

Business overview – the gold market

Products

AngloGold Ashanti's main product is gold. Revenue is also derived from the sales of silver, uranium oxide and sulphuric acid. AngloGold Ashanti sells its products on world markets.

Gold market

The gold market is relatively liquid compared with many other commodity markets. Physical demand for gold is primarily for fabrication purposes, including jewellery (which accounts for 80% of fabricated demand), electronics, dentistry, decorations, medals and official coins. In addition, central banks, financial institutions and private individuals buy, sell and hold gold bullion as an investment and as a store of value.

The use of gold as a store of value (a consequence of the tendency of gold to retain its value in relative terms against basic goods, and particularly in times of inflation and monetary crisis) and the large quantities of gold held for this purpose in relation to annual mine production have meant that, historically, the potential total supply of gold is far greater than demand at any one time. Thus, while current supply and demand play some part in determining the price of gold, this does not occur to the same extent as with other commodities. Instead, the gold price has from time to time been significantly affected by macro-economic factors such as expectations of inflation, interest rate changes, exchange rate changes, changes in reserve policy by central banks, and by global or regional political and economic events. In times of price inflation and currency devaluation, gold is often bought as a store of value, leading to increased purchases and support for the price of gold.

The market in 2006

Continued strong levels of investor and speculator interest in 2006 combined with exceptional volatility in the first half of the year pushed the gold price to 26-year highs. After reaching a \$725 per ounce

peak in the second quarter, gold pulled back to \$562 per ounce in June, followed by a renewed bout of investor interest that drove the price back to the mid-\$600s in July. Unsurprisingly, price volatility peaked in the second quarter, with relative stability returning to the gold market in the latter part of August and continuing through to year-end.

In 2006 there was again a correlation between the dollar exchange rate against the euro and the gold price. From an opening exchange rate of \$/€1.18 for the year, the dollar closed the year at \$/€1.33, thus providing strong support for a higher gold price.

During 2006, the South African rand did not appreciate in line with the weaker US currency. The rand opened the year at R6.34/\$1 and closed the year very much weaker at R7.00/\$1. This weakening helped push the rand gold price to new highs of R157,000/kg in July and to an average of R131,335/kg for the year, or some 45% higher than the average rand gold price for the previous year.

Investment

The wholesale market of exchange traded funds (ETFs), commodity exchange activity and over-the-counter purchases was generally strong in 2006, with particularly robust interest evident in the gold ETF market, which saw the launch of several new funds. The total net number of ounces held by ETFs almost doubled over the course of 2006, from 11 million ounces in January to 20 million ounces at year-end, and these investors would appear to be longer-term holders, as the ETFs only experienced small net disinvestment during periods of weakening gold prices.

Another key development in 2006 was the rise in investor interest in physical gold, especially among high net worth individuals seeking wealth preservation instruments in the face of continued geopolitical and economic uncertainty. This type of safe haven buying was a

marked difference to the approach of this group to gold investments in the past several years, when the main focus seemed to be short-term profits.

Gold has also benefited from the move by some investment funds, such as pension funds, to allocate a portion of their assets to commodities. Some of this investment is made through commodity indexed funds, which saw investment values grow by some \$100 billion during the year.

Demand

The decline in physical offtake that began in the last quarter of 2005 continued through the first half of the year and into the early part of the third quarter. Although some recovery was seen in the last months of the year, total global demand for 2006 ended 5% lower year-on-year, or 3,866 tonnes compared with 4,070 tonnes in 2005. The decline was due chiefly to a considerable decrease in jewellery offtake, particularly apparent in the first two quarters of the year, when jewellery demand dipped below total mine production in the face of a high spot price and considerable volatility in the market. Scrap supplies of gold onto the market increased significantly during this period, and gold jewellery manufacturers were further adversely affected as banks made margin calls to cover the higher value of gold inventory loans. In response, manufacturers were generally forced to increase their loan collateral or repay loans by cutting production or liquidating stock.

A marked change in trend was evident in the third quarter when the gold price began to stabilise, albeit at relatively elevated levels. This appeared to denote a move amongst consumers, particularly in Asia and the Middle East, towards accepting gold prices closer to \$600 per ounce. Consumption increases in the second half of the year were evident in key markets such as India, when declining price volatility coincided with the Diwali period, which resulted in

record gold imports for the fourth quarter even as the spot price steadied above \$600 per ounce. To a lesser extent, a late-year recovery in consumption was also evident in most parts of the Middle East, and Chinese jewellery fabrication had actually increased by the end of December, supported primarily by local consumption, with 18-carat gold taking a rising share of the market. North America saw some of the most significant retail price increases in recent years, with gold jewellery consumption in the United States down significantly in tonnage terms in 2006, despite the industry's shift to lighter carat and mixed-material products in response to the year's price volatility.

Despite the recovery in the fortunes of the physical market during the second half of the year, the significant May price rise and the related volatility that was the hallmark of the first six months of the year had a sustained impact on jewellery exports to price sensitive markets, including India and the Middle East. Major gold jewellery manufacturer and export hubs, such as Italy, suffered in turn as many distributors were reluctant to commit to stocks later in the year. The end result of a year of relatively high and volatile gold prices was a 16%, or 437 tonne, decline in global gold jewellery fabrication for the year.

Industrial demand grew healthily through the year, posting a 7% increase, thanks to especially robust demand from the electronics industry, which set a new record of 79 tonnes in the third quarter.

The importance of a strong physical market to provide offtake and floor price support remains. Significantly, research indicates that positive attitude and socio-economic changes have occurred among consumers, particularly women, in key markets towards gold jewellery, which bodes well for gold should investors and speculator interest subside.

Business overview – the gold market *cont.*

Official market

Official sector sales for the year are estimated to be 330 tonnes, some 50% lower than in 2005. The main cause of this decline was the 34% drop in gold sales by the Central Bank Gold Agreement (CBGA) signatories after this group did not fully utilise their allocation, selling only 104 of their 500 annual permissible tonnes. This was read as a bullish signal for both the gold market and investors, with most market analysts continuing to speculate that the CBGA signatories are indeed unlikely to fulfil their full quota for the remaining three years of the agreement. On an equally positive note, the reserves of many of the Asian central banks continue to grow at a relatively fast rate, and the prospect remains for these banks to diversify their reserve holdings into other investments, including gold.

Hedging

Gold producers continued to reduce their hedging positions during the year through deliveries into hedges and through buybacks. It is estimated that this added some 403 tonnes of demand during 2006. It is expected that the hedged producers will continue this strategy in 2007.

As at 31 December 2006, the net delta hedge position of AngloGold Ashanti was 10.16 million ounces or 316 tonnes, valued at the spot price of gold on that day of \$636 per ounce. The marked-to-market value of the hedge position at this date was negative \$2.903 billion. Due to the higher gold price of \$636 per ounce at year-end compared with the previous year-end gold price of \$517 per ounce, the hedge position only reduced by 0.68 million ounces while the marked-to-market value increased by negative \$0.962 billion from a negative \$1.941 billion.

Marketing channels

Gold produced by AngloGold Ashanti's mining operations is processed to saleable form at various precious metals refineries.

Once refined to a saleable product – either a large bar weighing approximately 12.5 kilograms and containing 99.5% gold, or smaller bars weighing 1.0 kilograms or less with a gold content of 99.5% and above – the metal is sold directly by the refineries to bullion banks and the proceeds are paid to the company.

Bullion banks are registered commercial banks that deal in gold. They participate in the gold market by buying and selling gold and distribute physical gold bullion bought from mining companies and refineries to physical offtake markets worldwide. Bullion banks hold consignment stocks in all major physical markets such as those in India and South East Asia, and finance such consignment stocks from the margins charged by them to physical buyers, over and above the amounts paid by such banks to mining companies for the gold.

Where forward sales contracts exist against which AngloGold Ashanti elects to deliver physical product, the same channel of the refinery is used. In this case, the refinery does not sell the metal on the company's behalf, but instead delivers the finished gold bars to the bullion bank with which the group's forward contract is held. The physical delivery to the counterparty bank of the appropriate amount of gold fulfills AngloGold Ashanti's obligations under the forward contract, and AngloGold Ashanti is paid for this gold by the relevant bullion bank, at the price fixed under the forward contract, rather than at the spot price of the day.

Gold market development

Since its inception AngloGold Ashanti has been committed to growing the market for its product, particularly as gold jewellery sales in many developed markets have declined materially over the years in favour of other luxury goods. In response, the company's marketing programmes aim to increase the desirability of gold to sustain and grow demand and to support the deregulation of the

market in key economies. AngloGold Ashanti's market development activities centre on the following areas:

- strategic projects undertaken in key and critical gold jewellery offtake markets (USA, India, China, Italy, Middle East), which aim to develop positive corporate identification and recognition while achieving, where sensible and possible, financial returns for AngloGold Ashanti;
- host country projects of a downstream development nature; and
- AuDITIONS, the company's gold jewellery design competition.

AngloGold Ashanti remains a member of the World Gold Council (WGC) and through its membership receives assistance in all its marketing endeavours. Beyond this, AngloGold Ashanti has committed to undertake marketing projects in partnership with the WGC, which also separately ensures that core global co-operative marketing activities are serviced.

Strategic projects

INDIA

In India, the world's largest consumer market in terms of tonnage, gold demand is firmly based on cultural and religious traditions and is seen as a symbol of wealth and prosperity. It is also considered to be an auspicious metal that is bought and given as gifts during religious festivals.

With the assistance of a pre-eminent Indian jewellery retailer, AngloGold Ashanti's projects in India are intended to help bring about the modernisation of the country's traditional gold jewellery sector. One concept centres on transforming the traditional, semi-urban jewellery retailing environment into a more modern and efficient one that presents rural consumers with a high-quality, professional and trusted 'local' jewellery store, which can better compete with stores selling such lifestyle items as electronics and

cell phones. Other concepts focus on the development and distribution of branded collections of jewellery into the market.

CHINA

China has been identified as a key strategic market by AngloGold Ashanti both because of its size – it is the third largest market worldwide for jewellery – and because of its potential for growth. In China, AngloGold Ashanti has partnered with a Hong Kong-based retailer to develop jewellery that targets the independent, educated woman wishing to express her independence and individuality through accessories in gold.

Together with the retailer, AngloGold Ashanti is co-sponsoring a gold jewellery design competition based on the theme Just Women to encourage the design of gold jewellery profited on modern and independent Chinese women. The competition jewellery range will be commercialised and retailed through the partner's stores. AngloGold Ashanti has also undertaken to support the development and roll-out of the partner's flagship retail outlets in key cities on mainland China.

USA

The American gold jewellery market – the largest region by value and third largest by volume – is characterised primarily as an adornment market in which gold jewellery is purchased mainly as a fashion accessory. During the past 10 years, there has been slippage in gold jewellery consumption in volume terms in this market relative to other luxury and lifestyle goods. Contributing in part to this decline has been the 'commoditisation' of gold jewellery with the mass-market retail channel tending to sell jewellery according to price rather than design style. Consumer research, however, suggests that customers here shop in a fashion- and trend-conscious way and are therefore receptive to brands and branding. Furthermore, this market is viewed by consumers in other important consumption categories as

Business overview – the gold market *cont.*

an opinion- and trend-forming market, thus influencing the purchasing motives and buying patterns of the consumer base in the United States which in turn can influence other key consumption regions around the world.

In response to these factors, AngloGold Ashanti, together with the World Gold Council, partnered with a large United States jewellery wholesaler and distributor in 2005 to develop and promote at retail level selected collections of gold jewellery from the new product ranges of the Italian-based Gold Expressions manufacturers. This project was launched at the Vicenza Jewellery Fair in January 2006 and is intended to strategically promote the sale of fashionably-designed and progressively-styled gold jewellery in the United States retail market and to lay the foundation for Italian manufacturers to build either themselves or their products into consumer brands.

MIDDLE EAST

As a region, the Middle East (comprising the United Arab Emirates, Turkey and Saudi Arabia) is the second largest consumer market for gold in volume terms. The increase in disposable income in this region as a result of both higher oil revenues and rising numbers of tourists has had a positive impact on gold jewellery consumption. While the challenge from increasingly more prominent lifestyle, luxury and branded products is clearly growing – as it is in other markets – the gold category in the Middle East has so far sustained its already high gold consumption per capita rates compared with growth in population and per capita disposable income.

AngloGold Ashanti has partnered with the WGC and a leading jewellery wholesaler in the region to develop a business concept to launch and promote at the local retail level selected collections of mid- to high-end gold jewellery from the product ranges of Italian-based manufacturers, some of whom already participate in the Gold Expressions initiative. The project is intended to improve the gold

jewellery product and retailing proposition offered both to the domestic and also to tourist segments in the Middle East.

HOST COUNTRY JEWELLERY SECTOR DEVELOPMENT

Historically, AngloGold Ashanti's marketing efforts have been involved in the growth and development of the jewellery sector in countries that host the company's operations. These projects are intended to bring benefit to the company on several levels:

- corporate image building;
- creation of potential goodwill by supporting, where possible, host governments' beneficiation agendas; and
- providing a platform for strategic market development projects.

These projects will continue to be important for jewellery sector development going forward and will be focused primarily in South Africa, Brazil and Ghana. AngloGold Ashanti continues to hold a 25% stake in OroAfrica, the largest gold jewellery manufacturer in South Africa, with projects in Ghana and Brazil currently under investigation.

AuDITIONS

In 2004, following the merger of AngloGold with Ashanti, the AngloGold Ashanti AuDITIONS brand was created to unite the company's gold jewellery design competitions and to reinforce the company's brand in look, feel and character. The concept of AuDITIONS is premised on the metaphor of the performing arts, with designers auditioning in gold through their pieces.

The overall strategic objective of AuDITIONS is to stimulate innovative design in high-carat gold around the world in order to raise the profile of and stimulate demand for this jewellery category amongst consumers. By ultimately providing consumers with AuDITIONS-inspired consumer product, the project seeks to promote AngloGold Ashanti to jewellery industry participants and

consumers and to build relationships with stakeholders in key gold markets.

It is the intention to build AngloGold Ashanti AuDITIONS into a global brand and, with the help of the WGC, the competition has been extended to the key gold markets of India and China, with the Middle East to be added in 2007. The first AuDITIONS India competition was launched in 2005, with the final awards event taking place in March 2006, while the first Chinese competition was launched in 2006 and will culminate in an awards event in March 2007.

Uranium

As South Africa's largest uranium producer, AngloGold Ashanti announced in July 2006 that its London-based nuclear fuel marketer and trader, Nufcor International Limited, a 50:50 joint venture with First Rand International had established and listed a new investment company, Nufcor Uranium Limited, on London's Alternative Investment Market (AIM). This new listing, in which Nufcor International holds 10% and the remaining shares are held by institutional investors, for the first time gives equity investors

direct exposure to the uranium price in the form of U_3O_8 on a European exchange. Nufcor Uranium listed on AIM at 205 pence and ended the year up 49% at 304.50 pence. The strategy of Nufcor Uranium is to buy and hold uranium oxide, in the form of U_3O_8 , for the long term and not to trade it actively. Nufcor International is contracted to provide custodial and advisory services to Nufcor Uranium.

More generally, the nuclear fuel market remained strong during 2006 with uranium oxide prices increasing from \$36 per pound to \$72 per pound by year-end and indeed increasing by a factor of 10 this decade. A number of drivers have sustained the price increases, including significant changes in the uranium sales processes. Most notable, however, is the fact that the underlying supply-demand fundamentals for uranium are strong, given robust projected demand for nuclear energy from countries such as India, Russia, and China. In addition, operational difficulties on the supply side in Canada in late October triggered the highest monthly increase in the uranium oxide price on record. Given these strong market fundamentals, further substantial increases in prices can be anticipated in the near term.

Business overview – financial review

Results for the year

- Average dollar gold spot price of \$604 per ounce, 36% higher than in 2005.
- 2006 received gold price increased by 31% to \$577 per ounce.
- Adjusted gross profit up by 125% to \$1,058 million.
- Adjusted headline earnings increased by 105% to \$413 million from \$201 million or to 151 US cents per share in 2006 from 76 US cents per share in 2005.
- A final dividend of 240 South African cents per share or approximately 33 US cents per share was declared, resulting in a total dividend for 2006 of 450 South African cents or approximately 62 US cents per share.
- Successful \$500 million equity raising in April 2006 at a discount of less than 1% to the prevailing market price.
- Return on net capital employed increased from 5% to 9%.
- Return on equity increased from 4% to 9%.
- Gold production from continuing operations was 9% lower at 5.6 million ounces, largely owing to decreased production from the Tanzanian operations and planned reductions in production at the South African operations.
- Total cash costs increased by 10% to \$308 per ounce, largely owing to the impact of stronger operating currencies, inflation and lower grades mined in the year.
- Ore Reserves increased 6% to 66.9 million ounces and Mineral Resources 3% higher at 181.6 million ounces as at the end of December 2006.

Exchange rates

The average exchange rate for the year ended 31 December 2006 was R6.77:\$1 compared with R6.37:\$1 in 2005. The average value of the Australian dollar versus the US dollar for 2006 was A\$1:\$0.75 compared with A\$1:\$0.76 in 2005. The average value of the Brazilian real versus the US dollar for 2006 was BRL2.18:\$1 compared with BRL2.44:\$1 in 2005.

Gold production

The decrease in production of 531,000 ounces to 5.6 million ounces was largely a result of delays in the mining schedule to access the high-grade ore at the Geita mine in Tanzania, which reported production of 308,000 ounces in 2006 compared to 613,000 ounces in 2005, a decline of 305,000 ounces. The South African mines reported production of 2,554,000 ounces compared to 2,676,000 ounces in 2005, a reduction of 122,000 ounces, in line with our plans for 2006. With the move to tailings-only production, the Bibiani mine in Ghana produced 37,000 ounces in 2006 compared to 115,000 ounces in 2005, a reduction of 78,000 ounces, before the operation was sold at the end of November 2006. The remaining group mines generally reported production similar to that of 2005.

Income statement

Gold income

The average gold spot price of \$604 per ounce for the year was 36% higher than that in 2005. However, the received gold price increased by \$138 per ounce or 31% to \$577 per ounce.

Gold income increased by 13%, rising from \$2,629 million in 2005 to \$2,964 million in 2006.

This increase was primarily a result of the improvement in the received price of gold offset by the reduction in ounces sold.

Cost of sales

Cost of sales declined by 1% from \$2,309 million in 2005 to \$2,282 million in 2006. This was largely attributable to the lower production, and a mix of currency and inflationary effects, resulting from increased mining contractor costs and higher diesel, fuel, transport and electricity prices. This was partially offset by the effects of cost-saving initiatives.

Cost of sales changes can be analysed as follows:

- Total cash costs decreased to \$1,746 million in 2006 from \$1,766 million in 2005 (although unit costs increased from \$281 to \$308 per ounce), mainly as a result of the 9% reduction in production to 5.6 million ounces in 2006. Of the \$27 per ounce increase in per ounce cash costs, \$14 per ounce was due to inflation and \$36 per ounce to lower grades. These increases were partially offset by efficiency savings of \$10 per ounce, favourable exchange variances of \$7 per ounce, higher by-product effects of \$3 per ounce and other variances of \$3 per ounce.
- The cost savings programme was designed to eliminate \$100 million in costs by the end of 2006 and achieved savings of \$73 million.
- Retrenchment costs were \$22 million in 2006 compared with \$26 million in 2005. The costs in 2005 were incurred as a result of a general cost efficiency drive, the downsizing of operations at Savuka as it moves to closure, and staff reductions at other South African mines. In 2006, the general cost efficiency drive was continued with \$15 million incurred at Obuasi and a further \$7 million at the South African mines.
- Rehabilitation and other non-cash costs decreased by \$60 million compared with the previous year resulting in a credit of \$3 million compared to an expense of \$57 million, largely because of changes to estimates, the effect of interest rates in the discounting and a reassessment of the processes to be undertaken to complete the group's restoration obligations.
- The amortisation of tangible assets at \$597 million was \$94 million higher than in 2005. This increase is largely attributable to a full year's amortisation of Moab Khotsonq, which is in its first full year of production, and a reassessment of the useful lives of our mining assets in accordance with the revisions to the business plans at the beginning of the year.

- Inventory movement increased by \$37 million in 2006 compared with an increase of \$10 million in 2005. The favourable movement in inventory arose mainly as a result of the increase in heap-leach inventory at Cripple Creek & Victor in the United States and grade streaming at Siguiri in Guinea which resulted in more ore being milled than was mined.

Other expenses

- Corporate and other administration expenses increased by \$20 million on the previous year to \$84 million, mainly as a result of the costs associated with share-based payment expenses, increased audit fees related to the implementation of Sarbanes-Oxley and inflation.
- Market development costs amounted to \$16 million, most of which was spent through the World Gold Council.
- Exploration continued to focus around the operations in the countries in which the group operates, 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, Alaska, China, Mongolia and Russia. Total exploration spend for 2006 was \$103 million of which \$51 million was for greenfields exploration. The increase in exploration costs of \$24 million on the previous year was a result of increased expenditure particularly in South America and Australia.
- Loss on non-hedge derivatives and other commodity contracts was \$239 million in 2006 compared to a loss of \$135 million in the previous year. The loss is primarily a result of 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.

Business overview – financial review *cont.*

- Other operating expenses include post-retirement medical provisions for operations, mainly in South Africa, of \$8 million and other employment costs of \$9 million.
- The group incurred an operating special items loss of \$18 million which arose from an impairment of various assets of \$6 million, underprovisions in indirect taxes of \$28 million and share-based payment expenses of \$38 million arising from performance grants and the costs of the BEE transaction, partially offset by profits on the disposal of and recoveries from various assets of \$54 million.

Operating profit (loss)

The group achieved an operating profit in 2006 of \$246 million compared with an operating loss of \$34 million in 2005, as a result of the increased revenue from the average gold price, reduced costs of sales, offset by the effects of the unrealised loss on the hedges.

Adjusted gross profit increased by 125%, from \$470 million to \$1,058 million. Major factors affecting adjusted gross profit positively were the significantly higher gold price, which contributed \$773 million and the effect of weakening operating currencies, mainly in South Africa of \$54 million, improved by-product credits from sales of uranium, silver and sulphuric acid of \$39 million, and estimate revisions on rehabilitation and restoration of \$60 million. On the negative side was inflation, which reduced profit by \$89 million, lower grades mined \$229 million and increased royalties of \$19 million as a result of the higher average gold price. Amortisation costs increased due to increased capital expenditure.

Loss attributable to equity shareholders

After achieving an operating profit of \$246 million, the loss attributable to equity shareholders resulted from the net effect of the following:

- Interest received increased by \$7 million to \$32 million, mainly as a result of increased funds arising from the share issue completed during the year and the increased positive cash flow from the higher average gold price.
- Finance costs increased by \$15 million to \$123 million, mostly as a result of interest due on overdrafts and bank loans, and the convertible bond. The unwinding of the decommissioning and restoration obligations amounted to \$16 million for the current year compared to \$9 million in the previous year.
- The taxation charge increased by \$215 million to \$180 million from a credit of \$35 million in 2005, primarily a result of increased earnings for the year and the increase in effective taxation rates; the effect of non-allowable deductions mainly related to the hedge losses in non-taxable jurisdictions, BEE transactions and the effect of certain foreign operations exiting their tax holidays.
- Minorities' share of earnings of \$30 million.

Adjusted headline earnings increased by 105% from \$201 million to \$413 million. Factors affecting adjusted headline earnings were mainly those affecting adjusted gross profit, increases in corporate and operating expenses, increased interest received and finance costs.

Cash flow

Operating activities

Cash generated from operations was a combination of profits before taxation of \$168 million as set out in the income statement, adjusted for movements in working capital and non-cash flow items. The most significant non-cash flow items were the movement on non-hedge derivatives of \$627 million and the amortisation of tangible assets of \$597 million.

Cash generated by operations of \$1,281 million was reduced by normal taxes paid of \$143 million to \$1,137 million.

Net cash inflow from operating activities was \$1,137 million in 2006, which is 86% higher than the amount of \$612 million recorded in 2005. The increase was mainly a result of the higher average gold price received for the year which in turn resulted in increased receipts from customers.

Investing activities

Funds of \$1,137 million generated from operating activities were used to grow the group and a sum of \$817 million was invested in capital projects.

Total capital expenditure for 2006 was \$95 million more than in 2005, mainly owing to increased expenditure of \$101 million for the Cuiabá expansion in Brazil and, in Australia, for Sunrise Dam as well as the build-up at Boddington of \$48 million in 2006. This increased expenditure was offset by reduced expenditure of \$34 million in South Africa and \$20 million in Guinea.

Investments acquired during 2006 include an increase in investments in the rehabilitation trust funds established by AngloGold Ashanti in compliance with regulatory requirements, the investments made for the establishment of a listed vehicle fund in uranium by a joint venture.

Proceeds from the disposal of investments, tangible and discontinued assets amounted to \$132 million. This related to the disposal of assets and discontinued assets arising from the cessation of operations at Ergo and various smaller exploration properties and the net proceeds on disposal of part of the interest in the listed vehicle fund in uranium on its initial listing in London.

Financing activities

The net cash flows from financing activities decreased by \$192 million to an outflow of \$110 million in 2006 (inflow of \$82 million in 2005):

- Proceeds from the share issue undertaken in April 2006 and employee share options exercised amounted to \$507 million,
- Proceeds from borrowings during 2006 amounted to \$226 million, and included a \$140 million drawdown on the \$700 million syndicated loan facility and other sundry amounts.
- Repayment of borrowings amounted to \$623 million and included \$415 million on the \$700 million syndicated loan facility, and \$129 million on short-term money market borrowings. Other

loan repayments included normal scheduled payments in terms of loan agreements.

- Dividend payments totalling \$132 million were made during the year, compared with dividends paid of \$169 million in 2005.

The net result of AngloGold Ashanti's operating, investing and financing activities was a net cash inflow of \$289 million which, when combined with the opening balance of \$209 million, and a negative translation of \$3 million, resulted in a closing cash and cash equivalents balance of \$495 million.

Overview of the hedge book

AngloGold Ashanti actively manages its hedged commitments in a value accretive manner. During 2006, in addition to delivering in and buying back a number of hedge contracts, the company also restructured a number of hedge contracts maturing in the near term into later years. The company currently believes that market circumstances favourable to the gold price are likely to remain in place for some time.

Outlook

AngloGold Ashanti expects production for 2007 to improve to 5.8 million ounces as Moab Khotsong continues to ramp up production, the Cuiabá expansion in Brazil is completed and higher grades are accessed at Sunrise Dam in Australia. Total cash costs are anticipated to be \$309 per ounce, based on the following exchange rate assumptions: R7.50/\$, A\$/0.76, BRL2.2/\$ and ARS3.15/\$.

Capital expenditure for 2007 is expected to be \$1,070 million and will be managed in line with profitability and cash flows. The largest increase over prior years is due to Boddington in Australia and some expansion at the South African operations.

In order to simplify the reporting effect of gold hedges on the received price, from 1 January 2007, AngloGold Ashanti will report an average received gold price which will be similar across all of its mines.