves and resources

SOUTH AFRICA – THE FUTURE

Where do we see gold mining in South Africa going in the future?

We have identified three main areas of priority:

- Workplace change
- Technology
- Reserves and Resources

Workplace Change

- \$50m to combat illiteracy
- Productivity-linked wage deals
- Team work emphasis
- “Zero Tolerance” safety campaign

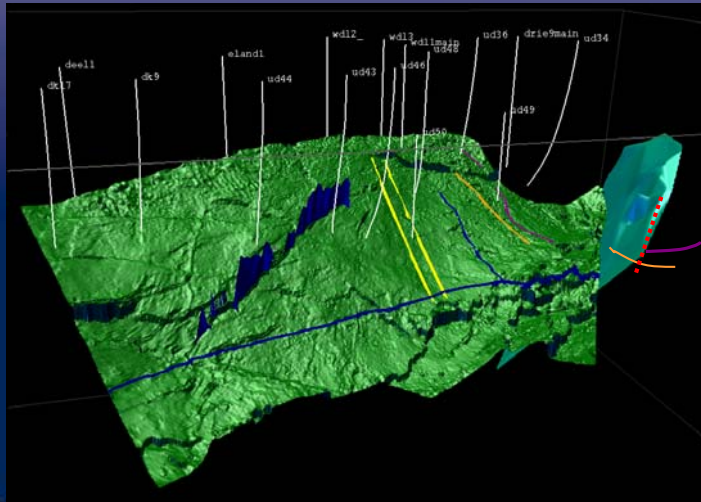
WORKPLACE CHANGE

We have embarked on a programme to re-make the gold mining workplace in South Africa in order to ensure that productivity gains and cost improvements over the past year are sustainable into the 21st century. The gold mining workforce in South Africa today is still largely functionally illiterate, and earning wages at the lower end of the country's wage curve.

Over the coming five years, AngloGold plans to:

- eliminate functional illiteracy in our production workforce; for this purpose we have budgeted to spend \$50 million on Adult Basic Education and Training on our mines for the next five years;
- continue to work for wage improvement deals with the National Union of Mine Workers which will be linked to innovative productivity targets in order not to raise unit labour costs;
- continue the restructuring of our work places to emphasise team work, and to improve the ratio of production workers to support staff; and
- pursue thorough-going innovations in safety practices along with the education and training targets; these innovations have started already with the launch of AngloGold's *Zero Tolerance* campaign against unsafe behaviour by any employee in the workplace.

Technology



TECHNOLOGY

To ensure that our operations use the best and most appropriate technology, we are now reinforcing our research and development programmes. We have set aside \$2 per ounce (\$9 million) in 1999 for a broad range of research and development projects; some are our own and in others have partners. We have nominated an executive to direct our technological development. Progress has already been made in this regard, with proprietary and cutting-edge technology in areas such as deep level mining, refrigeration, seismicity management and vibroseis surveying.

Reserves and Resources (as at 31/12/98)

	Million Ounces	
	Reserves	Resources
South African and African	116.3	151.2
South and North American	9.4	21.6
Other (including inferred)	0	208.5
	125.7	381.3

@\$298 gold price; resources are inclusive of reserves____

RESERVES AND RESOURCES

I find the subject of reserves and resources in South Africa a particularly interesting one. This is not necessarily because there is little available published information about the subject, but rather because international gold mining analysts, particularly those from North America, seem to say so little about them. These same analysts write with such passion about the discovery of this or that 2 million ounce ore body *elsewhere* than in South Africa, where some hundreds of millions of dollars remain to be spent between discovery and construction and the development of the mine. They seem to find no value in much larger reserves and resources already pre-developed and pre-financed in South Africa.

It is worth focusing one's mind on the fact that at AngloGold:

- the average projected life of production at our ten long life operations in South Africa is over 25 years; and
- a significant portion of this long-life production will come from new infrastructure (less than ten years old).

In spite of the changes which will be made to minerals legislation in South Africa in the next year or two, the reserves and resources which we hold in our operations in that country will remain safely in the hands of AngloGold for the life of these mines. Whilst the recently published *White Paper on Minerals and Mining Policy* argued for state ownership of all mineral rights in the longer term (possibly 20 years' time), the report also made clear that existing prospecting and mining operations will be guaranteed their current mineral rights and minerals leases, with a possible royalty payment imposed on mineral rights holdings.

Enhancing Reserves & Production Base

- Western Deep Levels South Shaft Deepening
- Moab Khotsong
- Elandsrand Sub-Vertical Shaft

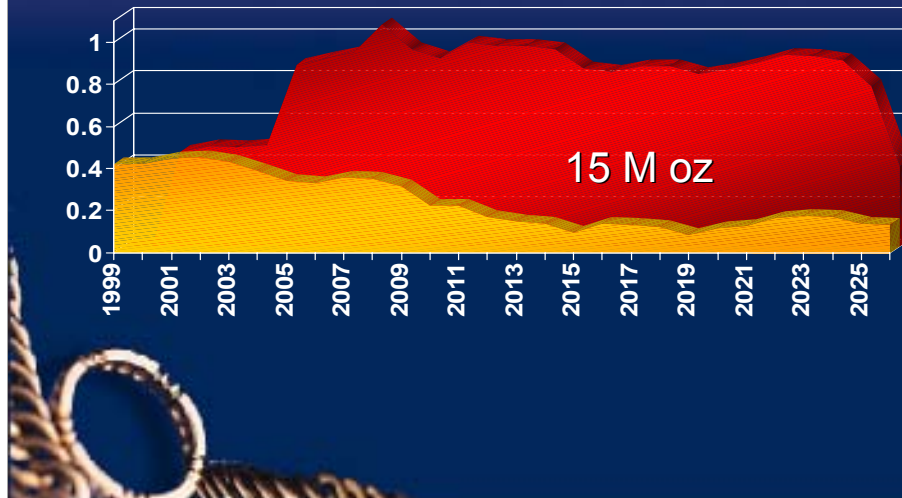
ENHANCING RESERVES AND PRODUCTION BASE

We continue to search for additional quality deposits and intend to maintain our presence in South Africa despite the significant resource and reserve inventory that we already have. This inventory is now being supplemented by open pit and shallow operations elsewhere in the world, giving us both geographic and geological diversity.

Currently, we are spending money in accessing and developing new reserves in three major projects: South Mine at Western Deep Levels, Moab Khotsong at Vaal River; and the deepening of Elandsrand to access Deelkraal reserves.

Enhancing Reserves

Additional ounces Western Deep Levels South Deepening
(M oz)



ENHANCING RESERVES

From the deepened Western Deep Levels South Mine we will produce an additional 15 million ounces of gold from 2003.

Enhancing Reserves

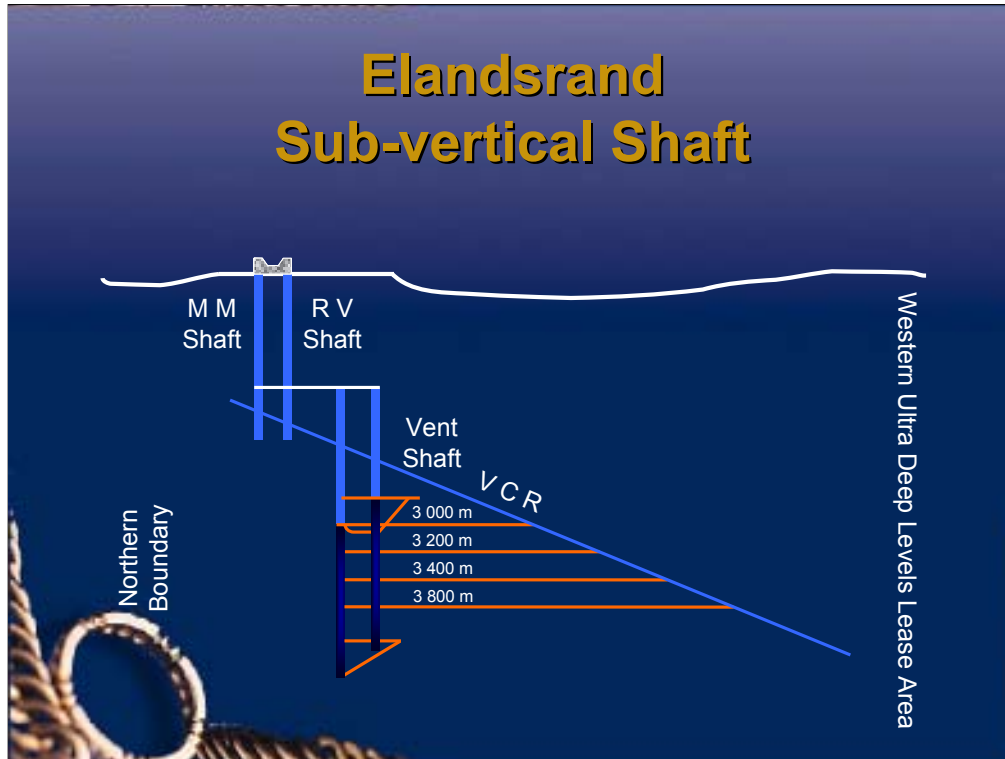
Additional ounces Moab Khotsong (M oz)



ENHANCING RESERVES

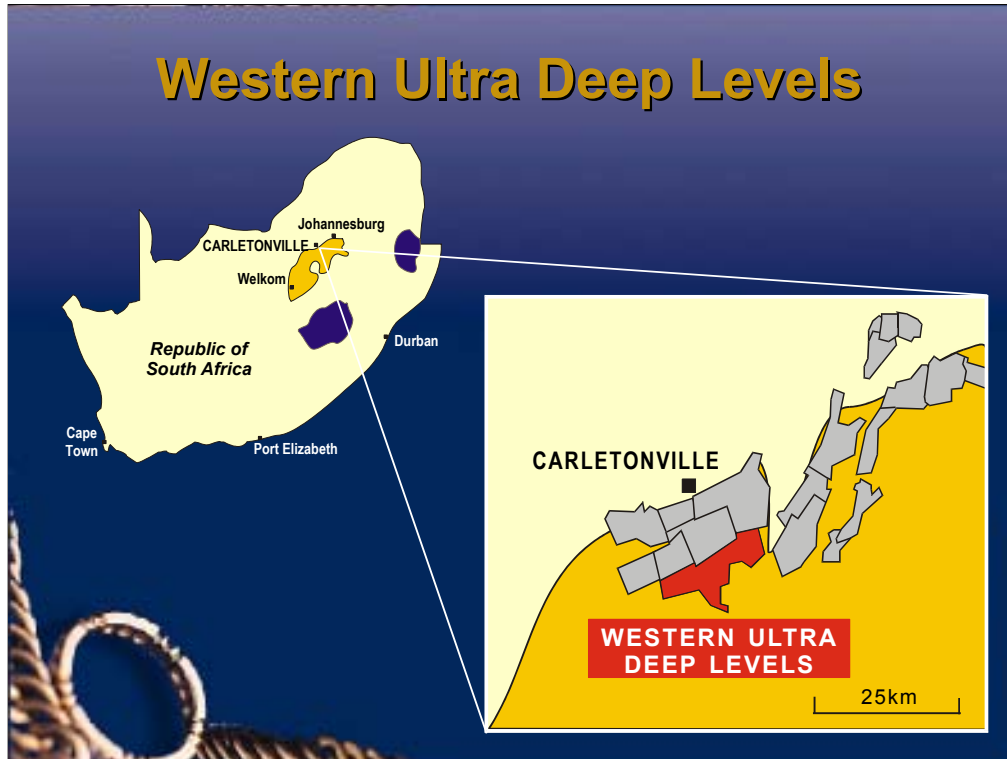
At Moab Khotsong, our brand new mine, the main shaft extension is on schedule. There we will produce 9.4 million ounces of profitable gold between 1999 and 2023.

Elandsrand Sub-vertical Shaft



ENHANCING RESERVES

At Elandsrand, the deepening of the sub-vertical shaft is complete. This will allow us to produce an additional 4 million ounces through the exploitation of the southern portion of the Elandsrand lease area. The deepened sub-vertical shaft will also provide access to the deeper section of the nearby Deelkraal mine.



WESTERN ULTRA DEEP LEVELS

At Western Ultra Deep Levels, 4 000 metres to the south of the present operations at Elandsrand, Deelkraal, Western Deep Levels and Driefontein, AngloGold is actively pursuing the possibility of mining the estimated 30 million ounces which lie at depths of between 3 500 and 5 000 metres below surface. We have conducted a vibroseis survey of the area to determine the geological structure and this is now being followed by a drilling programme which will continue until 2001. Should this drilling programme prove grades that make mining this ore body an economic proposition, a number of years would be needed before production could be expected from this deep gold prospect.

Our Strategies Beyond South Africa

■ Diversity

- Operational Risk
- Country Risk
- Blue Sky Potential

STRATEGIES BEYOND SOUTH AFRICA

Although we intend to retain our roots as a South African gold mining company, we are gearing ourselves into the future as an international gold company.

A) Beyond South Africa, we seek to diversify our:

- operational risk;
- country risk; and
- blue sky potential.

B) Both within South Africa and elsewhere we are actively pursuing opportunities to improve and expand markets for our product, gold.



OUR ORIGINS

Eighteen months ago, AngloGold's entire production was South African, spread in 34 shafts across the area widely known as the Witwatersrand Basin.



GROWTH IN AFRICA

With our consolidation and listing on the Johannesburg Stock Exchange as AngloGold ten months ago, we acquired two open-pit operations in Africa, one in Namibia and the other in Mali. This expansion of our interests beyond the South African borders marked the start of our diversification programme.



GLOBAL OPERATIONS

Today, our North and South American assets, newly acquired from Minorco, offer us good platforms for regional growth. This is in respect of existing operations and current exploration activity, as well as in relation to the well-established local management teams that have now joined AngloGold.

The acquisition of the assets has catapulted us into the global arena. We mine gold in six countries – South Africa, Namibia, Mali, the United States of America, Brazil and Argentina – and we are actively exploring for quality deposits of gold in ten countries – South Africa, Botswana, Tanzania, the Democratic Republic of the Congo, Mali, Senegal, the United States of America, Venezuela, Brazil and Argentina. We also have gold market development activities under way on four continents.



GLOBAL EXPLORATION

In terms of progress in our exploration activities, recent resource estimates for the Yatela gold deposit in Mali, a 50:50 joint venture with Canadian junior, IAMGOLD, reveal an estimated 1.92 million ounces of gold. The feasibility study for this deposit which is located some 25 kilometres from our Sadiola operation remains on schedule for completion in mid-1999.

In North America we have an active exploration programme on the Carlin Trend where, in Nevada, we have five properties ready to drill.

In terms of our exploration in South America, our priorities include:

- a feasibility study on the Amapari project in North-East Brazil;
- areas around the Morro Velho mining district;
- looking at investigating the Amapa Regional potential; and
- continuing the evaluation of the Minas Guariche project in Venezuela.

Market Development



Good delivery gold bar

MARKET DEVELOPMENT

Beyond the expansion of our production potential, we have a broader strategic objective. The majority of gold mining companies operate in a product cycle quite removed from the final consumer market for gold metal. Gold is uniquely fungible, and most gold produced by mining companies is sold directly to bullion banks for prompt cash payment. This separates the gold producer from the markets in which the value of the product is defined, and particularly from those physical end-markets which are ultimately responsible for sustaining the desirability and value of the metal we produce.

AngloGold believes that this separation is not in the interests of the long-term health of the market for our product. We have been firm supporters of the World Gold Council since its inception, and the Council has undertaken valuable work over the past 11 years on a number of fronts, including generic promotion of gold, deregulatory work in major gold markets, gold jewellery design and fabrication innovation, jewellery trade education and leadership, and, last but not least, raising the profile of public policy and gold in respect of official holders of the metal. With the lack of interest shown by so many producers in their product, the Council has come under funding pressures in recent years, and is no longer able to address all of the challenges which face gold in the market place today. As a leading gold company, we believe that we can play a positive role in improving the position of our product in world markets. From 1999, AngloGold will undertake market development activities in the name of the company, and in partnership with other agencies where this is to the best advantage of gold.

Market Development

- Expenditure at US\$20m
- Market place opportunities

MARKET DEVELOPMENT

Our market development expenditure is currently targeted at some US\$20 million annually. Of this total, some \$9 million will go in the first instance to membership of the Council, and the balance will be available for AngloGold's market development activities.

Whilst we are still at a preliminary stage in evaluating opportunities in the market place, it is our intention to fund activities or projects which have the potential to impact favourably on gold off-take; to improve sentiment in the gold market; or to yield benefits directly for AngloGold, either in the form of enhanced revenue, or improved standing for the company in our industry.

Market Development



MARKET DEVELOPMENT

We are committed to undertaking a number of limited projects both in South Africa and in major gold off-take regions.

These activities include:

- the recent launch and sponsorship of gold jewellery design competitions in South Africa, the China/South East-Asia region, and India;
- the funding of market research and strategic scenario generation in respect of gold consumers in developed markets; and
- support for gold as part of the 1998 Shopping Festival in Dubai.

The cost of these individual interventions by AngloGold consumes only a fraction of the monies allocated for market development for 1999, and we will continue actively to seek areas in which AngloGold can play a role during this year and beyond.



THE FUTURE

We are excited by the path ahead for AngloGold, and we intend to continue to demonstrate our capacity to move with the times and to take on the challenges of becoming a global player in the new millennium. While we are proud of being the world's biggest gold company, our priority for the future will be that of generating profitable production for the benefit of our shareholders. We strive to run AngloGold as a company that can generate earnings and pay meaningful dividends in even the worst gold price circumstances. If we can do this successfully, we should be in a position to promote investment in gold equities – not as a gamble on a higher commodity price, but as a value investment for the long term.

We will continue to seek improvements in our productivity and cash costs, and to pursue global growth through exploration, acquisitions and partnerships that add value to AngloGold. We believe in our product, and intend to be proactively involved in shaping and developing its market, both through our support for the kind of work being done by the World Gold Council to develop markets for gold, and through other avenues.

If we achieve the objectives we have set ourselves for the current year, then we will enter the new millennium well placed – as a true global company, competing with the best in the world.