Economic Performance

AngloGold Ashanti's USA office, located in Denver, Colorado

Contents

1. Mission and values EP2
2. Key indicators and milestones EP3
3. Review 2004 EP4
4. Reporting in line with GRI EP7
5. Case studies EP9

Group

5.1 Generating new ounces – doing business in new places EP9

South Africa

5.2 Meeting the Mining Charter's procurement targets EP11

5.3 Growing small businesses in southern Africa EP12

5.4 Ergo moves towards closure after 25 years EP13

5.5 Outsourced health care at Ergo EP15

5.6 Riches of Africa 2004 – six years on EP16

South America

5.7 Brazilian Designer Forum becomes leading event in Brazilian jewellery market EP18

EP2 1 Mission and values

AngloGold Ashanti's mission, values and business principles were developed in consultation with employees and are reviewed as part of an ongoing process to ensure that they more accurately reflect the group's purpose and the way in which it does business. This process continued in 2004 and was the subject of an internal communications campaign during the year.

AngloGold Ashanti's mission:

Our business is gold. We consistently strive to create value for everyone with a stake in our company, by finding and mining gold and by developing the market for our product.

Our values

- AngloGold Ashanti consistently strives to generate competitive shareholder returns. We do this by replacing profitable gold reserves and by continuously improving the performance of our key resources – our people, our assets and our product. We conduct ourselves with honesty and integrity.
- We provide our employees with opportunities to develop their skills while sharing risks and rewards in workplaces that promote innovation, teamwork and freedom with accountability. We embrace cultural diversity.
- Every manager and employee takes responsibility for health and safety; and together strive to create workplaces that are free of occupational injury and illness.
- We strive to form partnerships with host communities, sharing their environments, traditions and values. We want communities to be better off for AngloGold Ashanti having been there. We are committed to working in an environmentally responsible way.

Our business principles

We live our values through our business principles. These principles are applicable across AngloGold Ashanti and in all the countries in which we do business.

They inform the way in which we go about achieving our mission, balancing key economic, social, environmental and ethical values. These business principles which will evolve over time as we interact with our stakeholders, both internal and external, are:

- ethics and governance
- as an employer – safety and health
- as an employer – our labour practices
- in the community
- the environment

Sustainable development and economic contribution

The economic aspect of sustainability concerns the organisation's effect on the economic circumstances of its stakeholders and on the economic systems at local, national and global levels.

The economic contribution made by AngloGold Ashanti, which is far larger than just the financial profits generated by the company, includes the value of the money flows from its operations to employees and suppliers, and the taxes and royalties paid to governments.

For a detailed Value Added Statement, see the Annual Report 2004.

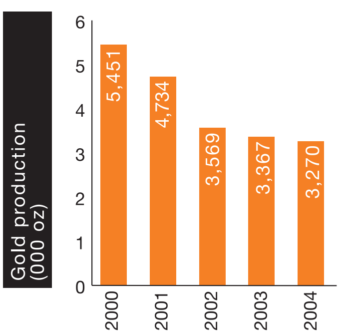


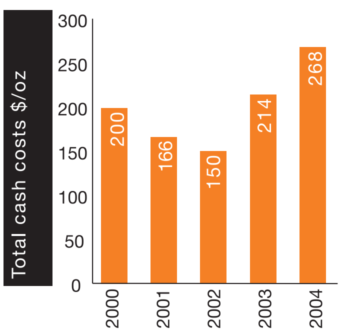

2 Key indicators and milestones

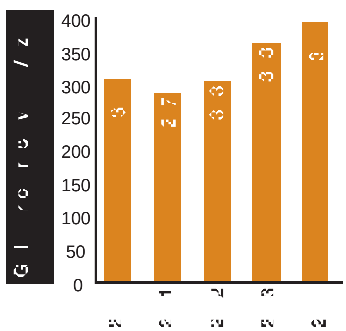
- Business combination between the operations of AngloGold Limited with those of Ashanti Goldfields Company Limited, effective 26 April 2004.
- Total gold production up 8% to 6.05 million ounces (2003: 5.62 million ounces).
- Total gold income of $2,396 million for 2004 (2003: $2,029 million).
- Total cost of goods and services used to operate mines and produce refined metal, including market development costs and net of other income, was $900 million in 2004 (2003: $760 million).
- Payments to employees, including salaries, wages and other benefits, totalled $860 million in 2004 (2003: $660 million).
- Net $40 million taxation utilised in the group. $142 million distributed in 2003.
- Dividends of $147 million distributed to shareholders.
- Financing costs and unwinding of decommisioning obligations of $87 million in 2004. In 2003 this was $53 million.
- Capital expenditure of $585 million in 2004 (2003: $449 million)[1].
- As at 31 December 2004, Ore Reserves were up 25% to 79 million ounces and Mineral Resources were 3% higher at 218 million ounces.

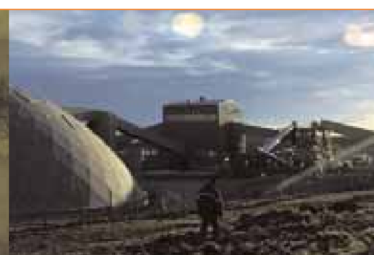
[1] 2003 restated to reflect the change in accounting treatment of Ore Reserve development expenditure

Key financial ratios	%
Return on net capital	7%
Return on equity	7%
Net debt to net capital employed	21%
Net debt to equity	27%
Cash operating margin	32%
EBITDA margin	28%
Interest cover	9 times









3 Review 2004

A full review of the 2004 financial year can be found in AngloGold Ashanti Annual Report 2004. The report is available in a printed format from the contacts listed on the back page or on the website at www.anglogoldashanti.com.

Adding value, creating wealth, generating income

The charts alongside illustrate the distribution of wealth generated by the company during 2004 as compared to 2003. A detailed value-added statement is presented in the Annual Report 2004.

Gold production

In 2004, AngloGold Ashanti produced 6.052 million ounces of gold from 22 operations in 11 countries. This was 8% up on 2003, largely as a result of the business combination between AngloGold and Ashanti. (Note that the Freda-Rebecca mine in Zimbabwe was sold during the year.)

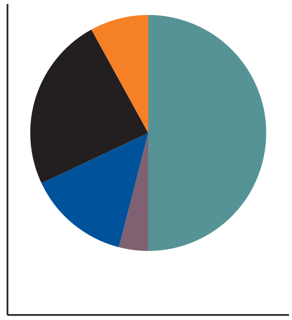
Income/revenue generated by destination

Total gold income of $2,396 million was generated in 2004 (2003: $2,029 million). The chart (bottom right) illustrates the breakdown by market in which this income was generated.

Gold production by country (000 oz)		
	2004	**2003**
Argentina	**211**	209
Australia	**410**	432
Brazil	**334**	323
Ghana	**485**	–
Guinea	**83**	–
Mali	**475**	577
Namibia	**67**	73
South Africa	**3,079**	3,281
Tanzania	**570**	331
USA	**329**	390
Zimbabwe*	**9**	–
Total gold production	**6,052**	5,616

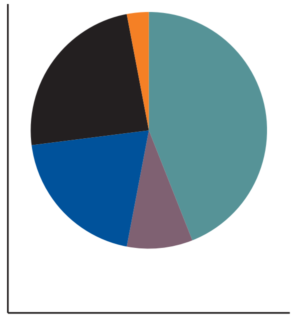
* The Freda-Rebecca mine in Zimbabwe was sold during 2004.

Distribution of wealth 2004



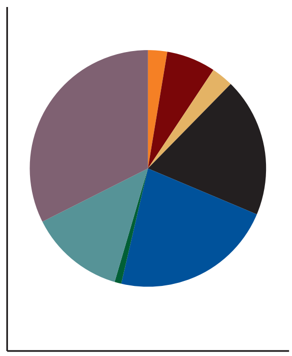
Employees for remuneration	50%
State for taxes	4%
Providers of capital	14%
Re-invested in the group	24%
Other	8%

Distribution of wealth 2003



Employees for remuneration	44%
State for taxes	9%
Providers of capital	20%
Re-invested in the group	24%
Other	3%

Gold income: Geographical analysis ($ million)



Africa	63
Asia	161
Australia	72
Europe	455
South Africa	534
South America	22
United Kingdom	312
USA	777

Distributions to employees

Distributions to employees (including executive directors) for 2004 amounted to $863 million (2003: $660 million) – 50% of the total value created by the group as compared with 44% of the value created being distributed to employees in 2003. The significant increase from 2003 to 2004 relates to the business combination between AngloGold and Ashanti.

Employee benefits ($ million)	2004		2003	
Salaries, wages and other benefits[1]	742	86%	551	84%
Health care and medical schemes[2]	64	7%	69	10%
Contribution to pension and provident plans	48	6%	36	5%
Retrenchment costs	9	1%	4	1%
Total	**863**	**100%**	**660**	**100%**

[1] Including executive directors
[2] Including post-retirement medical expenses

Gold market development

AngloGold Ashanti is the only gold company to dedicate resources to market development. During 2004, $15 million was spent on market development *(2003: $19 million). (See the Annual Report 2004 for further details, as well as case studies: Brazilian Designer Forum becomes leading event in Brazilian jewellery market on page EP18 and Riches of Africa 2004 – six years on, on EP16.)*

Distributions to shareholders – dividends

The dividends declared and paid during the 2004 financial year were as follows:

- final dividend for the second half of 2003 financial year: a dividend of 335 SA cents (50 US cents) per ordinary share was declared on 29 January 2004 and paid on 27 February 2004; and
- interim dividend for first half of 2004 financial year: a dividend of 170 SA cents (26 US cents) per ordinary share was declared on 29 July 2004 and paid on 27 August 2004.

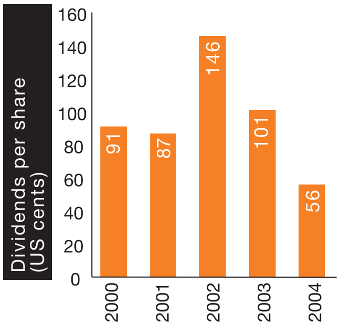
Stock exchange listings	Trading symbol
Ordinary shares listed on:	
JSE Securities Exchange South Africa (JSE)	ANG
London Stock Exchange	AGD
Euronext Paris	VA
Ghana Stock Exchange	AGA
Also quoted as:	
International Depository Receipts (IDR) in Brussels	ANG
American Depository Shares (ADS) on the New York Stock Exchange	AU
CHESS Depository Interest (CDIs) in Australia	AGG
Ghana Depository Shares (GhDS) in Ghana	AADS

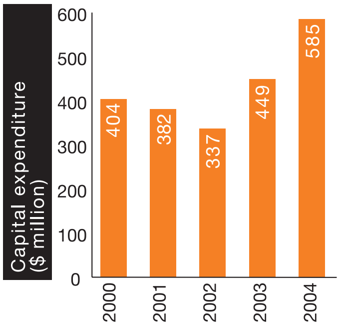
Finance costs

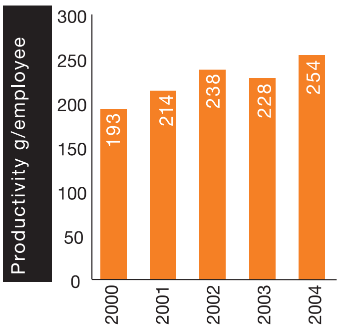
Finance costs expensed were $79 million in 2004 (2003: $49 million). This is after capitalising borrowing costs of $11 million (2003: nil).

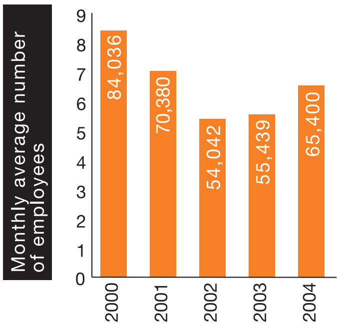
Capital expenditure

Capital expenditure during the 2004 financial year totalled $585 million. Of this, $329 million (56%) was for maintenance capital expenditure and $256 million (44%) on new projects.









Outlook for AngloGold Ashanti in 2005

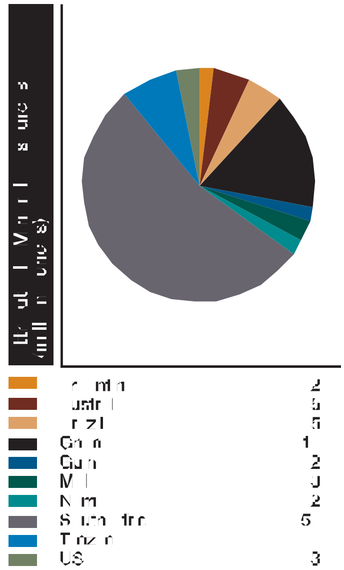
With the business combination of the operations of AngloGold Ashanti complete, overall production is forecast to rise by approximately 8% to 6.5 million ounces. Most of this increased production is expected to come from Obuasi in **Ghana**, Mponeng in **South Africa**, Geita in **Tanzania**, the **Malian** operations Sadiola and Yatela, and Siguiri in **Guinea**. In line with this, it has been estimated that capital expenditure will increase by 12% to $655 million.

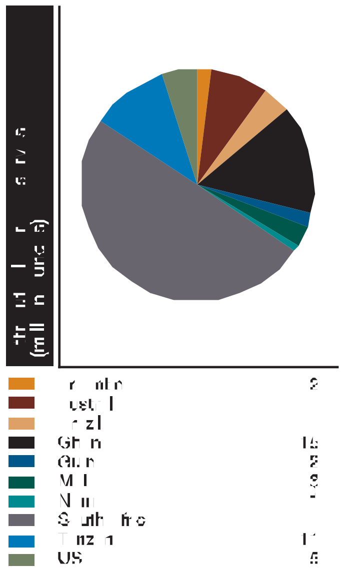
Exploration activities

The exploration programme is an integral part of AngloGold Ashanti's growth strategy and is aimed at sustaining or expanding existing operations (brownfields exploration) and discovering new gold deposits (greenfields exploration). Exploration expenditure totalled $81 million in 2004 (2003: $63 million).

Brownfields exploration was undertaken at most of the group's existing operations, while greenfields exploration was conducted in Australia, Mali, Canada, Alaska, Peru, the Democratic Republic of Congo (DRC), Colombia, China, Russia, Vietnam, Brazil and Mongolia.

The Annual Report 2004 contains a detailed review of exploration undertaken during the year. *(See case study: Generating new ounces – doing business in new places on page EP9.)*



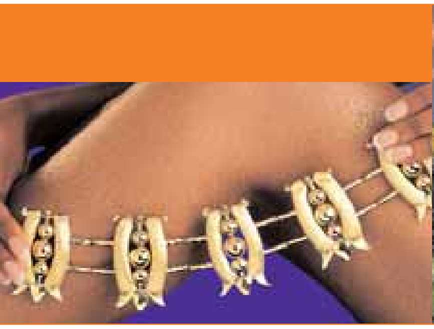


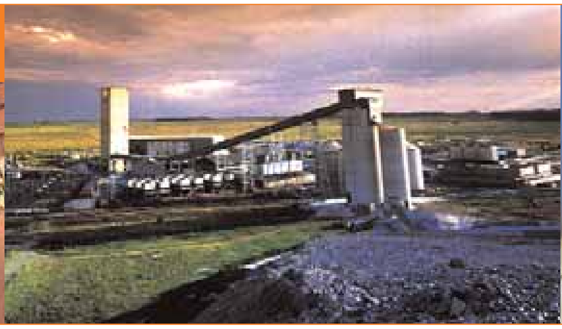
Attributable Mineral Resources and Ore Reserves (as at 31 December 2004)

Attributable Mineral Resources and Ore Reserves (million ounces)	Mineral Resources	Ore Reserves
Argentina	3.5	1.6
Australia	11.6	6.2
Brazil	10.9	2.8
Ghana	34.3	11.8
Guinea	4.2	1.7
Mali	5.7	2.3
Namibia	5.2	0.5
South Africa	117.0	39.1
Tanzania	18.1	9.0
USA	7.7	3.9
AngloGold Ashanti	**218.2**	**78.9**

Preparing for closure

Mining activities by their very nature have finite lives. An important part of current mining activity is the provision for environmental rehabilitation/restoration. A detailed account of environmental liabilities may be found in the environmental section of this report on page E13. The socio-economic implications of closure are equally important and are addressed in the community and labour sections of this report. The Ergo operation in South Africa will close in 2005: see the website – www.anglogoldashanti.com – for the Ergo case studies relating to closure.





Note: Significant increases from 2003 to 2004 are primarily as a result of the business combination between AngloGold and Ashanti.

Economic indicators	
Core indicators	Additional indicators
Direct economic impacts	
Customers	
***EC1. Net sales**	
Net sales (gold income) of: 2004: $2,396 million 2003: $2,029 million	
EC2. Geographic breakdown of markets	
See graph on page EP4	
Suppliers	
***EC3. Cost of all goods, materials, and services purchased**	**EC11. Breakdown of supplier by organisation and country**
2004: $900 million* 2003: $760 million* (*Cost of goods and services used to operate mines and produce refined metal, including market development costs, net of other income)	Information not available
EC4. Percentage contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements	
Information not available	
Employees	
***EC5. Total payroll and benefits (including wages, pension, other benefits, and redundancy payments) broken down by country or region**	
See table on page EP5	
Providers of capital	
***EC6. Distribution of capital broken down by interest on debt and borrowings and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed**	
Distribution of capital in 2004 as follows: Finance costs and unwinding of decommissioning obligation: $87 million (2003: $53 million) Dividends declared: $147 million (2003: $224 million) See Annual Report 2004 for further details	
***EC7. Increase/decrease in retained earnings at the end of period**	
Retained income utilised in the group is $66 million compared with $88 million reinvested in the group in 2003	
Public sector	
***EC8. Total sum of all taxes paid broken down by country**	**EC12. Total spent on non-core business infrastructure**
Net $40 million taxation utilised in the group. $142 million distributed in 2003.	Information not available
EC9. Subsidies received broken down by country or region	
Information not available	
EC10. Donations to community, civil society and other groups broken down in terms of cash and in-kind donations per type of group	
See the community section of this report on pages C1 to C20	
Indirect economic impacts	
	EC13. The organisation's indirect economic impacts.
	Quantitative information not available. See the community section of this report on pages C1 to C20 for further information

** Monetary flow indicators*

Social performance indicators: product responsibility	
Core indicators	Additional indicators
Customers' Health and Safety	
PR1. Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring	**PR4. Number and type of instances of non-compliance with regulations concerning customer health and safety, including the penalties and fines assessed for these breaches**
Not applicable	Not applicable
	PR5. Number of complaints upheld by regulatory or similar official bodies to oversee or regulate the health and safety of product services
	Not applicable
	PR6. Voluntary code compliance, product labels or awards with respect to social and/or environmental responsibility that the reporter is qualified to use or has received
	See environment and community sections of this report
Product and services	
PR2. Description of policy, procedures/management systems, and compliance mechanisms related to product information and labelling	**PR7. Number and type of instances of non-compliance with regulations concerning product information and labelling including any penalties or fines assessed for these breaches**
Not applicable	Not applicable
	PR8. Description of policy, procedures/management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction
	Not applicable

5.1 Generating new ounces – doing business in new places

It is a truism that mining companies must search for and exploit their minerals in those regions and countries where the orebodies have been deposited.

Says Gordon Wylie, executive officer responsible for the global exploration programme at AngloGold Ashanti, “Back in 2001 we took a long hard look at the world and noted that our global production profile would drop substantially after 2006 as our existing operations come closer to maturity. This was not unique to AngloGold Ashanti, but common to the industry as a whole.

“On top of that, our exploration projects had become distinctly mature. We asked ourselves the question: How do we fill the gap? Where should we be exploring or looking to acquire new assets which are of a sufficiently high quality to meet AngloGold Ashanti's economic criteria? It became obvious that new ounces must come from new areas with potentially higher risk profiles, and hence, our ‘New Frontiers Strategy’ was born.”

Geologically speaking, the world of gold is divided into two distinct areas – the ancient (Archaean or Proterozoic) terrains, which host orebodies such as those found in the Wits Basin, at Morila, and Sunrise Dam mines, and the younger plate margins where orebodies such as those mined at the Cerro Vanguardia and Cripple Creek operations are found (see map on page EP10). Generally, AngloGold Ashanti has been exploiting the Archaean terrains and is seeking to expand into the younger plate margin areas through its activities in the Andes, Alaska and South East Asia.

“Given that we know in broad terms where these regions are, the next step is to identify target areas that are likely to produce major long-life orebodies with reserves of at least five million ounces. During the process of looking for these so-called ‘elephants’ we will also identify smaller orebodies which will be mined if they promise good returns. Importantly, we are also looking at the junior exploration sector for opportunities which could meet these criteria,” says Wylie.

“The next step in our process was to start identifying the potential risks involved with various prospective regions, countries and projects. While we are cautious of risk, we are not put off by it: once we have identified risks we then ask ourselves the question of whether we can manage them.

“There are four general areas of risk that the company looks at. These are included in a detailed risk analysis undertaken regionally, using local knowledge, and an external view. This is managed by Tomasz Nadrowski, our political analyst based in New York, who, using the relevant expertise, has expanded our methodology to become more comprehensive and more systematic. The key issue with 'risk' is that people’s views are in the 'eye of the beholder'. Getting views from reliable, trusted and knowledgeable sources locally is important because these may in fact be quite different to an external view. Then, using a matrix, the relative risks associated with each country or part thereof are analysed and compared. Finally, a discount factor is calculated for risk which is added to the cost of capital to obtain an overall discount factor for discounted cash flow calculations to obtain value on existing projects in risky areas that we may be interested in acquiring.”

The broad categories of risks that are analysed are:

- Prospectivity risk, which includes geological potential, the maturity of the region, the availability of ground and degree of difficulty involved in both exploration and mining. “If, for instance, the region is not rated as highly prospective, then no further analysis is done.”
- Operational risk, which includes security of tenure, the accommodation of repatriation of profits, tax and royalty structure, and existing infrastructure. “If we are not guaranteed to convert an exploration licence into a mining licence or if taxes and royalties are likely to diminish our profits significantly, or if the cost of constructing new roads and services is likely to be prohibitive, we will not invest in exploration.”
- Environmental risk, which includes legislation, community issues, external pressures and the cost of compliance. “If it is probable that, despite our commitments to upholding environmental standards and towards community sustainability, external pressures will make the project unworkable, then we will not invest in exploration.”

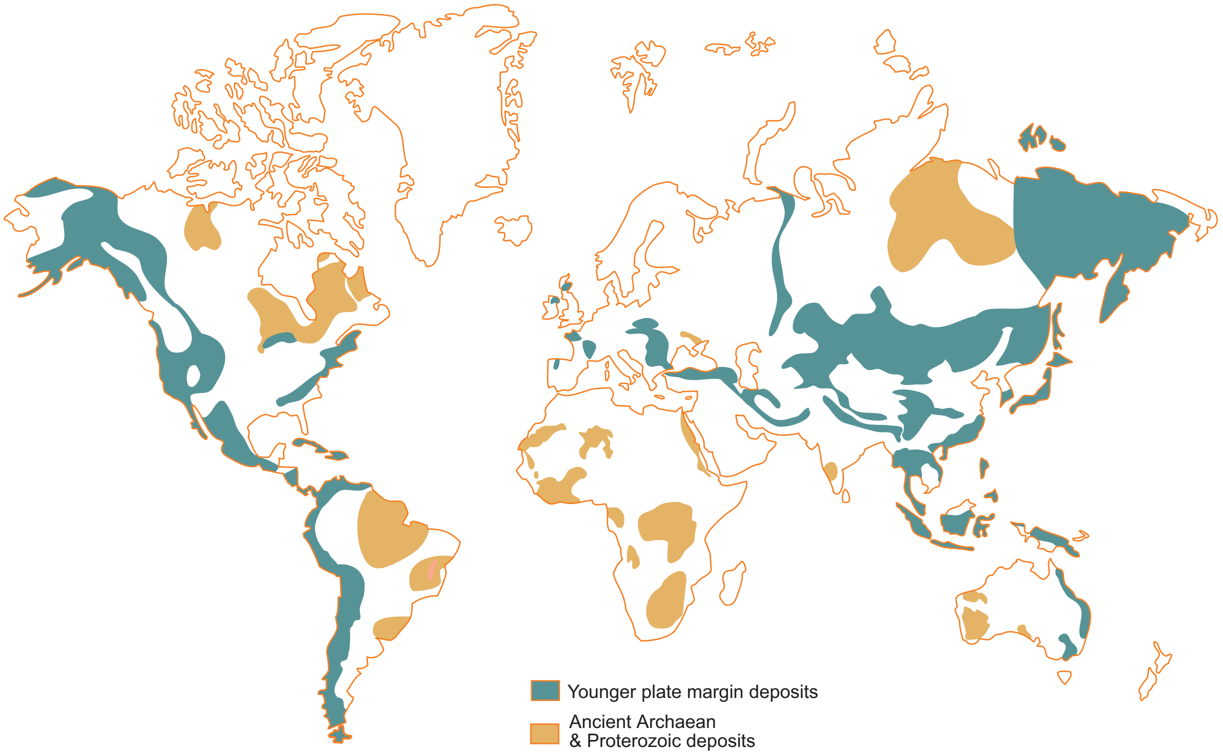
See next page

"Even once we have decided on a particular area, we can go quite a long way down the road on an exploration project before we start spending too much capital - significant capital injection usually occurs as we move from the feasability study to the development phase. Another aspect which is in our favour is our policy to utilise locals, both as employees and contractors, and as recognised local experts. We firmly believe that it is important to involve the community from the start to understand what we can best put in place that will ensure some form of livelihood and sustainability once we have left again. An important part of the process however, is the management of their initial expectations because, statistically, most exploration projects do not develop into operating mines.

"An example of early stage involvement is sponsoring fêtes to raise funds for village schools or buying soccer jerseys for the school kids in Colombia where we have dedicated staff whose full time job is to interact with the community.

Our general policy is to use old drillholes as water boreholes; roads built for drill access are also of great value to the community. As the project advances we would encourage sustainable small industries such as vegetable farming or clothes-making. As the project moves through feasibility into production, in addition to supplying work and skills through our workforce, local industries will grow, which we hope will still be viable after our departure."

- **Political risk,** which includes security and safety, corruption and bureaucracy. "If it is likely that our employees are at personal risk - which we cannot manage - or we cannot work without indulging bribes, we will not invest in exploration."



5.2 Meeting the Mining Charter's procurement targets

With R711 million ($111 million) of total procurement spend at its South African operations in 2004 being attributable to companies with at least 25% historically disadvantaged South African (HDSA) ownership, AngloGold Ashanti has been able to raise its own HDSA procurement targets in line with its commitment to the spirit of the Broad-Based Socio-Economic Charter for the Mining Industry (the Mining Charter) and the accompanying Scorecard. Though the Mining Charter and Scorecard do not set specific targets, a key aspect is procurement from HDSA-affiliated companies. The intention is to encourage and promote growth and employment by businesses managed and owned by HDSAs. AngloGold Ashanti's Black Economic Empowerment (BEE) procurement policy is designed to comply with the principles set out in the Mining Charter.

The government's Scorecard has been designed to determine compliance with the Mining Charter and in terms of procurement asks:

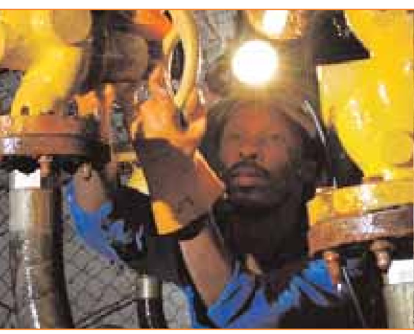
- do you give HDSAs preferred supplier status?
- have you identified current levels of procurement?
- have you indicated your progressive commitment to procurement of capital goods, consumables and services from HDSA companies over the next three to five years and to what extent has this commitment been implemented?

AngloGold Ashanti can answer yes to all three questions: HDSA companies are regarded as preferred suppliers. Those companies complying with the HDSA criteria are included in the preferred vendor list and receive preferred status should they be commercially competitive. The group has identified current procurement levels for spend on capital goods, consumables and services and has set targets for procurement from HDSA companies until 2012 (see table below). Furthermore, existing suppliers are encouraged to establish partnerships with HDSA companies. AngloGold Ashanti also promotes the development of HDSA procurement capacity by facilitating access to the Department of Trade and Industry's assistance programmes.

In 2001, the then AngloGold introduced its black economic procurement strategy which serves as a guide for the purchase of goods and services from BEE companies. At that time, total BEE procurement was 7.5% of total procurement of R3.4 billion ($530 billion). Since then, this has increased steadily towards the target of 63.5% for 2012. *(See case study: Growing small businesses in southern Africa on page EP12.)*

BEE procurement and targets (%): 2001 - 2012

Year	Total %	Consumables	Services	Site works	Capital
2001	7.5	7.5	0	0	0
2002	8.0	10.8	3.2	84.1	0
2003	11.0	13.7	6.6	25.1	4.9
2004	22.0	38.7	12.6	31.1	6.9
2008	47.7	68.7	17.4	35.8	8.5
2012	63.5	98.7	22.2	40.7	10.1




5.3 Growing small businesses in southern Africa

Since its formation, AngloGold Ashanti has been involved in stimulating economic growth by developing small business enterprises. The Small and Medium Enterprise Development Initiative (SMEDI) identifies people, mainly from an historically disadvantaged South African (HDSA) background, who have ability and potential, and enters into a partnership with them to provide education, capacity-building and funding with the long-term aim of creating self-sustaining businesses. The raising of venture capital is managed through Masakhisane (meaning 'Come Let's Build Each Other Together' in Zulu), which was established with an initial R10 million ($1.6 million) capital in 1998. Since then, SMEDI has been involved in setting up 172 small businesses. These have a current average annual turnover of R696 million ($109 million) and have created jobs for more than 3,289 people.

There is a close link between SMEDI and AngloGold Ashanti's Black Economic Empowerment (BEE) procurement strategy, which serves as a guide in obtaining goods and services from suppliers in compliance with the Mining Charter's Procurement Scorecard. "We have made good progress in this area," says commercial services manager, Johan Coetzer. *(See case study: Meeting the Mining Charter's Procurement targets on page E11.)* "In 2003, BEE procurement amounted to R367 million ($57 million), or 11% of the total: in 2004, this amounted to R711 million ($111 million), or 21% of the total. We are confident that we will be able to meet our scorecard target, which is 63.5% by 2012.

"In many instances institutions will not grant finance unless the applicant can provide a certain percentage, usually around 30%. We first insist applicants establish their good faith by raising a small proportion of the required sum themselves. We lend the balance required at favourable rates, and then jointly approach the institutions to finance the full amount," says Coetzer.

While the growth of small business is an important factor in BEE procurement, the greatest impact is achieved through substantial suppliers who play a major part in the local economy. "We talked to our strategic suppliers, and sensitised them to the importance we attach to fulfilling the BEE requirements of the Mining Charter." comments Coetzer.

Most of the projects supported by Masakhisane are located in the areas surrounding AngloGold Ashanti's operations. The new Stone and Allied JV project is one of the exceptions, as it is situated in one of the company's major labour sending areas (see box). This also applies to the Ngezandla Zethu project ('with our hands' in Zulu), which is based in the KwaZulu Natal village of Kwa-Ngwanase. Using hard wood from fallen trees in the surrounding indigenous forests, the project team produces items ranging from tables to lamps to bedsteads. The Department of Nature Conservation supports the project, and the Council for Scientific and Industrial Research (CSIR) assisted with strategic planning, technical training and marketing.

Demand for Ngezandla Zethu's products increased substantially through these inputs but the project lacked the infrastructure to meet this. Masakhisane provided woodturning machinery and a delivery vehicle. "Their turnover for 2003 was about R60,000 for the year," says Coetzer, "while for 2004 it has averaged R68,000 per month."

Clean Shop, the brainchild of Trevor Mulaudzi, is an example of a successful project based in the mining operations. What began as a small operation employing two people who cleaned the hostel ablution blocks, has expanded to providing cleaning services to companies across Gauteng and the Limpopo Province. "We assisted by lending funds to Trevor Mulaudzi before he completed a job, thus eliminating cash flow problems," says Coetzer. "We also provided him with the training to cost his tenders more accurately. The project now employs some 320 people."

Looking ahead, the Masakhisane Board (which comprises representatives from AngloGold Ashanti and the Mineworkers' Development Agency (MDA), established by the National Union of Mineworkers to retrain retrenched mineworkers) has agreed that, where procurement suppliers embark on a transformation process to increase black employee ownership, Masakhisane will assist through education of employees in understanding the principles of share ownership.

Masakhisane and Stone and Allied

Many smaller AngloGold Ashanti SMEDI projects have reported significant successes. One of these is Stone and Allied Industries (a former AngloGold subsidiary now in partnership with a group of black entrepreneurs), in which Masakhisane has a 10% stake. Stone and Allied has recently entered into a joint venture (JV) with two women in the Eastern Cape, who have obtained a licence to quarry rock. This will be crushed to aggregate and used to resurface the national road in the area. "This is a first for the Eastern Cape, where there are currently no rock quarries," says Coetzer. It is envisaged the project will provide employment for about 100 people. Masakhisane, through its link into Stone and Allied, has provided technical expertise and equipment.




5.4 Ergo moves towards closure after 25 years

Since Ergo formally came into production on 25 February 1978, the operation had recorded a profit before tax of R2.4 billion ($374 million) and a company tax contribution of R353 million ($55 million) to the national fiscus - both in money-of-the-day terms. However, in the lead-up to closure the operation began moving into a loss-making status due to the declining gold production (arising from lower tonnage and reduced head grade), combined with increasing costs associated with the environmental rehabilitation process which is required in order to achieve final closure. For the two year period 2003/4 a total loss of R63 million ($9.8 million) has been recorded and an additional operating loss of R142 million ($22.2 million) is expected between 2005 and 2015. This number excludes additional expenditure from the closure rehabilitation trust fund of around R145 million ($22.6 million). Nonetheless, the company has made a significant contribution to shareholders, employees and the local and national government over its 25 year income-generating life. In addition, it has played a role in 'cleaning up' tailings dams of the Witwatersrand, whilst developing two new state-of-the-art tailings disposal facilities, thereby improving the environmental conditions and facilitating urban development in the Ekurhuleni Metropolitan area. As at December 2004, total slimes treated was 870 million tonnes, yielding 254,811 kilograms of gold.

Ergo contributed to sustaining a number of private and public companies, as well as local municipalities, through the purchase of commodities and utilities which were required during the re-treatment of material from more than 50 reclamation sites. Communication has been ongoing with these stakeholders, who have been aware of Ergo's anticipated life span since the plant was commissioned in 1977 and, indeed, who have benefited from a number of life extensions (see box).

Suppliers preparing for closure

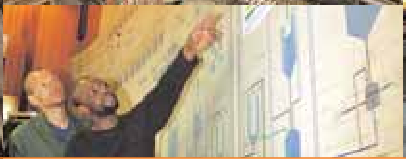
Sasol Polymers, a division of Sasol Limited, is one of four private companies that will be most affected by Ergo's closure. This company supplied approximately 1,000 tonnes of calcium cyanide per month to Ergo, which is the largest consumer of cyanide in the world. So high is the demand that Sasol Polymers has historically had a dedicated factory for the production of Ergo's calcium cyanide supplies which have a value of approximately R7.2 million ($1.12 million) per month. Over the last seven years, Ergo has held annual workshops with Sasol to discuss mutual cost-saving synergies. This forum also discussed Ergo's closure and the expected economic impact on Sasol Polymers, who are now switching production from calcium cyanide to sodium cyanide which is a more marketable product. Besides retaining existing jobs, this move is expected to offset the company's loss in income from Ergo.

Daily communication is held with suppliers Fraser Alexander and West Rand Plant Hire, whose services at the slimes dams in the 1,500 km^2 area around Ergo operations are tapering off, as the daily tonnages of tailings from these sites decrease. Fraser Alexander supplies reclamation equipment and labour - approximately 603 contractors. However, the company's services are also used at reclamation sites at a number of other operations, for example, in the Rustenburg and Klerksdorp areas, so the company is gradually redeploying its labour component during Ergo's winding-up phase.

West Rand Plant Hire, which provides earthmoving equipment and labour of around 247 contractors also has other interests on the West Rand and has opened up a branch in Klerksdorp specifically to offset the impact of Ergo's closure. Midway 2, which supplies approximately 197 contractors at Ergo has also been aware of the closure programme and is making alternative business plans.

Longer than intended

Ergo was originally developed on the basis of a 15-year operational life. This was eventually extended to 25 years, largely as a result of the installation of a carbon-in-leach treatment section, which enabled greater and more efficient extraction of gold. This allowed Ergo to exploit lower grade reserves in the area and extend the life of the operation by 10 years.



Municipality and utilities to feel impact

Electricity and water consumption is reducing gradually, impacting on contributions by Ergo to its suppliers. The main Ergo operation sources its electricity and water supplies from Eskom and Rand Water respectively, while utilities at the surrounding reclamation sites of Germiston, Boksburg, Benoni, Springs and Brakpan, are supplied by their local municipalities. Total monthly electricity consumption currently averages 24.6Mwh at a cost of R3.7 million ($0.6 million). Total monthly water consumption averages 380,000 kilolitres at a cost of R1.5 million ($0.2 million). Brakpan municipality which supplies 63% of Ergo's electricity demand will feel a significant financial impact on Ergo's closure, not least by dint of the fact that Ergo is a reliable customer, a huge advantage considering the bad debt faced by many municipalities. Ergo has been in regular communication with both the utilities and the municipality and is, through its social investment initiatives, trying to offset some of the negative impact on the municipal area. *(See case study on page C30 in the community section: Ergo programme focuses on maths and science education.)*

Communication with customers

Ergo's two main customers are Rand Refinery, to whom it sells approximately 500 kilograms of gold a month; and Chemical Initiatives, manufacturers and distributors of acid and oleum products, of which a combined total of 8,062,607 tonnes was supplied by Ergo from inception up to October 2004.

AngloGold Ashanti has been supportive of Rand Refinery's bid to increase its customer base, particularly in Africa, and Rand Refinery recently won a successful tender to conduct the refining of gold from AngloGold Ashanti's Malian and Ghanaian operations.

Production of sulphuric acid was stopped when the acid plant closed in October 2004, due to suitable pyrite dams being exhausted. Oleum production was also stopped in October 2004 when the acid plant closed but by that time Lever Brothers, Chemical Initiatives' main oleum customer had switched to an alternative sulphination source for its process.

5.5 Outsourced health care at Ergo

The Ergo occupational health clinic - now known as East Rand Occupational Health Surveillance (EROS) - was established as a separate entity on 1 September 2004. The clinic was previously manned by Ergo staff, with a medical officer appointed by AngloGold Health Service (AHS). The same staff now runs the clinic as an independent entity, in conjunction with a private occupational medical officer. The contract with AngloGold Ashanti provides for AHS to continue auditing service levels.

EROS was the brainchild of senior occupational health practitioner Bannie Grobler. "The idea began with Ergo's social plan. Johan Coetzer and the team from SMEDI (AngloGold Ashanti's Small and Medium Enterprise Development Initiative) were very helpful in drawing up our business plan and in conducting negotiations with Ergo management.

"It's business as usual at Ergo until closure," says Grobler. "Thereafter, we will occupy the same premises for a two-year period. What happens after that will depend on what is decided regarding the Ergo premises, as well as on our new clients and their demands."

The clinic's future target market is principally the smaller companies in the Ekurhuleni area who do not have the resources to provide for occupational health services in-house. Seven companies have agreed to retain the clinic's services. The clinic provides services in five principal areas:

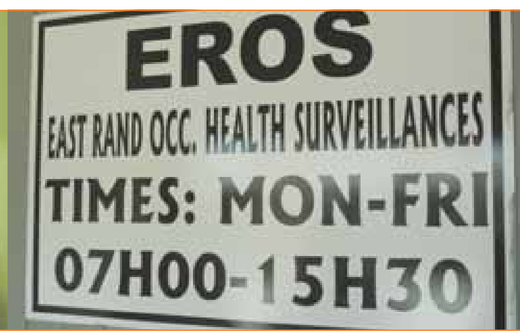
- assistance to employees injured on duty;
- medical surveillance as required by COIDA (Compensation for Occupational and Industrial Diseases Act) and ODMWA (Occupational Disease in Mines and Works Act). This includes medical examinations on recruitment, after annual leave, and on exit and transfer;
- primary health care facilities including treatment for chronic conditions, such as diabetes and hypertension. This facility is regularly attended by over 400 employees or contractors;
- Ergo's HIV/AIDS programme, currently still integrated with the AngloGold Ashanti programme. Grobler and her team manage the Wellness Clinic and administration of anti-retroviral therapy (ART), while a counsellor visits the clinic twice per week to assist with the voluntary counselling and testing (VCT) programme. 67 people are currently registered at the Wellness Clinic; and
- the TB management programme.

While the clinic is currently fully occupied, the challenge will come after Ergo's closure during 2005.

"We need a patient base of at least 450 to break-even," says Grobler. "The seven clients we have retained so far are going to pay us on a per-visit basis: we are hoping to sign up future clients on a monthly retainer, which would provide some guaranteed income."

The clinic has entered into a partnership with Ambusave, a locally-based company that provides assistance to smaller employers in the Ekurhuleni area.

Says Grobler "It's been a steep learning curve, but we are looking forward to the challenge of going on our own."



5.6 Riches of Africa 2004 – six years on

Now in the sixth year of its existence, AngloGold Ashanti's Riches of Africa Gold Jewellery Design Competition has become an annual highlight of the company's marketing initiatives. The company established the Riches of Africa competition with the objectives of stimulating demand for gold jewellery, promoting excellence and originality in design and developing the skills base of the South African jewellery industry.

While the fundamental goals of the competition have not changed, it is interesting to reflect on their development and growth. Alyson Horsley of AngloGold Ashanti Marketing comments, “We have learnt from experience each year. Looking back at the 1999 prizewinning pieces, for example, while they certainly showed talent and originality, they were primarily aimed at a consumer market and were smaller and more understated than the striking ramp pieces of later years.” This is borne out by the increasingly imaginative and original designs and the ingenuity applied to create greater visual impact. The growing prestige enjoyed by the competition is demonstrated by the steady growth in the number of entries received, from just over 200 in 1999 to 1,899 in 2004.

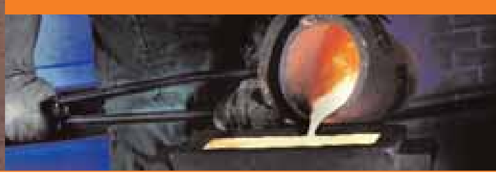
“Over the lifetime of the competition, we have experimented with different gold caratages,” says Horsley. “To promote high caratage jewellery, entrants were required to work in 22 and 24 carat gold for the 2000 and 2001 competitions. This proved to have a number of disadvantages, among others its softness, making it unsuitable for the rigours of fashion shows and exhibitions. As a result, from 2002, pieces submitted have again been required in 18 carat gold.”

A noticeable development in recent competitions has been the shift from an exclusive focus on jewellery to designers creating gold product in a broad spectrum of objects from fashion to art. This development is in tune with international trends but has represented too much of a shift away from real jewellery. The organisers thus intend to refine the brief for 2005 in order to draw designs which produce statement jewellery as opposed to ramp pieces or fashion accessories.

Significant changes which have improved or enhanced the competition over the years include the introduction of white and rose gold allowing for greater expressiveness. The competition is also open to entrants from a wide range of creative disciplines, such as graphic design or fine arts. Importantly, the competition has gained additional credibility and greater international attention by including international judges on its panel in the last four years.

While unmistakably South African, the competition entries can hold their own internationally. Since its inception, Riches of Africa's winning collections have featured in more than 40 exhibitions in 12 countries. To celebrate South Africa's 10 years of democracy in 2004, pieces from various Riches of Africa collections were exhibited at shows in China and Brazil, and also in Belgium at the Antwerp Diamond Conference, the latter at the specific request of President Thabo Mbeki. Besides these displays, Riches of Africa has been showcased at the International Jewellery London exhibition for the past two consecutive years.

Fundamental to all of the Riches of Africa competitions has been a focus on providing career opportunities and development for talented young South Africans, particularly from the ranks of the previously disadvantaged.

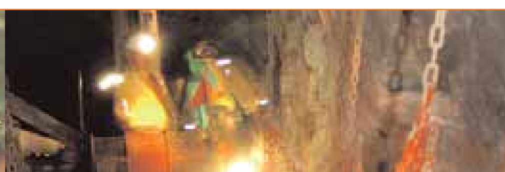
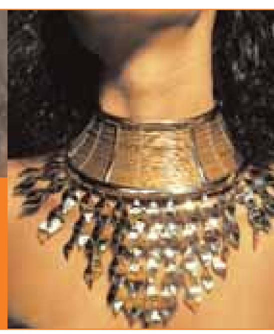
As part of this approach, annual seminars are held for all entrants providing training in business and marketing as well as in design and goldsmithing techniques. In 2004, these seminars drew some 450 people and due to venue constraints some had to be turned away.

For the last two years, grants have been awarded to candidates adjudged the most meritorious. Grants are awarded following receipt of nominations by the various jewellery institutions. Whilst the value of the grants varies each year, the true worth of the contribution is often as simple as guaranteeing a student's future studies. Eight such grants (four to historically disadvantaged South Africans HDSAs) were awarded in 2003, and nine (six to HDSAs) in 2004. In 2003, a merit award was given to Technikon Pretoria (now the Tshwane University of Technology) as the institution that produced the most winners in the competition.

In another significant development, AngloGold Ashanti has been approached by QVC United Kingdom (a major television and internet-based shopping channel) to permit QVC to develop and sell ranges of commercial jewellery inspired by the 2004 collection. This will provide a major opportunity for Riches of Africa designers to benefit from part of these sales but, more notably, it will provide them with international exposure. Royalties will be payable to AngloGold Ashanti on all pieces sold, with a portion being credited to the designers.

Further noteworthy and exciting changes are in the pipeline. The formation of AngloGold Ashanti has provided an opportunity for the reassessment and reinvigoration of a number of projects including Riches of Africa. The future competition will retain the name Riches of Africa but will now fall under the new banner of AuDITIONS, which will be used to brand all the jewellery design competitions in which AngloGold Ashanti is involved.

An important change is that Riches of Africa will be held every two years. Given the scale of the competition, it has become more and more difficult to gain maximum benefit on an annual basis. The longer period will give the organisers more time for planning and it will make for a more streamlined process. Entrants too will benefit from the biannual format as their pieces will gain a longer period of exposure.


5.7 Brazilian Designer Forum becomes leading event in Brazilian jewellery market

The jewellery industry in Brazil reportedly earns revenue of $1.5 billion per annum, (exports amounting to some $600 million annually). To capitalise on this market, in 2002, AngloGold Ashanti launched the Designer Forum competition, making a commitment to sponsor a similar event every other year. Following the success of the 2004 event, the Designer Forum is now firmly positioned as the foremost jewellery design competition in the country, and is the only one sponsored by a mining company.

AngloGold Ashanti has found this to be a valuable opportunity to market both the company and its product, gaining significant local and some international media attention. More importantly, it supports the group's marketing initiatives to make gold more accessible, innovative and interesting for newer and younger markets.

The 2004 Designer Forum was launched at the South African Embassy in April 2004 to coincide with the South African 10 years of democracy celebrations. In May, preliminary forums took place in Rio de Janeiro, Belo Horizonte and São Paulo with 525 participants entering – 80% more than in 2002.

Designs were entered into one of two different categories: the Designers Category (for professionals) and the New Talent Category (for students and beginners). Technical judging took place over three days at the group's regional headquarters in Nova Lima where 120 finalists were selected. A second round of judging in July yielded 33 pieces for the 2004 collection - 28 pieces from the Designer Category and five pieces from the New Talent category.

The final event was held this year in Belo Horizonte, Brazil, with 'Roots and Form' as the theme. Top international model Ana Hickmann displayed the pieces to a gathering of 600 people. To support the event and collection still further, the final collection was shot on models underground and well-known model and actress Janaína Lince was photographed on a bed of gold bars.

Not only does the event promote AngloGold Ashanti and gold jewellery in particular, but the participant designers reported that the most valuable aspect of the Forum was the publicity and exposure they received in the media.

The winning piece, Volpi, was designed by Fernanda Barcellos. Her piece, a miniskirt made of flag banners of white gold, yellow gold and coconut discs, is named after Volpi, one of Brazil's renowned artists.

Roberto Carvalho Silva, Deputy COO International model and actress, Janaína Lince, at the launch of Designer Forum 2004 at the South African Embassy in Brazil.