

AngloGold Ashanti, with the exception of the newly acquired Ashanti mines, reports a sound operating performance; however, this did not translate into a better financial performance. The received gold price increased by \$31 per ounce. This was more than offset, however, by the effect of stronger operating currencies in all countries, other than the USA, and by increased operating costs primarily due to higher oil and mining contractor costs.

Results for the year

- Adjusted headline earnings decreased by 7% to \$263 million or 105 US cps, from \$282 million or 127 US cps in 2003.
- Return on net capital employed decreased from 11% to 7%.
- Return on equity decreased from 12% to 7%.
- Gold production was 8% higher at 6.05 million ounces, largely because of the business combination with Ashanti.
- Total cash costs increased by 25% to \$268 per ounce, largely due to the impact of stronger operating currencies.
- A final dividend of R1.80 per share or \$0.30 per share was declared, resulting in a total dividend of R3.50 or \$0.56 per ADS.

Exchange rates

The average exchange rate for the year ended 31 December 2004 was R6.44:\$1 compared with R7.55:\$1 in 2003. The average Australian dollar rate for 2004 was A\$1.36:\$1 compared with A\$1.54:\$1 in 2003.

Gold production

AngloGold Ashanti's production for the year was 8% higher than that for the previous year at 6.05 million ounces. This increase was largely a result of the business combination with Ashanti and higher production at Sunrise Dam and Cripple Creek & Victor. It was partially offset by the closure of Union Reefs, a decrease in production at Morila due to lower grades, and reduced production from all the underground operations in South Africa.

Production from the South African operations decreased by 6% to 3.08Moz mainly as a result of the following:

- a drop in the grades and volume mined at TauTona due to a reduction in face advance as a result of geological complexity;
- reduced volumes mined and lower grades at Mponeng compared with exceptional efficiency in 2003;
- a decrease in the volumes mined at Savuka as the mine nears closure; and
- unforeseen lower grades at Great Noligwa.

Attributable production of 211,000 ounces at Cerro Vanguardia in Argentina was 1% higher than that for 2003.

Australia's production was 22,000 ounces down on 2003 because of the closure of Union Reefs which had contributed 74,000 ounces in the previous year. Sunrise Dam's production went up by 52,000 ounces to 410,000 ounces as a result of a 3% increase in tonnes treated and an 11% improvement in grade to 3.46g/t.

Production in Brazil increased by 3% to 334,000 ounces. At AngloGold Ashanti Mineração (previously known as Morro Velho) production was 5% higher at 240,000 ounces as a result of improved grades. This, however, was partly offset by attributable production at Serra Grande which was 1% down at 94,000 ounces as a result of the lower grade ore treated.

The Ghanaian operations produced 485,000 ounces for the eight months to 31 December 2004. Production of 255,000 ounces at Obuasi was hampered for most of the year by insufficient trackless mining equipment and a lack of drilled underground ore reserves. Production of 105,000 ounces at Bibiani was also hindered by various pit wall failures in both the main and south pits. Lower surface grade materials at Bibiani in the fourth quarter also reduced overall mine yield. At Iduapriem, attributable production was 125,000 ounces for the period from May to December 2004.

At Siguiri in Guinea, attributable gold production for the eight months to December 2004 declined to 83,000 ounces at an average yield of 1.10g/t. This was largely a consequence of the embargo imposed on the mine during the second quarter.

Gold production in Mali decreased by 18% or 102,000 ounces to an attributable 475,000 ounces. This was mostly a result of a 36% decline in attributable production at Morila to 204,000 ounces. The average yield decreased to 4.44g/t. Attributable gold production at Yatela rose by 11% to 97,000 ounces, largely owing to an increase of 11% in the tonnage stacked. At Sadiola, attributable production went up by 1% to 174,000 ounces as milled tonnages increased and overall milling utilisation rose by 4%.

In Namibia, Navachab mine produced 67,000 ounces, which was 8% down on 2003, while the yield fell by 9% to 1.59g/t. The drop in yield and production was due to the limited availability of higher grade ore during the transition to owner-mining.

At Geita in Tanzania, attributable gold production increased by 72% to 570,000 ounces, largely as a result of the business combination with Ashanti. A year-on-year comparison of Geita on a 100% basis shows an increase in gold production of 4% to 692,000 ounces as a result of a 4% rise in recovered grade to 3.74g/t.

Gold production at Cripple Creek & Victor in the USA increased by 16% to 329,000 ounces, mainly owing to higher recoveries from improved crusher facilities, better chemistry on the leach pad and inventory reduction which led to an improved solution head grade through the processing plant.

Gold production at Freda-Rebecca in Zimbabwe was 9,000 ounces for the four months to September 2004. The sale of this mine became effective on 1 September 2004.

Income statement

Gold income

Gold production increased by 8% to 6.05Moz when compared to the prior year. The average spot price of \$409 per ounce for the year was 13% higher than that in 2003. However, in rand terms, the average spot

price was 4% lower at R84,857 per kilogram. The received gold price increased by \$31 per ounce or 9% to \$394 per ounce.

Gold income increased by 18%, rising from \$2,029 million in 2003 to \$2,396 million in 2004, primarily because of the improvement in the received gold price and additional revenues arising from the business combination with Ashanti. The Ashanti mines contributed some \$243 million over the eight months, or 10% of the total gold income for the year to December 2004. Excluding the Ashanti mines and the additional interest acquired in Geita, gold income went up by 2% to \$2,069 million.

Cost of sales

Cost of sales rose by 33% from \$1,526 million in 2003 to \$2,022 million in 2004. The inclusion of Ashanti costs accounted for \$265 million. The residual is largely attributable to the strengthened South African rand against the dollar and inflation. Inflation includes increased mining contractor costs and higher diesel, fuel, transport and electricity prices.

Cost of sales changes can be further analysed as follows:

- total cash costs increased to \$1,635 million in 2004 from \$1,294 million in 2003 (or from \$214 per ounce (restated) to \$268 per ounce), despite the 8% increase in production to 6.05Moz in 2004. Of the \$54 per ounce increase, \$28 per ounce relates to stronger operating currencies relative to the dollar, \$21 per ounce to inflation, and \$6 per ounce to lower grades. Cost savings initiatives in South Africa helped in negating the effect of the Ashanti business combination on total cash costs;

AngloGold Ashanti reassessed the useful life of on-reef ore reserve development expenditure with effect from 1 January 2004. The impact of the reassessment is that costs are expensed over a longer period than previously estimated. The effect of this change on the current year's results is a decrease in cash operating costs of \$94 million and an increase in amortisation of tangible assets \$40 million which resulted in a net decrease in total production costs of \$54 million. The effect on future periods is not determinable;
- retrenchment costs were \$9 million in 2004 compared with \$4 million in 2003. The costs were incurred through a general cost-efficiency drive and the downsizing of operations at Savuka and Ergo, both of which are nearing the end of their lives;
- rehabilitation and other non-cash costs increased by \$19 million compared with the previous year, largely because of changes to the life-of-mine estimates in the South Africa region which necessitated an additional provision of \$13 million. The newly acquired Ashanti mines contributed an additional \$4 million to rehabilitation and other non-cash costs;
- the amortisation of tangible assets at \$380 million was \$148 million higher than in 2003. This increase is largely attributable to the amortisation of the Ashanti assets, which accounted for \$93 million of this amount. The balance relates mainly to the South African operations and includes the change in accounting treatment of ore reserve development expenditure, additional amortisation of the Driefontein mineral rights, and changes to the life-of-mine estimates; and

- inventory increased by \$18 million in 2004 compared to an increase of \$17 million in 2003. The favourable inventory movement was mainly because of grade streaming at Sunrise Dam in Australia, where more ore is being mined than milled and ore stockpiles are therefore on the increase.

Other expenses

- Corporate and other administration expenses increased by \$15 million on the previous year to \$51 million, largely as a result of costs associated with the Ashanti launch, integration activities, and the incorporation of the former Ashanti corporate offices, which in total amounted to some \$10 million. In addition, corporate costs were further adversely affected by the strengthening of local currencies against the dollar in a largely rand-driven cost area.
- Market development costs amounted to \$15 million, of which 66% was spent through the World Gold Council.
- Exploration continued to focus around the operations in the countries in which we operate, namely, Argentina, Australia, Brazil, Ghana, Guinea, Tanzania, Mali, Namibia, South Africa and the USA. In addition, exploration activities are moving to new prospects in the Democratic Republic of Congo, Colombia, Peru, Alaska, China, Mongolia and Russia. The spend for 2004 was \$81 million of which \$44 million was for greenfields exploration. The increase of \$6 million on the previous year was a result of the incorporation of the Ashanti exploration portfolio of \$5 million, and additional expenditure on the new frontier areas.
- The amortisation of intangible assets remained fairly constant at \$31 million, compared to \$29 million in the previous year.
- During the year there was an impairment of various mining assets and mineral rights in Australia totalling \$1 million. Impairment in 2003 amounted to \$44 million, comprising various exploration assets in Australia (\$9 million), Savuka mine in South Africa (\$34 million) and mining equipment in South America (\$1million).
- Non-hedge derivatives recorded a loss in the current year of \$142 million compared with a profit of \$119 million in the previous year. The loss in the current year is explained by the revaluation of non-hedge derivatives resulting from changes in the prevailing spot gold price, exchange rates, interest rates and greater volatilities compared with the previous year.
- Other operating expenses include a post-retirement medical provision in South Africa of \$4 million, an additional pension plan provision in South America of \$2 million and the write-off of a loan in South Africa of \$2 million.
- Other operating income includes the net income from investment properties in South America of \$1 million.

Operating profit

Operating profit decreased significantly in 2004 to \$79 million, mainly because of the increase in cost of sales and the losses incurred on non-hedge derivatives discussed above. Adjusted operating profit decreased by 22%, from \$559 million to \$434 million. This was mainly owing to stronger operating currencies relative to the dollar which reduced profits by \$174 million; inflation, which reduced profits by \$110 million; lower grades, \$34 million; lower volumes mined, \$36 million; and losses of \$39 million arising from the Ashanti

operations. The decline in profit was partly offset by a \$31 per ounce increase in the received gold price of \$394 per ounce, which contributed \$183 million to profits, and the capitalisation of ore reserve development costs, which contributed an additional \$50 million.

The adjusted operating margin decreased from 27% in 2003 to 18% this year, in line with the reduced adjusted operating profits. Cash operating margin dropped to a lesser extent from 38% in 2003 to 32% in 2004, because of the increase in total cash costs. These margins vary from operation to operation and are dependent on each region's adjusted operating profit (loss), amortisation of tangible and intangible assets, gold sales (including realised non-hedge derivatives) and non-cash revenues.

Profit attributable to equity shareholders

Profit attributable to equity shareholders includes the operating profit of \$79 million as well as the following:

- interest received, which increased by \$6 million to \$44 million, mainly as a result of interest earned on convertible bond proceeds;
- other income, which includes growth in the Environmental Rehabilitation Trust Fund of \$5 million (compared with \$4 million in 2003) and foreign exchange gains on transactions other than sales amounting to \$4 million (compared with a loss of \$3 million in 2003). The foreign exchange gain in 2004 is mainly from the Brazil region. The prior year also includes profits from associates after taxation of \$2 million;
- profit from the disposal of assets and subsidiaries, including profit on the disposal of Union Reefs in August 2004 of \$2 million, profit on the disposal of Western Tanami assets and Western Tanami Mine of \$3 million each, and profit on the disposal of various mineral rights and exploration properties of \$5 million;
- finance costs, which increased by \$30 million to \$79 million, mainly due to the interest on corporate and convertible bonds. The year-on-year increase is after capitalising \$11 million of the borrowing costs in South Africa. The unwinding of the decommissioning obligation is \$8 million for the current year compared with \$4 million the previous year. The year-on-year increase is attributable to a progressively higher decommissioning provision in the balance sheet;
- the taxation charge, which decreased by \$182 million year-on-year to a \$40 million credit in 2004. This is primarily because of reduced earnings for the year and a change in the estimated deferred tax rate, net of an underprovision in South Africa in 2003. This credit has a substantial positive effect on the adjusted headline earnings; and
- the minorities' share of earnings, which increased to \$19 million compared to \$18 million the previous year. The increase in the minorities' share of the earnings, despite lower profits, is attributable to the additional Ashanti minorities.

Cash flow

Operating activities

Cash generated from operations was derived from profits before taxation of \$60 million as set out in the income statement, adjusted for changes in working capital and non-cash flow items. The most significant non-cash flow items are the movement on non-hedge

derivatives of \$185 million and the amortisation of tangible assets of \$380 million.

Cash generated from operations of \$585 million was increased by interest received of \$37 million, and reduced by environmental and other expenditure of \$24 million, finance costs of \$72 million and mining and normal taxes of \$34 million.

Net cash inflow from operating activities was \$492 million in 2004, which is 9% higher than the amount of \$453 million recorded in 2003. The increase was mainly the result of a reduction in taxation paid.

Investing activities

Funds of \$453 million generated from operating activities were utilised to grow the group by investing in capital projects amounting to \$585 million. Total capital expenditure during 2004 was \$222 million higher than in 2003, mainly due to the inclusion of Ashanti, which added \$106 million.

Capital expenditure in Namibia increased from \$2 million in 2003 to \$21 million in 2004 with the conversion of Navachab from contractor-mining to owner-mining. In South Africa, capital expenditure increased by 39% to \$335 million. This was primarily due to the exchange rate, as the corresponding rand figure was 19% higher. In Australia, capital expenditure increased from \$21 million to \$28 million, primarily because of the Sunrise Dam underground feasibility and trial mining project.

Capital expenditure in the USA decreased from \$27 million to \$16 million as a result of the of higher expenditure in 2003 on the expansion project at Cripple Creek & Victor as well as the sale of Jerritt Canyon.

Investments acquired during 2004 include a 17.5% stake in Trans-Siberian Gold at a cost of \$16 million and a 12% interest in Red 5 at a cost of \$4 million. During 2004, the assets in Western Tanami were sold, for which \$3 million was received in cash and \$4 million in shares in Tanami Gold Mine.

Proceeds from the disposal of tangible assets amounted to \$9 million. This related to the disposal of assets in the Western Tanami Project and the Union Reefs Gold Mine in Australia.

The acquisition of the Ashanti Goldfields Company Limited assets was accounted for as a purchase business combination and the total value of the assets acquired was funded through the issue of shares amounting to \$1,366 million and cash flow effects of \$171 million relating to transaction costs and funding, after adjusting for cash acquired of \$56 million.

Repayments of loans advanced included the purchase consideration in respect of the Free State assets of \$62 million, the Amapari project of \$16 million and Jerritt Canyon of \$5 million.

Cash outflows resulting from the restructuring of the AngloGold Ashanti hedge book amounted to \$123 million.

The net cash outflow after investment activities amounted to \$314 million.

Financing activities

The net cash flows from financing activities increased by \$211 million to an inflow of \$104 million in 2004 (outflow of \$107 million in 2003).

- Proceeds from borrowings during 2004 amounted to \$1,077 million, which included \$991 million raised through the issuance of \$1 billion 2.375% convertible bonds in February 2004. The bond is convertible into American Depositary Shares (ADSs) at a price of \$65.00 per ADS up to 27 February 2009. The proceeds of the issue, after payment of expenses, were utilised by AngloGold Ashanti to refinance amounts outstanding under credit facilities, to meet transaction costs in connection with the business combination with Ashanti and for general corporate purposes, including planned capital expenditure. The bond is guaranteed by AngloGold Ashanti.
- Repayment of borrowings includes \$232 million on the \$400 million syndicated loan facility, \$200 million on the \$600 million syndicated loan facility, \$139 million on the former Ashanti revolving credit facility, and \$65 million on the Geita Project Finance Facility. Other loan repayments comprise normal scheduled payments in terms of loan agreements.

As a result of the business combination with Ashanti, \$195 million in additional debt was acquired.

Cash inflows resulting from the restructuring of the AngloGold Ashanti hedge book amounted to \$40 million in 2004.

Dividend payments totalling \$198 million were made during the year. The dividend paid in 2003 was \$314 million. Dividends were financed from the proceeds of operating activities.

The effect of exchange rate changes on cash was a positive \$17 million during 2004.

On 27 January 2005, AngloGold Ashanti announced the signing of a new three-year loan facility agreement for \$700 million to replace the existing \$600 million facility that matures in February 2005. The facility will be used to repay the maturing facility of \$600 million (\$265 million drawn as at 31 December 2004) and for general corporate purposes. The new facility will reduce the group's cost of borrowings, as the borrowing margin over LIBOR will reduce from 70 to 40 basis points. The facility was arranged with a number of AngloGold Ashanti's relationship banks. The company expects to finance the repayment of debt scheduled to mature in 2005 from existing cash resources, cash generated from future operations, its existing debt facilities and, potentially, future debt facilities and debt instruments.

The net result of the operating, investing and financing activities amounted to a net cash outflow of \$210 million which, when deducted from the opening balance of \$505 million, and a positive translation of \$17 million, resulted in a closing cash and cash equivalents balance of \$312 million.

Hedging overview including restructuring of the AngloGold Ashanti hedge book

AngloGold Ashanti actively manages its hedged commitments under changing market circumstances. Following the completed AngloGold Ashanti business combination, the combined hedge books amounted to 12.5Moz at 30 June 2004. This had been reduced to 10.49Moz ounces at year-end.

The company has previously indicated its intention to continue with the reduction in hedging levels. The argument for this reduction has been further supported by the company's positive view of the gold price in the current market cycle. The company believes that market circumstances favourable for the gold price are likely to remain in place for some time and that the gold price will continue to trade in the current range, or higher.

A substantial restructuring of the hedge commenced in late December 2004 and was completed in January 2005. This resulted in a reduction in the net delta of the combined hedge by 2.2Moz during the fourth quarter. The restructured hedge now represents cover equal to 31% of five years' production spread over a ten-year period.

This improvement was achieved by the elimination of lower-priced contracts from the hedge and cash injections of \$83 million (net) into the book in the final quarter of 2004 and an additional \$76 million (net) in January 2005.

The level of cover for 2005 is approximately 10% of projected production for the year, while in 2006 it is approximately 17% of projected production.

Balance sheet

On 23 April 2004, the High Court of Ghana confirmed the scheme of arrangement between Ashanti and its shareholders pursuant to which AngloGold would acquire the entire issued ordinary share capital of Ashanti. The confirmation of the High Court was lodged with the Registrar of Companies in Ghana on Monday, 26 April 2004, and the acquisition of Ashanti and the name change to AngloGold Ashanti Limited became effective on 26 April 2004. Ashanti Goldfields Company Limited has been consolidated from this date.

On 10 September 2004, AngloGold Ashanti confirmed its agreement to sell its entire interest in Ashanti Goldfields Zimbabwe Limited to Mwana Africa Holdings (Pty) Limited for a deferred consideration of \$2 million, R15 million. The sole operating asset of Ashanti Goldfields Zimbabwe Limited is the Freda-Rebecca gold mine. The sale of the mine became effective on 1 September 2004.

Net debt to net capital employed remained constant year-on-year at 21% compared to 20% in 2003. The increase in equity with the issuing of shares for Ashanti was largely negated by the increase in borrowings as a result of the issuing of convertible bonds.

Recent developments

AngloGold Ashanti and Oxiana Limited form exploration alliance

On 13 December 2004, AngloGold Ashanti announced that it had entered into an exploration alliance with Oxiana Limited to explore for gold in Laos. Laos is highly prospective for both gold and copper but is under-explored. Projects generated will be owned jointly by AngloGold Ashanti and Oxiana, with AngloGold Ashanti having an option to earn an additional 10% equity in any project generated, by either solely funding the first \$10 million of expenditure where a project is still to be drilled, or sole-funding through to completion of a bankable feasibility study where a significant drill intersection has already been made.

AngloGold Ashanti and Trans-Siberian Gold plc agree to extend deadline

On 23 December 2004, AngloGold Ashanti announced that the deadline to subscribe for the second tranche of new ordinary shares in Trans-Siberian Gold plc had been extended from 31 December 2004 to 15 April 2005. The extension has been agreed because the

condition in the subscription agreement relating to the financing of Trans-Siberian's Asacha project would not be satisfied by 31 December 2004.

AngloGold Ashanti approves expansion project at Cuiabá in south-eastern Brazil

On 27 January 2005, AngloGold Ashanti announced that approval had been given by its board for a \$121 million expansion project at the Cuiabá mine, in south-eastern Brazil. The project will focus on deepening below the existing mine, thereby increasing production from the current level of 190,000 ounces per year, to an estimated 250,000 ounces per year at a cost of \$169 per ounce over the life of the project, and will extend the life-of-mine profile by six years to 2019.

Outlook

In 2005, production is estimated to be 6.5Moz at an average total cash cost of \$273 per ounce, assuming the following exchange rates: R/\$6.20:1; A\$/\$:0.77:1; BRL/\$2.80:1 and Argentinean Peso/\$3.00:1. Capital expenditure is estimated at \$655 million.