



Mali

Morila

Message from Glen Koropchuk

It has been a challenging year for Morila in many respects. Not only did grades decline as expected in the life-of-mine plan, but the plant expansion project commissioning was problematic, resulting in reduced levels of throughput. A technical plan to address these issues was implemented and performance levels recovered by the fourth quarter. Overall, profit was on budget for the year despite the problems with the plant.

An additional challenge resolved satisfactorily was the ongoing dispute with the union and the industrial action experienced in June. We are pleased to have resolved this two-year dispute in November and are confident that the strong and positive relationship we have with our employees will allow us to move on and work towards a more productive 2005.

On the safety and health front, we regretfully report that the mine experienced one fatal accident during the year. On 16 January 2004, Mr Diakalia Bengaly of Sikasso was fatally injured while working for the plant expansion contractor – MDM. MDM had employed a Malian sub-contractor to paint new tanks being erected and Mr. Bengaly was fatally injured in a fall from the tanks. The management and staff of Morila extend their condolences to his wife, family and colleagues. Nonetheless, we are pleased to report that the lost time injury frequency rate has declined to 1.94 per million man hours. This was a significant improvement over the rate of 3.78 achieved in 2003. Much of the improvement was due to the positive efforts in our behaviour-based safety programme and the dedication of the entire Morila team to safety.

Our philosophy of engaging with stakeholders on and around our operations has continued. Seed funding of \$500,000, provided by the mine at the end of 2002 for the establishment of a sustainable development foundation, will underpin much of the socio-economic development work being undertaken in the region. Our relationship with the local community, the local and regional authorities as well as with the NGO, ASEFNI (Association d'Etude et de Mise en Valeur des Ressources Naturelles et des Institutions) is critical to these efforts. The recently completed socio-economic review of the region and community around the mine will form the basis of the mine's community development strategy. These social aspects will be incorporated into the mine's closure plan which has been compiled with the assistance of ASEFNI. A number of social development projects undertaken by the mine during the year are detailed in this report.

Also during the year, the malaria control programme continued in both Sanso village, as well as at the Morila mine village prior to the commencement of the rainy season. The Morila mine community health educator joined the spray teams, providing malaria education, as the teams moved through the village. Although malaria remains an issue of concern, the integrated malaria programme that we embarked upon in 2002 is paying dividends. The current incidence of malaria within the workforce per month is 4.7%, down from 9% three years ago. This is significant not only for the mine but for the surrounding community as it is infants and pregnant women within this population who tend to bear the brunt of this disease.

Our efforts to support local economic development also continued and the food (cereal) bank in Sanso, which is of particular benefit to the community during times of drought, and the market gardens at Sanso and Domba are again evidence of this. The challenge remains though to ensure that these efforts are sustainable once mining has ceased.

The year has started well and I believe that, with the co-operation and interest of all parties, Morila will continue to have a positive impact in Mali.

Glen Koropchuk

General manager, Morila



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About this report:

AngloGold Ashanti is committed to reporting to a broad range of stakeholders. In addition to its operational and financial performance the company also reports on its economic, social and environmental performance – the so-called triple bottom line.

This country profile forms part of a broader group Report to Society, which is available on the company's website, or from the contacts detailed below.

Madani Diallo

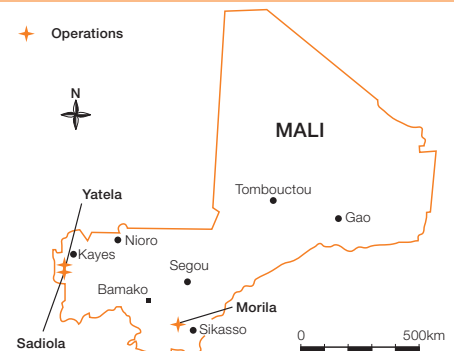
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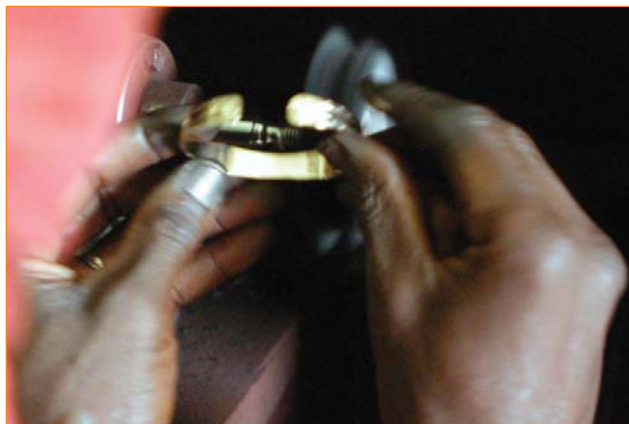
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2 | Introduction

In July 2000, AngloGold Ashanti (then AngloGold) acquired a stake of 40% in the Morila gold mine from Randgold Resources Limited. AngloGold Ashanti manages Morila, which was officially opened in 2001.



Message from Madani Diallo

AngloGold Ashanti is the operator of Mali's three largest gold mines, which together account for 90% of Mali's gold production. Gold is Mali's largest export product. AngloGold Ashanti and its partners AngloGold, RandGold Resources and the IFC work together with national and local authorities, and with local communities in implementing sustainable development strategies. Through the office in Bamako, AngloGold Ashanti is developing and maintaining excellent relationships with the government of Mali. As a symbol of this relationship, our CEO Bobby Godsell was in February 2004 nominated as a member of the Presidential Committee for Investment. This committee advises the President on attracting investment and developments in the country. The proposal made by AngloGold Ashanti to the Infrastructure group (Gold Road and Energy for Gold) on further developing Mali's gold industry has been retained as projects to be implemented.

Both government and AngloGold Ashanti are confident that the Malian mines represent good assets which are mined for the benefit of all stakeholders.

Madani Diallo
Business Manager, Mali
AngloGold Ashanti

Morila



Ownership: AngloGold Ashanti and Randgold Resources each have a 40% stake in Morila. The balance of 20% is held by the Malian government.

Location: This mine is situated some 280 kilometres by road, south-east of Bamako, the capital city of Mali (600 kilometres south-east of Sadiola).

Geology: Morila is a mesothermal flat-lying shear-zone hosted deposit, apart from steepening to the east against steep faulting. The deposit lies within a sequence Birimian metal-arkoses of amphibolite metamorphic grade. Mineralisation is characterised by silica-feldspar alteration and sulphide mineralisation consists of arsenopyrite, pyrrhotite, pyrite and chalcocopyrite.

Mining and processing: Mining takes place in three phases in open pits. At its peak the Morila pit will have a surface of some 666,000 m². The plant comprises a conventional carbon-in-leach process with an upfront gravity section to extract the free gold. Throughput capacity is 350,000 tonnes per month, or 4.2 million tonnes annually.

Operating performance: Total gold production for the year (40% attributable) reduced by 36% to 204,000 ounces, with the average yield falling to 4.44g/t. Total cash costs rose to \$184 per ounce as a result of lower recovered grades, higher fuel prices and a weaker dollar. Capital expenditure for the year amounted to \$2 million (attributable) and included the purchase of a crane, a drill rig and community development projects.

Government remittances: In 2004, AngloGold Ashanti's attributable contributions to royalties were \$4.7 million, to dividends \$1.4 million and to import duties \$2.5 million. The mine is still operating under a corporate tax exemption.

Growth prospects: Exploration drilling of the Samacline area located west of the Morila pit will continue in 2005, following up on the encouraging drill results returned in 2004.

Outlook: In 2005, gold production (40% attributable) is expected to increase to 258,000 ounces, at a total cash cost of \$173 per ounce. Attributable capital expenditure will decline to \$2 million.

Morila - operating statistics

| | | 2004 | 2003 |
|-----------------------------------|--------|--------------|-------|
| Gold production (100%) | 000 oz | 510 | 794 |
| Gold production (40%) | 000 oz | 204 | 318 |
| Total cash costs | \$/oz | 184 | 108 |
| Total production costs | \$/oz | 263 | 179 |
| Capital expenditure (100%) | \$/oz | 4 | 12 |
| Capital expenditure (40%) | \$/oz | 2 | 4 |
| Total number of employees | | 1,398 | 1,327 |
| Employees | | 479 | 453 |
| Contractors | | 919 | 874 |

3 | Mineral resources and ore reserves

Mineral resources and ore reserves are reported in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code), together with the South African Code for the Reporting of Mineral Resources and Mineral Reserves (the SAMREC Code). Mineral resources include the ore reserve component.

AngloGold Ashanti had Mineral Resources of 218.2 million ounces and Ore Reserves of 78.9 million ounces as of 31 December 2004. Of these, the three mines in Mali (Morila, Sadiola and Yatela) accounted for attributable mineral resources of 5.7 million ounces and ore reserves of 2.3 million ounces.

| | | Metric | | | Imperial | | |
|--|--------------|-------------------|--------------|-----------------------------|-----------------|---------------|---------------------------------|
| | | Tonnes million | Grade g/t | Contained gold tonnes | Tons million | Grade oz/t | Contained gold million oz |
| Mineral resources – attributable (as at 31 December 2004) | | | | | | | |
| Morila (40%) | Measured | 6.9 | 2.95 | 20.4 | 7.6 | 0.086 | 0.7 |
| | Indicated | 4.8 | 3.56 | 17.0 | 5.3 | 0.104 | 0.5 |
| | Inferred | 1.8 | 3.79 | 6.8 | 2.0 | 0.110 | 0.2 |
| | Total | 13.5 | 3.28 | 44.2 | 14.9 | 0.096 | 1.4 |
| Ore reserves – attributable (as at 31 December 2004) | | | | | | | |
| Morila (40%) | Proved | 4.8 | 3.39 | 16.1 | 5.3 | 0.099 | 0.5 |
| | Probable | 5.5 | 2.87 | 15.9 | 6.1 | 0.084 | 0.5 |
| | Total | 10.3 | 3.11 | 32.0 | 11.4 | 0.091 | 1.0 |

Occupational health and safety

Regrettably one employee, Mr Diakalia Bangaly, died as a result of a mine-related accident in 2004. The lost time injury frequency rate at Morila was 1.94 per million man hours, while the fatal injury frequency rate was 0.32 per million man hours.

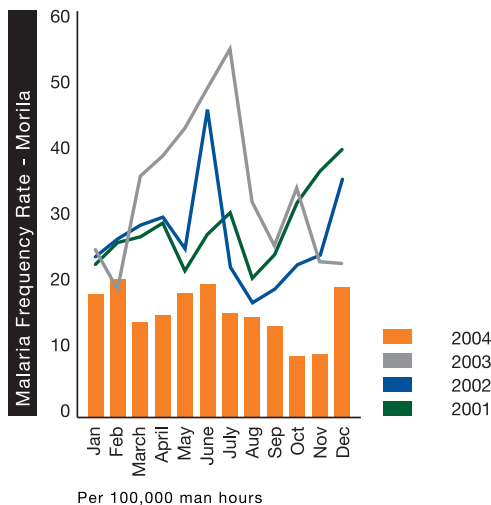
Morila's power plant shared the prize for the Rolls Royce Power Ventures 'Best Overseas Operation', awarded for health, safety and environmental management. Morila has donated the prize money to a charity in the village of Sanso.

Safety training in Mali during the year focused on cyanide management, fire fighting, hazard recognition and first aid training. A near-miss reporting system has been implemented, along with increased local language communication in order to improve safety performance. Some successes have been recorded, but this was negated by the poorer performance of contractors while the plant was being expanded. This was completed in 2004. In the year ahead, plans are in place for better supervision of contractors.



HIV/AIDS and malaria

Malaria remains the most significant public health threat for AngloGold Ashanti's operations in Mali. Not only does the disease have a significant impact on the productivity of employees, but also on the functioning of entire communities in the region.



A means of measuring the impact of malaria on the group has been introduced, namely a malaria lost time injury frequency rate (MLTIFR). Measured per million man hours, this is similar to the safety and health indicators of lost time injury frequency rate. At Morila, it is estimated at 167.

An integrated malaria control programme, introduced at Morila in 2003, has reduced the incidence of malaria significantly. (See graph.) This campaign comprises four elements namely:

- vector control which includes mosquito identification and insecticide susceptibility tests as well as indoor residual house-spraying, house-screening and the provision of insecticide,
- disease management (bed-net programme),
- surveillance and monitoring, and
- information, education, communication (IEC) and health promotion.

The programme introduced has significantly reduced the incidence of malaria. The current incidence of malaria within the workforce per month is 4.7%, down from 9% three years ago. Ongoing mosquito specie identification and research relating to insecticide resistance patterns are planned for 2005.

Ultimately, some of the burden of the programme falls on the community and the better informed and educated they are about malaria prevention, the more likely it is that such a programme will succeed.

An HIV prevention programme is in place, and focuses on prevention rather than treatment, owing to relatively low prevalence rates. The mine enjoys good collaboration with local NGOs in respect of HIV education and infection prevention; the mine distributed some 45,000 condoms during the year.

Community

The need to inform and the process of informing communities timeously of any potential impacts and maintaining their involvement throughout the operational life cycle is enshrined in the law of many of the countries in which the group operates, and is another fundamental commitment made by the group. Extensive stakeholder engagement structures exist, including relations with government, media, organised business and the communities themselves, and communication is conducted on a regular basis.

At the end of 2002, the Morila mine established a development foundation, donating \$500,000 as initial seed funding. Local consultant, ASERNI, completed a socio-economic review of the region and community around the mine. The report will form the basis for the mine's community development strategy. These social aspects will be incorporated into the mine's closure plan.

Social investment initiatives during the year include contributions to schools in Sanso and Domba, the sponsorship of a health awareness programme in Sanso, support for International Women's Day celebrations, various Sanso traditional ceremonies, independence day celebrations and

local economic development projects that include a market garden and rice fields at Fingola and Morila.

The Morila mine community health educator joined the spray teams, giving malaria education as the teams went through the village. Unfortunately the use of impregnated mosquito nets by the community remains poor, despite an awareness campaign to promote them.

The operations have programmes in place to support local procurement as far as this is possible. At Morila, 45% of funds accumulated through the sale of redundant material from the salvage yard is redistributed to a local community fund which is used for the establishment of local small business initiatives.

The fund has established a food (cereal) bank in Sanso, which is of particular benefit to the community during times of drought. Also, at Morila, market gardens were established at Sanso (1 hectare) and Domba (2 hectares) in June 2004, under the supervision of a monitoring and training committee. Community rice fields were also established during the year at Fingola and Morila.



Environment

The group's business principles and environmental policy guide AngloGold Ashanti's management of the impact that the company has on the environment. In addition, its operations are subject to the environmental laws, rules and regulations of the various countries in which they operate. Where no such laws exist or where these laws are perceived to be inadequate, the operations are guided by the company's business principles and deemed good practice.

Environmental management systems (EMSs) form the backbone of environmental management at an operational level. Each of the regions also has an audit process in place, both internal and external, and these are generally conducted on an annual or bi-annual basis.

AngloGold Ashanti is considering the adoption of the ISO 14001 environmental management standard and has already completed a gap analysis at Morila.

Environmental incidents can represent a significant risk and cost to the company. AngloGold Ashanti has developed a reporting protocol that allows the company to effectively identify and manage these risks and associated costs. The protocol aims to streamline operational reporting requirements yet provide the appropriate level of information necessary to advise the executive and the board of the nature and occurrence of important incidents and developments and management response. In line with this protocol, major incident reports must be made within 24 hours.

The use of cyanide for the recovery of gold is a core issue for the gold mining industry and is critical to its viability. Yet, its potential impact on the

environment is one of the most controversial and frequently debated issues for legislators, environmentalists and other groups. AngloGold Ashanti has been actively involved in the development of the International Cyanide Management Code (Code) and has adopted published protocols and standards of practice for cyanide management. Substantial progress has been made with its implementation. Internal audits of compliance were completed in Mali during 2004 and will be followed by an external audit in 2005, to ensure complete compliance by 2006.

In all the jurisdictions in which the group operates, the company is required to provide financial assurance – in a form prescribed by law – to cover some, or all of the cost, of the anticipated closure and rehabilitation costs for the operation. (Rehabilitation refers to the process of reclaiming or restoring mined land to that which existed before mining or to a pre-determined, agreed post-mining use.) These amounts are derived from mine closure plans, which are also regulated by law. Closure plans are devised prior to the commencement of operation and are regularly updated based on life-of-mine projections. In Mali, mine closure costs and their associated provisions are reviewed on an annual basis. The region is working towards standardising the approach and assumptions used for estimating closure provisions at the various operations. Estimates are revised as the understanding of site-based issues that influence closure provision evolves, based on technical studies undertaken in the previous year.

As at the end of December 2004, the closure liability at Morila remained unchanged at \$12.3 million, of which \$4.92 million was attributable to AngloGold Ashanti.



Labour

AngloGold Ashanti is committed to upholding the Fundamental Conventions of the International Labour Organization (ILO) and seeks to ensure fair employment practices group-wide. In Mali, certain ILO conventions (such as ILO Convention 128 dealing with child labour, and ILO Convention No 29 dealing with forced and compulsory labour) are governed by law and various codes such as the Malian Labour Code and Malian Collective Agreement for the mining sector.

All employees at Morila are represented by the Mining Industry Union, SECNAMI, although there are no specific recognition agreements. Union committees exist and regular participatory meetings take place. Safety representative committees and joint health and safety structures are in place to manage safety and health on the mines. Communication forums with local management level employees take place on a monthly basis.

Legislation exists in Mali to promote the recruitment of local employees, and policies are in place to give preference to employing local citizens.

Plans are in place to increase the number of local employees, particularly at management level, with an emphasis on training to ensure that people are appropriately skilled for such positions. Around 91% of employees at Morila are local citizens. Self-development courses at the Malian operations have resulted in improved literacy levels (currently estimated at 85% at Morila), while the company is investigating the introduction of French and English literacy programmes.

A bursary scheme was implemented in the Mali region during the year in an effort to develop local skills and expedite the localisation programme. Ten top Malian school leavers began graduate studies at the University of Pretoria, South Africa, at the beginning of 2005 in the disciplines of mining, engineering, metallurgy, environment and geology, following a language bridging programme at the end of 2004.

A two-year dispute regarding Morila's legal obligation to pay a bonus scheme (prime de rendement) to employees was resolved in November 2004.



Morila: committed to constructive labour relations

A strike at Morila was triggered in June 2004 by a dispute over a productivity bonus payment arising from a period of unusually high gold production during the second half of 2002 when exceptionally high grades were encountered unexpectedly in the ore mined. To ensure that employees also benefited from this grade windfall, the board of Morila paid all employees an additional one month's gross salary. A further once-off contribution of \$500,000 was made to establish a community development fund. The mine also sponsored the building of mosques in the communities of Sanso and Domba in response to requests from community members. Members of SECNAMI staged three days of industrial action, having tendered strike notification.

However, the union demanded the payment of a 'prime de rendement' (productivity bonus) claiming that, in terms of the Industry Collective Agreement, it was obligatory that the mine paid employees a share of the additional gold produced. In consultation with the union, a bonus scheme was introduced using plant throughput, costs, safety performance and gold produced as criteria, rewarding people's efforts primarily in areas over which they have influence. This also

encompassed a degree of profit sharing. In November 2003, the dispute was referred to the Interpretation Committee, but the Malian labour authorities were unable to convene an interpretation committee at that time and the dispute was therefore referred to arbitration, following which Morila was requested to pay a productivity bonus.

The dispute on the interpretation was never addressed and the decision was unenforceable as there was no payment value to the judgement. The lack of a definition of productivity and absence of any clarification of the procedure for agreeing criteria and the method of calculation of the productivity bonus led the union committee to resort to its own calculation based on gold production. This calculation resulted in an amount of CFA17.5 billion (\$32.5 million) for three years of mine activity equivalent to approximately 10 to 20 times the annual gross salary of a Morila employee. A settlement was finally reached when the parties agreed to the implementation of a productivity-based bonus scheme for the future, and the settlement of payment to employees for past performance amounting to between two and five months' salary.