

## Letter from the chairman and chief executive officer



Russell Edey, Chairman

*Investor and  
speculator interest  
in gold led to  
the price reaching  
a 26-year high of  
\$725 per ounce  
in May 2006,  
with an annual  
average price for 2006  
of \$604 per ounce,  
36% higher than  
in 2005.*

AngloGold Ashanti's adjusted headline earnings for 2006, at \$413 million, were the highest in the nine-year history of the company. In a 12-month period in which the spot price of gold rose by 36%, the company's adjusted headline earnings increased by 105%, clearly demonstrating AngloGold Ashanti's leverage to a rising gold price. These sound financial results were achieved in a year during which AngloGold Ashanti's gold production was 9% lower than 2005 at 5.6 million ounces.

Although total cash costs for the year increased by 10% to \$308 per ounce, the company's continued cost management programme, which achieved savings of \$160 million in 2005, yielded a further \$73 million in savings during 2006. We are particularly pleased with this performance in the face of rising global commodity input prices. \$50 million of these savings was derived from the South African operations, which yielded some \$144 million savings in 2005.

AngloGold Ashanti's workplace safety performance during 2006 is of concern to us. Over the last eight years, the company has seen a steady improvement in both its lost time injury statistics and in the number of serious and fatal accidents. In 2006, however, we experienced a deterioration in these trends: during the year 37 of our employees lost their lives in work-related accidents. On our South African mines, where 32 of these occupational fatalities occurred, 78% were as a result of falls of ground, many caused by underground seismic activity. The company's management is comprehensively reviewing its safety strategy and we are determined to return to the improving, downward trend. That this is possible is indicated by the solid performance of several operations, including Cripple Creek & Victor in Colorado – which has operated without a lost-time injury since November 2003. Our employees and the trade unions that represent them will be our full and equal partners in the revitalised safety programmes. We want each employee to become a safety supervisor looking after his own safety and that of the colleague working next to him.

Reversing the trend in 2005, when the company's ore reserves decreased by 15.6 million ounces, in 2006 AngloGold Ashanti recorded an increase in total ore reserves before depletion of 10.1 million ounces. After depletion, this represents a 6% increase year-on-year, from 63.3 million ounces in 2005 to 66.9 million ounces in 2006. Significant additions included 2.9 million ounces at Mponeng due to the inclusion of the VCR Below 120 Level project, and 1.1 million ounces at Cripple Creek & Victor as a result of a planned extension of that operation's life.

This increase is evidence of the increasing achievement of our growth objective, which is central to ensuring sustainable returns for shareholders and benefits to all of our stakeholders. We have in place a strong pipeline of organic growth projects, where the focus is on bringing to account value-accretive ounces at reasonable costs. With five major capital projects currently underway at operations in South Africa, Brazil and Australia, we believe we are doing this effectively. Additionally, we continue to maintain and expand our cost-effective brownfields exploration programme, which is focused on continuing to increase our reserve and resource base around our existing operations, and our greenfields exploration initiatives underway in seven countries around the world, with substantial resources in 2007 earmarked for our sites in the Democratic Republic of Congo, Colombia and Tropicana in Western Australia.

An effect of this growth strategy is to place the group in its highest-ever capital investment phase. However, we will continue to balance our capital expenditure and our dividend allocation on the basis of both prudent financial management and ensuring strong total returns to shareholders. In this spirit, a dividend of 240 South African cents (or 33 US cents) per share has been declared for the six months ended 31 December 2006, resulting in a total dividend for the year of 450 South African cents (or 62 US cents). This compares with a total dividend paid in 2005 of 232 South African cents (36 US cents).



*Bobby Godsell, Chief Executive Officer*

## Letter from the chairman and chief executive officer *cont.*



We continue to take a positive view of the market for and price of our product. The average spot price for the year of \$604 per ounce was 36% higher than the average for 2005 and the greatest annual gain since 1980. With the key drivers of the price – the investment and physical market, currencies and interest rates – all continuing to sustain demand, we are confident that gold will continue to trade in its present range, or higher, for the foreseeable future. In this market context, AngloGold Ashanti's strategy of actively managing its hedge book so as to reduce our forward sale commitments and expose more of our production to a rising price will be maintained.

In April 2006 Anglo American sold, via a placement, approximately 14.6% of its shares in AngloGold Ashanti, worth some \$1 billion, reducing its holding to 41.8% and giving effect to its decision to reduce its shareholding in this company and, consequently, to provide us with greater strategic flexibility. Simultaneously with this secondary placement, AngloGold Ashanti raised some \$500 million via a primary placement. This \$1.5 billion placement involving nearly 30 million shares, was priced at an impressive 1% discount to both the price the day before and the 30-day weighted average price.

Another key challenge which management continues to successfully address is the health of our employees and the communities in which they live. In South Africa during 2006, 23,389 (or 75% of the workforce) tested their HIV/AIDS status, illustrating the company's success of campaigns promoting counselling and testing. Over 4,500 employees are enrolled in wellness programmes and nearly 1,500 are receiving anti-retroviral therapy (ART). Of those on ART, 88% have been declared fit to work by their attending clinician. 80% of patients on ART have undetectable viral loads after two years of treatment.

The malaria control programme now in operation in the Obuasi district in Ghana, which we implemented in April 2006, is one of the largest private sector malaria control programmes. This initiative has reduced the number of malaria cases being treated at the company's hospital by 50% and it is expected that further reductions will be achieved during 2007 and beyond. A similar programme will be initiated at the Geita mine in Tanzania.

These issues related to employee and community health, as well as the other social and environmental aspects of AngloGold Ashanti's commitments to its stakeholders are comprehensively addressed in the Report to Society component of our Annual Report, carried on the 2006 Annual Report website at [www.aga-reports.com](http://www.aga-reports.com).

To strengthen the partnership with our employees in South Africa, on 30 January 2007 we launched the Bokamoso Employee Share Ownership Plan. In terms of this plan, which includes all employees except for managers already benefiting from share schemes, each employee has become the outright owner of 30 of the company's shares, currently worth just over R10,000. The employee will benefit from the dividends paid on these shares, and will be required to hold them for three years following which they will vest in five equal annual tranches. Each employee will also benefit from the value uplift on another 90 shares, which will vest in the same proportions over the same periods. This scheme was fully developed with the three unions who represent our employees in South Africa and further deepens the partnership we have with these unions.

We are pleased to welcome to our board three new directors: Joseph Henry Mensah, who is the Chairman of the National Development Planning Commission in Ghana and a member of the Ghana Parliament; Siphon Pityana, Chairman of Izingwe Holdings, a BEE investment company which holds 0.5% of AngloGold Ashanti's shares as a result of the empowerment transaction which included the introduction of the Bokamoso Employee Share Ownership Plan; and Professor Wiseman Nkuhlu, who is a certified chartered accountant with the South African Institute of Chartered

Accountants and a past national president of that Institute, and a respected South African academic, professional and business leader. Professor Nkuhlu was also appointed deputy chairman of the Audit and Corporate Governance Committee, with effect from 4 August 2006.

We also note the resignation from the board of Lazarus Zim and Sam Jonah. Colin Brayshaw and Tony Trahar will retire from the board at the upcoming annual general meeting. We record our thanks to them for their contribution to the company during their tenure.

Looking ahead to the rest of 2007, gold production is estimated to be 5.8 million ounces at an average total cash cost of \$309 per ounce. Capital expenditure is estimated at \$1,070 million and will be managed in line with profitability and cash flow. We continue to have a positive outlook for the gold price and confidently anticipate another year of growth and improved value for our shareholders.

**Russell Edey**  
Chairman

**Bobby Godsell**  
Chief Executive Officer

20 March 2007

