

ANGLOGOLD ASHANTI LTD
Form 6-K
April 29, 2005

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 or 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

**Report on Form 6-K dated
April 29, 2005**

AngloGold Ashanti Limited
(Name of Registrant)

11 Diagonal Street

Johannesburg, 2001

(P O Box 62117)

Marshalltown, 2107

South Africa

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F: **Form 40-F:**

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes:

No:

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes:

No:

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes:

No:

Enclosures:

ANGLOGOLD ASHANTI : REPORT FOR THE QUARTER ENDED MARCH 31, 2005
PREPARED IN ACCORDANCE WITH IFRS

Quarter 1 2005

Report

for the quarter ended 31 March 2005

Group results for the quarter...

· Price received improved \$29/oz (7%) quarter-on-quarter to \$424/oz, following the hedge restructure announced in

January.

· Production reduced by 5% to 1.569Moz (after adjusting for the closure of Ergo), predominately due to lower South

African production and after strong performances at Morila and Cerro Vanguardia in the prior quarter.

· Former Ashanti assets Obuasi, Iduapriem and Geita delivered improved production, while Sunrise Dam in Australia

reported record production.

· Total cash costs increased by 4% to \$284/oz, due to lower gold produced, stronger operating currencies and inflationary pressures in most operating regions.

· Headline earnings adjusted for the effect of unrealised non-hedge derivatives were \$77m.

Quarter

ended

Mar

2005

Quarter

ended

Dec

2004

Quarter

ended

Mar

2004

Year

ended

Dec

2004

Quarter

ended

Mar

2005

Quarter

ended

Dec

2004

Quarter

ended

Mar

2004

Year

ended

Dec

2004

SA rand / Metric

US dollar / Imperial

Operating review

Gold
 Produced
 - kg / oz (000)
48,808
 51,360 36,497 181,311
1,569
 1,651
 1,173
 5,829
 Price received
 1
 - R/kg / \$/oz
82,152
 76,691 87,651 81,051
424
 395
 404
 394
 Total cash costs
 - R/kg / \$/oz
54,778
 53,299 55,004 54,276
284
 274
 253
 264
 Total production costs
 - R/kg / \$/oz
70,639
 67,925 68,038 68,221
366
 350
 313 332
Financial review
 Gross profit
 - R / \$ million
255
 116 716
 1,697
57
 4
 107
 243
 Gross profit adjusted
 for the effect of unrealised non-
 hedge derivatives
 2
 - R / \$ million
676
 610 877
 2,844

112

101

131

441

Profit attributable to equity
shareholders

- R / \$ million

50

230 99 728

22

34

16

108

Headline earnings

- R / \$ million

102

275 137 937

31

41

22

141

Headline earnings adjusted for the
effect of unrealised non-hedge
derivatives

3

- R / \$ million

464

782 234

1,858

77

135

35

298

Capital expenditure

- R / \$ million

864

1,181 567

3,764

144

192

84

585

Earnings per ordinary share

- cents/share

Basic

19

87 44 290

8

13

7

43

Diluted			
19			
87	44		289
8			
13			
7			
43			
Headline			
39			
104	61		373
12			
16			
10			
56			
Headline earnings adjusted for the effect of unrealised non- hedge derivatives			
3			
175			
296	105		739
29			
51			
16			
119			
Dividends		-	
cents/share			
350			
56			

Notes: 1.

Price received including realised non-hedge derivatives.

2.

Refer to note 5 of notes for the definition.

3.

Refer to note 4 of notes for the definition.

\$ represents US dollar, unless otherwise stated.

Operations at a glance

for the quarter ended 31 March 2005

Price received

1

Production

Total cash costs

Cash gross profit

(loss)

2

Gross profit (loss)

adjusted for the

effect of

unrealised non-

hedge derivatives

3

\$/oz

%

Variance

4

oz (000)

%

Variance

4

\$/oz

%

Variance

4

\$m

%

Variance

4

\$m

%

Variance

4

Great Noligwa

441

3

180

(11)

277

18

26

(32)

20

(39)

Geita

372

6

192

1

213
(19)
25
14
10
120
Sunrise Dam
424
(2)
131
15
279
(1)
22
(21)
13
(35)
TauTona
438
2
131
—
272
(2)
21
17
9
13
Morila
5
425
2
67
(26)
173
15
17
(29)
12
(37)
Cripple Creek & Victor
406
28
81
(11)
220
(8)
16
100
7
800

AngloGold Ashanti Mineracao

416

14

57

(3)

147

9

16

23

13

30

Cerro Vanguardia

5

385

(7)

57

(16)

141

8

15

(32)

10

(38)

Kopanang

436

1

120

(2)

307

8

14

(13)

9

(25)

Mponeng

441

2

115

3

329

(1)

13

30

3

50

Obuasi

448

43

92

2

362

13
8
300
(1)
92
Serra Grande
5
416
15
24
—
147
—
7
40
6
50
Sadiola
5
440
5
38
(19)
283
11
6
—
2
(33)
Iduapriem
5
446
42
46
10
288
(19)
5
350
2
129
Yatela
5
428
(2)
23
(18)
280
1
4
—

2

—

Bibiani

432

39

33

(3)

289

2

4

500

—

100

Siguiri

5

448

45

43

—

395

(9)

4

144

2

118

Tau Lekoa

445

3

65

(13)

432

9

1

(50)

(5)

(67)

Navachab

431

1

19

12

413

(11)

1

200

—

100

Savuka

444

4

32

(24)

555

21

(3)

(50)

(5)

(25)

Other

23

(18)

8

(56)

3

(73)

AngloGold Ashanti

424

7

1,569

(5)

284

4

230

7

112

11

1

Price received includes realised non-hedge derivatives.

2

Gross profit (loss) adjusted for the effect on unrealised non-hedge derivatives plus amortisation of tangible and intangible assets

less non-cash revenues.

3

Refer to note 5 of notes for the definition.

4

Variance March 2005 quarter on December 2004 quarter – increase (decrease).

5

Attributable.

Financial and **operating review**

OVERVIEW OF THE QUARTER

The hedge restructure announced in January resulted in the price received for the quarter improving by \$29/oz or 7% to \$424/oz. This compares to an average spot price for the quarter of \$427/oz. The benefit of this gain, and that of an inventory increase, was partially countered by a 5% decline in production to 1.569Moz (after adjusting for the closure of Ergo) and a 5% increase in total production costs to \$366/oz. Gross profit adjusted for the effect of unrealised non-hedge derivatives increased to \$112m from \$101m last quarter.

Global cost increases – driven largely by the same factors that have contributed to the higher gold price, including strong currencies outside the US, a higher oil price and the higher price of consumables driven by demand in China in particular – contributed to the quarter's higher total cash costs of \$284/oz.

Last year, group cost savings initiatives reduced costs by \$50m, although lower production levels and strong operating currencies - including the rand and Australian dollar - continue to erode margins.

AngloGold Ashanti management has budgeted for a further \$50m in cost savings in 2005. In light of the increase in cash costs this quarter, additional measures are being implemented to ensure that the company reaches its published cash cost target for the year of \$273/oz.

Headline earnings for the quarter, adjusted for the effect of unrealised non-hedge derivatives, declined to \$77m. This includes a statutory tax rate reduction of \$12m. Headline earnings for the prior quarter, adjusted for the effect of unrealised non-hedge derivatives, of \$135m included an abnormal net tax gain of \$59m. On a comparable basis to accommodate abnormal items in both quarters, headline earnings adjusted for the effect of unrealised non-hedge derivatives decreased from \$76m in the last quarter to \$65m in the first quarter. Including the after-tax unrealised loss on non-hedge derivatives of \$46m, profit attributable to equity shareholders decreased to \$22m.

In South Africa, production was 7% lower, with Great Noligwa down 23,000oz and production at both Tau Lekoa and Savuka down 10,000oz.

After strong fourth quarter performances, production at Morila in Mali and Cerro Vanguardia in Argentina declined 23,000oz and

11,000oz, respectively. Although many of the other operations, most notably Sunrise Dam, which posted another record production quarter at 131,000oz, performed well, lower production at the majority of the operations worked to offset the benefit of these more solid operating performances.

At the former Ashanti operations, both Iduapriem and Bibiani recorded improved operating performances and Geita continued to perform well. At Obuasi, gold production increased 2% to 92,000oz, with tonnage treated up 10% on the previous quarter, due in part to the treatment of the Kubi pit surface oxides, which in turn reduced the overall yield. At the time of reporting, underground grades at Obuasi have improved by 1g/t and management expects production to reach 100,000oz next quarter. Obuasi's operating loss for the quarter of \$1m is an \$11m improvement on that of the previous quarter.

On 12

April, AngloGold Ashanti filed an application with the South African High Court for an interim order seeking the continuation of pumping of underground water at mines located up dip from the AngloGold Ashanti Vaal River operations. On 15 April, the South African Department of Water Affairs and Forestry issued an interim directive, ordering AngloGold Ashanti, Harmony and DRDGold to share equally the costs of pumping the water, until the Court reaches a final decision regarding the relevant legal liabilities and responsibilities.

Looking ahead, production for the second quarter is estimated to be 1.6Moz at an average total cash cost of \$276/oz, assuming the following exchange rates to the US dollar: R6.10; A\$0.77; BRL2.90 and Argentinean peso 2.70. Capital expenditure for the quarter is estimated at \$207m but will be managed in line with profitability and cash generation.

OPERATING RESULTS FOR THE QUARTER SOUTH AFRICA

At **Great Noligwa**, volume mined dropped 14% as planned, largely due to the slow start-up at the beginning of the year. Yield was held to last quarter's level and gold production fell 11% to 5,598kg (180,000oz), as a consequence of the fewer shifts worked.

A decreased by-product contribution from uranium and the negative impact of lower gold production combined to increase total cash costs by 18% to R53,491/kg (\$277/oz). These higher total cash costs, together with lower revenue and unfavourable inventory movements, resulted in gross profit adjusted for the effect of unrealised non-hedge derivatives decreasing 38% to R122m (\$20m).

The Lost-Time Injury Frequency Rate (LTIFR) was 9.51 lost-time injuries per million hours worked (9.80 for the previous quarter). Regrettably, two employees lost their lives due to falls of ground.

At **Kopanang**, volume mined was 5% lower than the record level achieved in the previous quarter. Yield improved by 4% to 7.49g/t with gold production falling marginally to 3,737kg (120,000oz). Total cash costs, at R59,318/kg (\$307/oz), increased 7% quarter-on-quarter. Gross profit adjusted for the effect of unrealised non-hedge derivatives decreased 26% to R53m (\$9m), reflecting the lower gold output and higher costs.

The LTIFR was 12.45 (14.45). Regrettably, one employee died from a fall of ground incident.

Tau Lekoa's volume mined decreased by 15% quarter-on-quarter due to a planned reduction in mining below cut-off. Contract labour was moved from low-grade pillar mining to higher grade areas to help mitigate the effect of this reduction, resulting in a slightly increased yield of 3.98g/t. Gold production was unfavourably impacted by this quarter's lower volumes and fell 13% to 2,029kg (65,000oz).

Despite cost containment efforts and the implementation of cost saving initiatives, the benefits of which were reflected in the absolute costs, total cash costs increased by 8% to R83,401/kg (\$432/oz).

The LTIFR was 10.77 (15.29). Two employees regrettably lost their lives due to falls of ground.

Moab Khotsong's improved gold production of 124kg (4,000oz) is not included in the South Africa region's production, as the revenue continues to be capitalised against pre-production costs. Commercial production is

scheduled for 2006.

The LTIFR was 9.60 (8.41).

At **Mponeng**, volume mined decreased 7% due to six fewer breaking shifts this quarter.

Increased mining in the higher grade areas below the 109 level led to an 8% improvement in yield to 8.31g/t, resulting in a 3% increase in gold production to 3,571kg (115,000oz). Total cash costs decreased marginally to R63,457/kg (\$329/oz). Gross profit adjusted for the effect of unrealised non-hedge derivatives increased 69% to R22m (\$3m), reflecting the impact of the lower costs and improved gold production.

The LTIFR was 15.82 (10.77).

At **Savuka**, volume mined dropped 9% due to adverse ground conditions experienced in the Ventersdorp Contact Reef from geological structure problems. An increase in off-reef mining and lower in-situ values resulted in a 17% decline in yield to 5.44g/t, which, together with the lower volumes, resulted in a 23% decrease in gold production to 1,000kg (32,000oz). Total cash costs, which in absolute terms decreased 8% quarter-on-quarter, were nevertheless adversely impacted by the lower gold output and consequently increased 20% to R107,171/kg (\$555/oz). Gross loss adjusted for the effect of unrealised non-hedge derivatives increased by 88% to R32m (\$5m), predominantly due to the lower gold production. Management is focused on a turn-around strategy for Savuka, although continued underperformance will likely result in early closure.

The LTIFR was 13.59 (8.85).

At **TauTona**, volume mined increased 3% as improved face advance more than offset a drop in face length. Yield increased 2% to 10.31g/t as a consequence of the higher face values.

Gold production declined marginally to 4,067kg (131,000oz), mainly due to increased material lock-up resulting from seismicity. Total cash costs, at R52,492/kg (\$272/oz), reflected a 3% improvement. Gross profit adjusted for the effect of unrealised non-hedge derivatives increased 27% to R61m (\$9m).

The LTIFR was 8.84 (14.53).

ARGENTINA

At **Cerro Vanguardia** (92.5% attributable), gold production decreased as anticipated by 16% to 57,000oz due to an 8% decrease in ore treated and a 9% lower feed grade quarter-on-quarter, after a period of particularly high grades during the second half of 2004. Although production is expected to decline slightly in the second quarter of 2005, full-year production is expected to match last year's levels.

Total cash costs were 8% higher quarter-on-quarter at \$141/oz, mainly owing to lower gold and silver production, although lower labour and mine equipment rental costs partially offset the effect of the decreased production. Gross profit adjusted for the effect of unrealised non-hedge derivatives declined to \$10m as a result of a 28% decrease in gold revenue.

The LTIFR was 2.14 (4.61).

AUSTRALIA

For the second consecutive quarter, **Sunrise Dam** reported record production of 131,000oz, representing a 15% increase quarter-on-quarter.

Mining continued in the higher grade areas as planned with recovered grade increasing to 4.60g/t, which offset the effects of both the lower volume treated and the increased mining costs. Total cash costs consequently declined by 4% to A\$359/oz (\$279/oz).

Gross profit adjusted for the effect of unrealised non-hedge derivatives, which declined by 37% to A\$17m (\$13m) as a result of lower inventory build-up, a lower price received and lower volume treated, was partially offset by the favourable grade.

The underground project at Sunrise Dam is well underway, with 796m of underground capital development and 742m of operational development completed.

There were no lost-time injuries at Sunrise Dam (0). Agreement was reached this quarter amongst the three parties on the parameters of the **Boddington** Feasibility Study and an exercise is underway to finalise the capital and cost parameters. A decision on the project implementation is expected in the first quarter of 2006.

BRAZIL

At **AngloGold Ashanti Mineracao**, gold production declined 3% to 57,000oz, mainly due to a planned decrease in tonnage treated at the Córrego do Sítio and Cuiabá mines.

Total cash costs were 9% higher at \$147/oz, as a consequence of the lower gold production, a lower sulphuric acid credit (a function of an 8% price decrease) and the 4% appreciation of the Brazilian real. Gross profit adjusted for the effect of unrealised non-hedge derivatives increased 30% to \$13m due to a 14% increase in the received price, which offset the effects of higher cash costs and a lower quantity of gold sold.

This quarter, AngloGold Ashanti Mineracao won the *2004 Dick Fisher Safety Award*, the most prestigious acknowledgement of good safety performance awarded within the company. The LTIFR was 2.25 (0.75).

At **Serra Grande** (50% attributable), gold production was maintained at last quarter's level of 24,000oz. Total cash costs were also maintained at \$147/oz, as the effect of a 4% appreciation of the Brazilian real was offset by higher primary development capitalisation. Gross profit adjusted for the effect of unrealised non-hedge derivatives increased 50% to \$6m as a consequence of a 15% increase in the received gold price.

The LTIFR for the quarter was 4.88 (2.46).

GHANA

At **Bibiani**, production was higher than anticipated at 33,000oz due to the milling of higher grade hard rock in addition to tailings, although production declined 3% quarter-on-quarter. From the third quarter of this year, it is anticipated that production at Bibiani will devolve into tailings treatment alone, as both the hard rock stockpile and the satellite pits will be depleted.

Total cash costs increased marginally to \$289/oz. Gross profit adjusted for the effect of unrealised non-hedge derivatives improved from a loss of \$4m in the previous quarter, to a break-even point this quarter.

The LTIFR was 2.13 (0).

At **Iduapriem** (85% attributable), gold production increased 10% to 46,000oz, primarily as a result of improved plant availability and consequently, increased throughput. Total cash costs decreased 19% to \$288/oz, due to increased production, and gross profit adjusted for the effect of unrealised non-hedge derivatives improved to \$2m.

As previously reported, a mine-to-mill study is currently underway at Iduapriem and will focus on the optimisation of the front-end crushing system to further increase plant throughput.

There were no lost-time injuries this quarter, making March the 19

th

consecutive month without a lost-time injury (0).

Production improved 2% at **Obuasi** to 92,000oz, largely due to the recently commenced mining of the Kubi pit surface oxides. In spite of this production increase, operational performance continues to be affected by inadequately drilled and developed reserves. In addition, a SAG mill motor breakdown at the main processing plant this quarter adversely affected tonnage throughput. Total cash costs consequently increased 13% to \$362/oz. Gross loss adjusted for the effect of unrealised non-hedge derivatives reduced from \$12m to \$

Following the quarter close, grade underground improved by approximately 1g/t owing to an improved mining mix and increased flexibility, although reduced development will continue to constrain the improved mining trend.

The LTIFR was 4.73 (2.56). Regrettably, two employees lost their lives this quarter, one in a heavy machinery accident and the other in a slip and fall.

REPUBLIC OF GUINEA

At **Siguri** (85% attributable), gold production was maintained at last quarter's levels of 43,000oz. Production, however, was lower than anticipated, due to the previously-reported delay in the carbon-in-pulp plant construction and related problems subsequent to the plant's commissioning in February 2005. These difficulties have largely been resolved and it is expected that improved performance will be achieved during the remainder of the year. Total cash costs this quarter decreased 9% to \$395/oz. Gross profit adjusted for the effect of unrealised non-hedge derivatives rose to \$2m.

The LTIFR was 0.50 (0.46).

MALI

At **Morila** (40% attributable), production decreased by 26% to 67,000oz, reflecting a 26% decline in recovered grade. As noted in the preceding quarterly report, plant feed grade was unusually high at the end of 2004 and, as anticipated, was not sustained during the first quarter of 2005.

Total cash costs increased by 15% quarter-on-quarter to \$173/oz, mainly due to the grade-related decline in gold production, although the unit cost impact of the lower grade was partially mitigated by improved cost management.

Gross profit adjusted for the effect of unrealised non-hedge derivatives declined by 37% to \$12m due to the lower gold production. Morila is expected to meet its 2005 attributable production target.

The LTIFR was 1.24 (3.71).

At **Sadiola** (38% attributable), gold production declined by 19% to 38,000oz due to a 19% decrease in tonnage throughput. This reduction came as a result of 14 fewer milling shifts, as a consequence of an accumulation of extra working days in the previous quarter and two public holidays in January. Sadiola nevertheless remains on track to meet its 2005 attributable production target.

The lower lower production resulted in an 11% increase in total cash costs to \$283/oz. Gross profit adjusted for the effect of unrealised non-hedge derivatives declined by 33% to \$2m.

The LTIFR was 1.16 (2.32).

Production at **Yatela** (40% attributable), at 23,000oz, was 18% below that of the previous quarter due to a decline in recovered grade.

Total cash costs increased by only 1% to \$280/oz, and the drop in gold production was largely offset by improved cost performance, including the significant benefit realised on cement consumption and costs by moving from bottom lift stacking to top lift stacking.

Gross profit adjusted for the effect of unrealised non-hedge derivatives, at \$2m, was in line with that of the previous quarter.

The good safety performance of the previous quarter was maintained and there were no lost-time injuries (0).

NAMIBIA

At **Navachab**, gold production increased by 12% to 19,000oz due to 6% increases in both tonnage throughput and recovered grade. Total cash costs decreased by 11% to \$413/oz as a result of the increase in production volume. Gross profit adjusted for the effect of unrealised non-hedge derivatives improved to a breakeven level, compared to the \$2m loss recorded for the previous quarter after a crusher breakdown in November resulted in considerable plant downtime and higher costs. There were no lost-time injuries (0).

TANZANIA

At **Geita**, production improved by 1% to 192,000oz due to a small increase in tonnage throughput. Total cash costs, at \$213/oz, were 19% lower than those of the previous quarter. Increased production and a better cost performance contributed to a 120% improvement in gross profit adjusted for the effect of unrealised non-hedge derivatives to \$10m. Going forward, yield is expected to decline and costs are expected to rise, following the once-off favourable inventory movements experienced during the first quarter. The LTIFR was 1.06 (1.02).

USA

At **Cripple Creek & Victor** (67% ownership with 100% interest in production until initial loans are repaid), gold production decreased 11% to 81,000oz, after gyratory crusher repairs in December required a reduction in tons placed on the leach pad and available recoverable ounces in the first quarter consequently declined. In an effort to remedy this shortfall, a record 5,243,000 tons were crushed and placed on the leach pad this quarter.

Total cash costs, at \$220/oz, were 8% lower than those of the previous quarter due to improved operating costs and an increase in the recoverable ounces placed on the leach pad.

Gross profit adjusted for the effect of unrealised non-hedge derivatives, at \$7m, showed marked improvement quarter-on-quarter.

There were no lost-time injuries (0). In March, CC&V achieved 16 months and exceeded one million hours without a lost-time accident.

Notes:

· All references to price received include the realised non-hedge derivatives.

· In the case of joint venture operations, all production and financial results are attributable to AngloGold Ashanti.

· Rounding of figures may result in computational discrepancies.

Exploration

In **South Africa**, surface diamond drilling continued to test Vaal Reef grade and facies models in the lower Mine Block at Moab Khotsong and to the southwest of Kopanang.

In **Tanzania** at Geita, diamond drilling of the Geita Hill Northeast Extension zone is underway in order to establish the final open pit extent and define areas for infill Mineral Resource drilling in 2005.

At Sadiola in **Mali**, a drilling programme has commenced to evaluate the sulphide potential at FE3, FE3 South and FE4, while Mineral Resource modelling is in progress at the Deep Sulphide project. Further satellite oxide targets were identified in a target generation exercise and are being followed up with drilling.

Greenfields exploration in southern Mali was terminated and the projects will be farmed out to third parties.

At Obuasi in **Ghana**, underground exploration continues to focus on the below-50 Level project, testing both the northern and southern corridors of the Main Reef Fissure. Results remain encouraging.

At Bibiani, drilling is centred on the delineation of additional underground Mineral Resources to the north and below the existing pit.

At Sigui in **Guinea**, drilling is underway to test the oxide depth and strike extensions of the existing pits. Results to date have been encouraging. Reconnaissance drilling commenced on a 2km soil geochemical anomaly at Foulata, situated 45km west of the plant.

In the **Democratic Republic of Congo** at the Kimin project, diamond drilling commenced in January in the Adidi Mine area to firm up previous geological interpretations of the mineralisation. As a precautionary measure, exploration activities in the area were temporarily suspended at the end of February to avoid possible conflict with elements of the local militia. The issues were resolved by the District Commissioner and other government representatives and exploration activities recommenced in April.

In **Namibia** at Navachab, infill drilling is underway at Anomaly 16, situated 5km from the current pit.

At Cripple Creek & Victor in the **United States**, exploration efforts focused on Mineral Resource expansion drilling of the Wildhorse Extension project. Additional metallurgical and geotechnical

studies are ongoing at both the Wildhorse Extension and South Cresson projects.

In **Alaska**, a first phase Reverse Circulation drilling programme was completed on the Lost Mine South project, situated 40km southwest of the Pogo mine. The drilling intersected a series of highly altered structural zones with initially encouraging gold results. At Livengood, efforts are currently centred on the definition of higher grade gold zones within a large, low-grade gold mineralised envelope. Further prospective land has been staked and acquired in Alaska and will be explored in the next few months.

In **Brazil**, Mineral Resource definition drilling continued at Lamego, where the Carruagem exploration ramp advanced 246m during the quarter to 498m.

At Corrego do Sitio, ongoing drilling at Carvoaria Velha-Bocaina (situated 2km northeast of Cachorro Bravo) has confirmed the presence of multiple narrow, locally high-grade sulphide horizons. Drilling at Bocaina has extended the known oxide Mineral Resource to the north and confirmed the down-plunge continuity of the sulphide mineralisation. Underground drilling at Cachorro Bravo continues to intersect high grade mineralisation in the hanging wall 300 series ore horizons.

At Serra Grande, drilling continued throughout the quarter on potential open pit targets.

At the Cerro Vanguardia mine in **Argentina**, reconnaissance drilling is underway to define additional upside on the Fortuna and Atila veins. Diamond drilling was completed on a target in eastern **Peru** with marginal gold results; the property is now being offered for joint venture. Two new targets are expected to be drill-tested this year and regional exploration joint ventures were signed in February with both Bear Creek Mining and WestMag Ltd for data packages in southern Peru.

In **Colombia**, field evaluation of greenfields targets and advanced-stage opportunities in the San Lucas and Middle Cauca project areas continued, with four projects planned to be drilled in 2005.

At Sunrise Dam in **Australia**, drilling from surface and underground continued to focus on the underground targets of GQ, Cosmo, Astro and Hammerhead. Deep drilling targeting the Carey Shear beneath the open pit intersected encouraging mineralisation over a strike length of approximately 400m.

At the Tropicana JV, the initial, broad-spaced diamond drilling testing for bedrock mineralisation intersected wide, moderate grade gold intercepts at the Tropicana Prospect. An induced polarisation geophysical survey is planned to commence before additional drill testing is undertaken. Auger sampling along strike to the south of the prospect has defined a new geochemical anomaly, which will be tested by aircore drilling in the next quarter.

Drill-testing of targets in the Yamarna JV continued, with assay results forthcoming.

A Heads of Agreement has been signed with Eurasia Mining plc to forge an exclusive exploration alliance covering areas in south-

eastern **Siberia**. This will allow AngloGold Ashanti to benefit from Eurasia's local expertise in order to identify and explore potential exploration and acquisition opportunities. Eurasia will manage the projects.

In **Laos**, a number of high priority exploration targets were identified outside of the Sepon project area by the newly formed joint venture with Oxiana Limited. Initial field work programmes have commenced.

In **Mongolia**, drilling of the Torimkhan prospect at Altan Uul in the southern Gobi region generated initially encouraging gold results, which are being followed up with additional drilling and geophysics. Drilling at Tsagaan Tolgoi, situated in northwestern Mongolia, did not intersect economic gold grades.

In **China**, the technical team continues to focus on a number of exploration opportunities, as well as the establishment of relationships with suitable local partners.

Review of the **gold market**

The strong investor interest in gold seen during the latter half of 2004 abated during the first quarter of the new year. As a result, gold prices were down for this period. The quarter closed exactly \$10/oz lower than the opening spot price at \$428/oz, and the average spot price of \$427/oz for the full quarter was \$7/oz or 2% lower than the average price for the final quarter in 2004. There has been little activity in the market since the end of the quarter to change this position, and gold continues to trade sideways.

Whilst the average exchange rate of the rand to the dollar at around R6/\$1 for the quarter remained much the same as the previous quarter, the rand tended weaker during much of the quarter. The exchange rate for the local currency closed at R6.22 to the dollar, or some 10% weaker than the opening rate of R5.64. As a result of these circumstances, the South African gold price has also remained trapped within a relatively narrow band of R80,000-R86,000/kg, with an average local spot price of R82,219/kg for the quarter. This price was 4% down on the average rand spot price for the previous quarter.

GOLD

The gold price remains closely tied to the strength or weakness of the dollar, most specifically against the euro. This relationship continued throughout the latest quarter (*see Graph 1 : Euro/ \$ Exchange Rate and US\$ Gold Spot Price : 3 January 2005 – 14 April 2005 Indexed*). Whilst the price/exchange rate correlation is not as near-perfect as it was during the latter half of last year, the profile of movements in the two markets is very similar.

The other element through which the gold price can be tracked and predicted remains the behaviour of open interest in gold on the New York Commodity Exchange (Comex). Investor behaviour in gold on the Comex tracks very closely the movement in the US dollar/euro exchange rate, reflected in investor activity in the US dollar on the International Money Market (IMM) in Chicago. *Graph 2* shows the very close relationship between the size of net short US dollar positions on the IMM and the size of net long gold positions on the Comex. When those trading on the IMM reduce their net short positions on US dollars, so investors and speculators reduce their net long positions on Comex. As the US dollar short position in IMM increases, so the long position in gold on the Comex increases.

The link between the US dollar gold price and the net open positions in gold on Comex however, was somewhat weaker during the past quarter than it has

been over the past three and a half years. The Comex sustained a substantial correction in open interest in gold early in 2005, with net positions falling for six weeks to a low of only some 7Moz net long in mid-February. This relatively low open position in gold coincided with the strongest point of the US dollar against the euro during the quarter, confirming the link between behaviour on the Comex, and changes in value of the US dollar. However, this sharp fall in the net long position in gold on the Comex translated to only a small correction in the US dollar spot price of gold. It is likely that the increase in gold offtake during January 2005 for the streetTracks Gold Fund in the US softened the negative impact on the spot gold price of the fall in net long interest in gold on Comex. Since the low point in mid-February, investor interest in gold on Comex has recovered much of the lost ground, and gold futures and options have traded for the past four weeks at around 15-17Moz net long.

PHYSICAL DEMAND

The improved physical demand for gold reported in the latter half of 2004, particularly in respect of jewellery offtake in certain markets, has been maintained into 2005. With a small recovery in gold mine production this year (due largely to the return of Freeport to full gold production in 2005), the physical gold market is likely to be largely unchanged, and in balance for most of the year. With investment demand still positive for gold, however, the final balance of supply and demand in the gold market will remain of secondary importance, and investor and speculation purchases on the margin will continue to be the price-determining force in the gold market. However, in the longer term it is important that physical demand is healthy because of the ability of the physical market to provide offtake and floor price support at times when investor or speculator interest weakens.

OFFICIAL SECTOR

The most significant issue for gold in the official sector in recent months has been the discussion over the gold reserves of the International Monetary Fund (IMF), and the campaign for debt relief for Heavily Indebted Poor Countries (HIPC's). Gordon Brown, Chancellor in the British government, has made the issue of debt relief through the sale or revaluation of gold reserves of the IMF a central issue for his term of office as chairman of the International Monetary and Finance Committee of the IMF.

This is an idea which is not new to the IMF. During 1999, a campaign with the same objectives was undertaken with the objective of selling IMF gold reserves to fund HIPC debt relief. The compromise reached on that occasion involved not the outright sale, but rather a revaluation of some 12.9Moz or 13% of IMF gold holdings to generate sufficient value on the IMF balance sheet to meet the needs of the proposal at that time for debt relief. This time, IMF management seems determined that a process of revaluation of the gold reserves on their balance sheet will be inappropriate for the scheme to relieve debt, and that only outright sale would be appropriate. All of those who have supported this campaign insist that such outright sales would be undertaken in a manner that would not damage the gold market. More specifically, it has been mooted that any gold sales by the IMF should be effected only within the constraints and terms of the second Washington Agreement which provides currently for the sale of 2,500t of gold over five years by signatories to the agreement (September 2004 – September 2009). Whilst the proposal to sell a part of the IMF gold holdings has contributed to some measure of negative sentiment in the gold market, it is not at all clear that such a sale will eventuate. The US Treasury opposes the sale, and central bank officials from both Germany and the European central bank have spoken out in opposition to a sale of IMF gold holdings to fund debt relief. The debate on this subject continues.

CURRENCIES

Whilst there is a broad consensus amongst market analysts and commentators that the US dollar needs to weaken further against the currencies of the major trading counterparties of the US, the dollar lost little ground during the first quarter of 2005. The structural problems of budget and current account deficits faced by the US economy are neutralised in the market from time to time by the cyclical advantages currently enjoyed by the USA. These cyclical advantages include the continued above-average growth of the US economy and the steady increase in US interest rates, which are today higher than European central bank rates for the first time in three years.

With the offset between cyclical and structural influences, the dollar has appeared almost to be in equilibrium in a range around \$1.30 to the euro during recent months. It is unlikely that this equilibrium can last. It is likely that US growth will flag during this year, and that significantly higher oil prices might yet begin to show some influence on consumer prices in the developed economies. Any threat of inflation will trigger

more aggressive monetary and interest rate policies with direct effect on US growth.

In all, it is difficult to believe that the structural adjustment required by the US economy is over, or that the US currency will not devalue further as part of that adjustment.

Regarding the rand, the past quarter saw a brief period of volatility and weakness against the US dollar, taking the exchange rate to R6.38 to the dollar at one point. However, there was no confirmation of any real trend in this change, and the strength of the US dollar against the euro into April has brought little change in the rand, although an unexpected rate cut by the South African Reserve Bank of 0.50% in mid-April saw the rand lose 5 cents against the dollar. Notwithstanding the sustained current account deficit in the South African economy, other economic and fiscal circumstances in the country continue to support the rand. Capital inflows have been sufficient to cover the current account deficit. It seems unlikely that economic or currency market circumstances will bring about any significant change to the value of the rand against the US dollar, and that any material shift in value will be brought about by events in other markets.

HEDGING

As at 31 March 2005, the net delta hedge position of AngloGold Ashanti was 10.72Moz or 334t, valued at the spot price of gold at that date of \$428/oz. This net delta position reflects an increase of some 240,000oz or 7.5t in the net size of the AngloGold Ashanti hedge compared with the position at the end of the previous quarter. This increase is not due to new hedging commitments entered into by the company during the quarter, but by measuring the hedge at the new higher US interest rates, which give rise to a higher contango, and therefore to higher gold forward prices. These higher forward prices in turn translate into higher delta values for open option positions in future years, and this has reported as an overall increase in delta hedge tonnage.

The marked-to-market value of the hedge position as at 31 March 2005 was negative \$1,066m, little changed from the negative value of \$1,161m recorded at the end of December 2004. The price received by the company for the quarter under review was \$424/oz, compared to an average spot price for the period of \$427/oz. The company continues to manage its hedged positions actively, and to reduce overall levels of pricing commitments in respect of future gold production by the company.

Hedge position

As at 31 March 2005, the group had outstanding the following forward-pricing commitments against future production. The total net delta tonnage of the hedge of the company on this date was 10.72Moz or 334t (at 31 December 2004: 10.49Moz or 326t).

The marked-to-market value of all hedge transactions making up the hedge positions was a negative \$1.066bn (negative R6.62bn) as at 31 March 2005 (as at 31 December 2004: \$1.161bn or R6.58bn). This value at 31 March 2005 was based on a gold price of \$428/oz, exchange rates of R/\$6.2124 and A\$/0.7734 and the prevailing market interest rates and volatilities at that date.

As at 26 April 2005, the marked-to-market value of the hedge book was a negative \$1.046bn (negative R6.35bn), based on a gold price of \$432/oz and exchange rates of R/\$6.0675 and A\$/0.7773 and the prevailing market interest rates and volatilities at the time.

These marked-to-market valuations are not predictive of the future value of the hedge position, nor of future impact on the revenue of the company. The valuation represents the cost of buying all hedge contracts at the time of valuation, at market prices and rates available at the time.

Year**2005****2006****2007****2008****2009****2010-2014****Total****DOLLAR GOLD**

Forward contracts

Amount (kg)

16,084

19,510

32,993

30,076

26,288

53,566

178,517

US\$/oz

\$293

\$336

\$344

\$365

\$380

\$402
\$365
Put options purchased
Amount (kg)
7,545
8,592
1,455
17,592
US\$/oz
\$337
\$345
\$292
\$337
Put options sold
Amount (kg)
6,376
4,354
855
1,882
9,409
22,876
US\$/oz
\$391
\$339
\$390
\$400
\$430
\$398
Call options purchased
Amount (kg)
15,613
11,211
6,357
33,181
US\$/oz
\$330
\$333
\$344
\$334
Call options sold
Amount (kg)
30,866
28,367
27,560
27,516
26,211
76,048
216,568
US\$/oz
\$365
\$373

\$374

\$380

\$407

\$468

\$410

RAND GOLD

Forward contracts

Amount (kg)

* 782

933

151

Rand per kg

R10,709

R116,335

R633,352

Put options purchased

Amount (kg)

1,875

1,875

Rand per kg

R93,602

R93,602

Put options sold

Amount (kg)

6,874

1,400

8,274

Rand per kg

R85,095

R88,414

R85,656

Call options purchased

Amount (kg)

Rand per kg

Call options sold

Amount (kg)

11,506

4,517

1,058

2,986

5,972

26,039

Rand per kg

R91,660

R102,447

R154,002

R202,054

R223,756

R139,018

A DOLLAR GOLD

Forward contracts

Amount (kg)

* 307

3,110

8,398

3,110

3,390

3,110

20,811

A\$ per oz

A\$1,072

A\$749

A\$650

A\$678

A\$665

A\$691

A\$761

Put options purchased

Amount (kg)

622

622

A\$ per oz

A\$600

A\$600

Put options sold

Amount (kg)

622

622

A\$ per oz

A\$565

A\$565

Call options purchased

Amount (kg)

3,110

6,221

3,732

3,110

1,244

3,110

20,527

A\$ per oz

A\$724

A\$673

A\$668

A\$680

A\$694

A\$712

A\$688

Call options sold

Amount (kg)

622

622

A\$ per oz

A\$620

A\$620

Delta (kg)

23,910

35,771

57,446

54,834

50,872

110,670

333,503

** Total net gold:

Delta (oz)

768,723

1,150,063

1,846,929

1,762,951

1,635,570

3,558,118

10,723,126

* Long position.

**

The Delta of the hedge position indicated above, is the equivalent gold position that would have the same marked-to-market sensitivity for a small change in the gold price. This is calculated using the Black-Scholes option formula with the ruling market prices, interest rates and volatilities as at 31 March 2005.

Year

2005

2006

2007

2008

2009

2010-2014

Total

DOLLAR

SILVER

Forward
contracts

Amount

(kg)

\$ per oz

Put options purchased

Amount (kg)

32,659

43,545

43,545

119,749

\$ per oz

\$7.11

\$7.11

\$7.40

\$7.22

Put options sold

Amount (kg)

32,659

43,545

43,545

119,749

\$ per oz

\$6.02

\$6.02

\$5.93

\$5.99

Call

options

purchased

Amount

(kg)

\$ per oz

Call options sold

Amount (kg)

32,659

43,545

43,545

119,749

\$ per oz

\$8.11

\$8.11

\$8.40

\$8.22

The following table indicates the group's currency hedge position at 31 March 2005

Year

2005

2006

2007

2008

2009

2010-2014

Total

RAND DOLLAR (000)

Forward contracts

Amount

(\$) 4,065

4,065

US\$/R

R5.91

R5.91

Put

options

purchased

Amount

(\$)

US\$/R

Put

options

sold

Amount

(\$)

US\$/R

Call

options

purchased

Amount

(\$)

US\$/R

Call

options

sold

Amount

(\$)

50,000

50,000

US\$/R

R6.22

R6.22

A DOLLAR (000)

Forward contracts

Amount (\$)

15,970

39,222

55,192

A\$/US\$

A\$0.44

A\$0.75