

ANGLOGOLD ASHANTI LTD

Form 20-F

July 14, 2005

As filed with the Securities and Exchange Commission on July 14, 2005

**United States Securities and Exchange Commission**

**Washington D.C. 20549**

**Form 20-F**

REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12(G) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2004**

Commission file number: 0-29874

**AngloGold Ashanti Limited**

(formerly AngloGold Limited)

(Exact Name of Registrant as Specified in its Charter)

**Republic of South Africa**

(Jurisdiction of Incorporation or Organization)

**11 Diagonal Street**

**Johannesburg, 2001**

**(P.O. Box 62117, Marshalltown, 2107)**

**South Africa**

(Address of Principal Executive Offices)

**Securities registered pursuant to Section 12(b) of the Act:**

Title of Each Class

Name of Each Exchange on Which Registered

American Depositary Shares

New York Stock Exchange

Ordinary Shares

New York Stock Exchange\*

\*

Not for trading, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the

Securities and Exchange Commission

**Securities registered pursuant to Section 12 (g) of the Act:**

None

**Securities for which there is a reporting obligation pursuant to Section 15 (d) of the Act:**

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period

covered by the annual report:

Ordinary Shares of 25 ZAR cents each

264,462,894

A Redeemable Preference Shares of 50 ZAR cents each

2,000,000

B Redeemable Preference Shares of 1 ZAR cent each

778,896

Edgar Filing: ANGLOGOLD ASHANTI LTD - Form 20-F

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities

Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports),

and (2) has been subject to such filing requirements for the past 90 days:

Yes

No

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17

Item 18

**Table of contents**

Page

**Presentation of information**

1

**Certain forward-looking statements**

2

**Glossary of selected mining terms**

3

**Part I:**

**Item 1:**

Identity of directors, senior management and advisors

7

**Item 2:**

Offer statistics and expected timetable

7

**Item 3:** Key information

3A. Selected financial data

7

3B. Capitalization and indebtedness

11

3C. Reasons for the offer and the use of proceeds

11

3D. Risk factors

11

**Item 4:**

Information on the company

4A. History and development of the company

23

4B. Business overview

30

4C. Organizational structure

110

4D. Property, plant and equipment

110

**Item 5:**

Operating and financial review and prospects

5A. Operating results

111

5B. Liquidity and capital resources

138

5C. Research and development, patents and licenses, etc

154

5D. Trend information

155

5E. Off-balance sheet items

156

5F. Tabular disclosure of contractual obligations

156

**Item 6:**

Directors, senior management and employees

6A. Directors and senior management

157

6B. Compensation

163

6C. Board practices

166

6D. Employees

173

6E. Share ownership

176

**Item 7:**

Major shareholders and related party transactions

180

7A. Major shareholders

181

7B. Related party transactions

182

7C. Interests of experts and counsel

182





**Item 8:** Financial information

8A. Consolidated financial statements and other financial information

183

Legal proceedings

Dividend policy

8B. Significant changes

183

**Item 9:**

The offer and listing

9A. Offer and listing details

184

9B. Plan of distribution

184

9C. Markets

185

9D. Selling shareholders

185

9E. Dilution

185

9F. Expenses of the issue

185

**Item 10:** Additional information

10A. Share capital

186

10B. Memorandum and articles of association

189

10C. Material contracts

201

10D. Exchange controls

201

10E. Taxation

202

10F. Dividends and paying agents

205

10G. Statement by experts

205

10H. Documents on display

205

10I. Subsidiary information

205

**Item 11:** Quantitative and qualitative disclosures about market risk

206

**Item 12:** Description of securities other than equity securities

214

**Part II:**

**Item 13:** Defaults, dividend arrearages and delinquencies

215

**Item 14:** Material modifications to the rights of security holders and use of proceeds

215

**Item 15:** Controls and procedures

215

**Item 16:** Corporate governance

16A. Audit committee financial expert

215

16B. Code of ethics

215

16C. Principal accountant fees and services

216

16D. Exemptions for the listing standards for audit committees

217

16E. Purchases of equity securities by the issuer and affiliated purchasers

217

**Part III:**

**Item 17:** Financial statements

218

**Item 18:** Financial statements

F- pages

**Item 19:** Exhibits







1

## **Presentation of information**

### **AngloGold Ashanti Limited**

In this annual report on Form 20-F, references to AngloGold or AngloGold Ashanti, the company and the group, are references to AngloGold Ashanti Limited or, as appropriate, subsidiaries and associate companies.

On Friday, April 23, 2004, the High Court in Ghana confirmed the scheme of arrangement, in terms of which AngloGold acquired the entire issued share capital of Ashanti Goldfields Company Limited (“Ashanti”). The court order approving the scheme was lodged with the Registrar of Companies in Ghana on Monday, April 26, 2004, thereby giving effect to the Business Combination of the two companies and the name change to AngloGold Ashanti Limited.

### ***US GAAP financial statements***

The audited consolidated financial statements contained in this annual report on Form 20-F for the years ended December 31, 2004, 2003 and 2002 and as at December 31, 2004 and 2003 have been prepared in accordance with Generally Accepted Accounting Principles in the United States (US GAAP).

### ***IFRS financial statements***

As a company incorporated in the Republic of South Africa, AngloGold Ashanti also prepares annual audited consolidated financial statements and unaudited consolidated quarterly financial statements in accordance with International Financial Reporting Standards (IFRS). These financial statements (referred to as IFRS statements) are distributed to shareholders and are submitted to the JSE Limited (formerly JSE Securities Exchange South Africa) (JSE), as well as the London, New York, Australian and Ghana stock exchanges and Paris and Brussels bourses and are submitted to the US Securities and Exchange Commission (SEC) on Form 6-K.

### ***Currency***

AngloGold Ashanti presents its consolidated financial statements in United States dollars. In 2001, the group changed its presentation currency from South African rands to United States dollars because the majority of its revenues are realized in US dollars.

The selected financial information for the year ended December 31, 2000 “Item 3A.: Selected financial data” have been translated from South African rands into United States dollars in accordance with the provisions of Statements of Financial Accounting Standards No. 52 “Foreign Currency Translation” (SFAS52) as issued by the Financial Accounting Standards

Board of the United States (FASB).

In this annual report, references to rands, ZAR and R are to the lawful currency of the Republic of South Africa, references to US dollars or \$ are to the lawful currency of the United States, references to AUD dollars and A\$ are to the lawful currency of Australia, reference to BRL is to the lawful currency of Brazil and references to GHC or cedi are to the lawful currency of Ghana.

See “Item 3A.: Selected financial data – Exchange rate information” for historical information regarding the noon buying rate in the City of New York for cable transfers in rands as certified for customs purposes by the Federal Reserve Bank of New York.  
On July 7, 2005, the noon buying rate was  $R6.87 = \$1.00$ .

2

***Non-GAAP financial measures***

In this annual report on Form 20-F, AngloGold Ashanti presents the financial items “total cash costs”, “total cash costs per ounce”, “total production costs” and “total production costs per ounce” which have been determined using industry standards promulgated by the Gold Institute and are not US GAAP measures. An investor should not consider these items in isolation or as alternatives to production costs, net income/(loss) applicable to common shareholders, income/(loss) before income tax provision, net cash provided by operating activities or any other measure of financial performance presented in accordance with US GAAP. While the Gold Institute has provided definitions for the calculation of total cash costs and total production costs, the calculation of total cash costs, total cash costs per ounce, total production costs and total production costs per ounce may vary significantly among gold mining companies, and by themselves do not necessarily provide a basis for comparison with other gold mining companies. See “Glossary of selected mining terms – Total cash costs (total cash costs per ounce)” and – “Total production costs (total production costs per ounce)” and “Item 5A.: Operating results – Total cash costs and total production costs”.

**Shares and shareholders**

In this annual report, references to ordinary shares, ordinary shareholders and shareholders/members, should be read as common stock, common stockholders and stockholders, respectively, and vice versa.

**Certain forward-looking statements**

This annual report includes “forward-looking information” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements, including without limitation, those concerning: the economic outlook for the gold mining industry; expectations regarding gold prices; production; cash costs and other operating results; growth prospects and outlook of AngloGold Ashanti’s operations, individually or in the aggregate, including the completion and commencement of commercial operations at AngloGold Ashanti’s exploration and production projects; AngloGold’s liquidity and capital resources and expenditure; and the outcome and consequences of any pending litigation proceedings. These forward-looking statements are not based on historical facts, but rather reflect AngloGold Ashanti’s current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or other similar words and phrases. Similarly, statements that describe AngloGold

Ashanti's objectives, plans or goals are or may be forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause AngloGold Ashanti's actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by these forward-looking statements. Although AngloGold Ashanti believes that the expectations reflected in these forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

The risk factors described in Item 3D. could affect AngloGold Ashanti's future results, causing these results to differ materially from those expressed in any forward-looking statements. These factors are not necessarily all of the important factors that could cause AngloGold Ashanti's actual results to differ materially from those expressed in any forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results.

You should review carefully all information, including the financial statements and the notes to the financial statements, included in this annual report. The forward-looking statements included in this annual report are made only as of the last practicable date. AngloGold Ashanti undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this annual report on Form 20-F or to reflect the occurrence of unanticipated events. All subsequent written and oral forward-looking statements attributable to AngloGold Ashanti or any person acting on its behalf are qualified by the cautionary statements in this section.

3

### **Glossary of selected mining terms**

The following explanations are not intended as technical definitions but should assist the reader in understanding terminology used in this annual report. Unless expressly stated otherwise, all explanations are applicable to both underground and surface mining operations.

**Acid treatment:**

Acid treatment is the process of soaking activated carbon granules in a dilute hydrochloric acid solution to dissolve calcium carbonate and other impurities that have become absorbed in the carbon and that thereby reduce the ability to adsorb gold.

**Below collar:**

The distance below the surface elevation of a shaft.

**BIF:**

Banded Ironstone Formation. A chemically formed iron-rich sedimentary rock.

**By-products:**

Any products that emanate from the core process of producing gold, including silver, uranium and sulphuric acid.

**Calc-silicate rock:**

A metamorphic rock consisting mainly of calcium-bearing silicates such as diopside and wollastonite, and formed by metamorphism of impure limestone or dolomite.

**Carbon columns:**

Any vertical cylindrical vessels used to contain granules of activated carbon for processes such as the extraction of gold from solution, elution or acid treatment.

**Carbon-in-leach (CIL):**

Gold is leached from a slurry of gold ore with cyanide in agitated tanks and adsorbed on to carbon granules in the same circuit. The carbon granules are separated from the slurry and treated in an elution circuit to remove the gold.

**Carbon-in-pulp (CIP):**

Gold is leached conventionally from a slurry of gold ore with cyanide in agitated tanks. The leached slurry then passes into the CIP circuit where carbon granules are mixed with the slurry and gold is adsorbed on to the carbon. The granules are separated from the slurry and treated in an elution circuit to remove the gold.

**Channel width:**

The total thickness of all reef bands, including internal waste mined as one unit.

**Comminution:**

Comminution is the breaking up of ore to make gold available for treatment.

**Contained gold:**

The total gold content of the orebody (tons multiplied by grade), irrespective of economic potential and without deduction for mining and processing losses prior to recovery.

**Depletion:**

The decrease in quantity of ore in a deposit or property resulting from extraction or production.

**Development:**

The process of accessing an orebody through tunneling in underground mining operations.

**Diorite:**

An igneous rock formed by the solidification of molten material.

**Electro-winning:**

A process of recovering gold from solution by means of electrolytic chemical reaction into a form that can be smelted easily into gold bars.

Elution:

Recovery of the gold from the activated carbon into solution before zinc precipitation or electro-winning.



4

Grade:

The quantity of gold contained within a unit weight of gold-bearing material generally expressed in ounces per short ton of ore (oz/t), or grams per metric tonne (g/t).

Greenschist:

A schistose metamorphic rock whose green color is due to the presence of chlorite, epidote or actinolite.

In situ deposit:

Reserves still in the ground.

Intrusive event:

The intrusion of an igneous body into older rocks.

Leaching:

Dissolution of gold from crushed or milled material, including reclaimed slime, prior to adsorption on to activated carbon.

Metallurgical plant:

A processing plant erected to treat ore and extract gold.

Mine call factor:

The ratio, expressed as a percentage, of the total quantity of recovered and unrecovered mineral product after processing with the amount estimated in the ore based on sampling.

Mineral deposit:

A mineralized body which has been delineated by appropriately spaced drilling and/or underground sampling to support a sufficient tonnage and average grade of metal. This material or deposit does not qualify as a reserve until a comprehensive evaluation, based on costs, grade, recoveries and other factors, demonstrates economic feasibility. Consequently, although the potential exists, there is no assurance that this mineral deposit will ever become an ore reserve.

Ounce:

Used in imperial statistics. A troy ounce is equal to 31.1035 grams.

Pay limit:

The grade of a unit of ore at which the revenue from the recovered mineral content of the ore is equal to the total cash cost of recovering the precious metal content. This grade is expressed as an in-situ value in grams per tonne or ounces per short ton (before dilution and mineral losses).

Precipitate:

The solid product of chemical reaction by fluids such as the zinc precipitation referred to below.

Probable (Indicated) reserves:

Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling and measurement are further apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

Productivity:

An expression of labor productivity based either on the ratio of grams of gold produced to the total number of employees or area mined (in square meters) to the total number of employees in underground mining operations.

Proven (Measured) reserves:

Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are

spaced so closely and the geological character is so well-defined that size, shape, depth and mineral content of reserves are well established.

Pyrite flotation:

This is the addition of a suite of chemicals to a mixture of ground ore and solution in such a way that a froth rich in pyrite, which also contains gold, floats to the surface for collection.

5

**Reclamation:**

In the South African context, reclamation describes the process of reclaiming slimes (tailings) dumps using high-pressure water cannons to form a slurry which is pumped back to the metallurgical plants for processing.

**Recovered grade:**

The recovered mineral content per unit of ore treated.

**Reef:**

A gold-bearing sedimentary horizon, normally a conglomerate band, that may contain economic levels of gold.

**Refining:**

The final purification process of a metal or mineral.

**Rehabilitation:**

The process of reclaiming mined land to allow an appropriate post-mining use.

Rehabilitation standards are defined by country-specific laws including, but not limited to, the South African Department of Minerals and Energy, the US Bureau of Land Management, the US Forest Service, and the relevant Australian mining authorities, and address among other issues, ground and surface water, topsoil, final slope gradient, waste handling and re-vegetation issues.

**Reserves (Ore reserves):**

That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.

**Rod and tube mills:**

These are types of circular grinding mills used to break the ore down into fine particles in preparation for dissolving out the gold by means of cyanide.

**Secondary gold recovery:**

Any scavenging process for gold following initial primary gold recovery.

**Seismic event:**

A sudden inelastic deformation within a given volume of rock that radiates detectable seismic waves (energy), which results from mining activities.

**Shaft:**

A vertical or subvertical excavation used for accessing an underground mine; for transporting personnel, equipment and supplies; for hoisting ore and waste; for ventilation and utilities; and/or as an auxiliary exit.

**Skarn:**

A rock of complex mineralogical composition, formed by contact metamorphism and metasomatism of carbonate rocks.

**Sliping:**

The widening of an existing excavation, either by mechanical or explosive means so as to increase its overall dimensions.

**Smelting:**

A pyro-metallurgical operation in which gold is further separated from impurities.

**Stope:**

Underground excavation where the orebody is extracted.

**Stoping:**

The process of excavating ore.

**Stoping width:**

The sum of the channel width and external waste widths.

**Stripping ratio:**

The ratio of waste tons to ore tons mined calculated as total tonnes mined less ore tonnes mined divided by ore tonnes mined.

Syngenetic:

Formed contemporaneously with the deposition of the sediment.

Tailings:

Finely ground rock of low residual value from which valuable minerals have been extracted.

Tailings dam (slimes dam):

Dams or dumps created from tailings.

6

**Thermal regeneration:**

The process of heating activated carbon granules typically to 750 degrees Celsius to restore the properties of carbon for the next gold extraction cycle.

**Thrusting event:**

A period of structural compression in geological time with the generation of low-angle thrust faults.

**Tonne:**

Used in metric statistics. Equal to 1,000 kilograms.

**Ton:**

Used in imperial statistics. Equal to 2,000 pounds. Referred to as a short ton.

**Tonnage:**

Quantities where the ton or tonne is an appropriate unit of measure. Typically used to measure resources and reserves of gold-bearing material in situ or quantities of ore and waste material mined, transported or milled.

**Total cash costs (total cash costs**

**per ounce):**  
A measure of the average cost of producing an ounce of gold, calculated by dividing

attributable total cash costs in a period by attributable total gold production (in ounces) over the same period. Total cash costs include site costs for all mining, processing, administration, royalties and production taxes, as well as contributions from by-products but are exclusive of depreciation, depletion and amortization, rehabilitation, employment severance costs, corporate administration costs, capital costs and exploration costs.

Total cash costs per ounce amounts do not represent, and should not be considered substitutes for or measures of costs and expenses reported by AngloGold Ashanti in accordance with US GAAP.

**Total production costs (total**

**production costs per ounce):**  
A measure of the average cost of producing an ounce of gold, calculated by dividing

attributable total production costs in a period by attributable total gold production (in ounces) over the same period. Total production costs represent total cash costs, plus depreciation, depletion and amortization, employee severance costs and rehabilitation and other non-cash costs. Total production costs per ounce amounts do not represent, and should not be considered substitutes for or measures of costs and expenses reported by AngloGold Ashanti in accordance with US GAAP.

**Tribute agreement:**

A legal agreement between two parties in which one party makes a portion of its mining rights available to the other party for exploitation, in consideration for a share in the revenue and costs derived from such mining rights.

**Vibroseis survey (3D survey):**

Geophysical technique used to generate seismic waves of controlled frequencies.

These waves reflect from rock interfaces and are analyzed to produce three-dimensional images of the sub-surface geological structure with a resolution of around 25 meters. This process facilitates accurate long-term mine planning.

**Waste:**

Material that contains insufficient mineralization for consideration for future treatment and, as such, is discarded.

**Yield:**

The amount of valuable mineral or metal recovered from each unit mass of ore expressed as ounces per short ton or grams per metric tonne.

**Zinc precipitation:**

Zinc precipitation is the chemical reaction using zinc dust that converts gold solution to a solid form for smelting into unrefined gold bars.







7

**PART I**

**Item 1: Identity of directors, senior management and advisors**

Not applicable.

**Item 2: Offer statistics and expected timetable**

Not applicable.

**Item 3: Key information**

**3A.**

**Selected financial data**

The selected financial information set forth below for the years ended December 31, 2002, 2003 and 2004 has been derived

from, and should be read in conjunction with, the US GAAP financial statements included under Item 18 of this annual report.

The selected financial information for the years ended December 31, 2000 and 2001 (as restated) and as at December 31, 2000 and 2001 (as restated), has been derived from the US GAAP financial statements not included in this annual report.

The Acacia and Cerro Vanguardia acquisitions and the AngloGold Ashanti Business Combination, have each been accounted for as a purchase business combination under US GAAP, and the US GAAP financial statements only reflect the acquired entities and assets from the effective date of their acquisition. Accordingly, the financial condition of the companies and assets acquired from Acacia are included in the US GAAP financial statements from 2000. The equity interest acquired in Geita is reflected in the US GAAP financial statements from December 15, 2000 while the equity interest acquired in Morila is reflected in the US GAAP financial statements from July 3, 2000. In addition, the operations and financial condition of AngloGold's interests in the Deelkraal and Elandsrand mines that were sold during 2001 are reflected in the US GAAP financial statements only through January 31, 2001, the effective date of the sale. The operations and financial condition of AngloGold's interests in the Free State mines that were sold effective January 1, 2002 are reflected in the US GAAP financial statements only through December 31, 2001. The operations and financial condition of the additional 46.25 percent interest acquired in Cerro Vanguardia are included in the US GAAP financial statements from July 1, 2002. The operations and financial condition of AngloGold's interests in its wholly-owned subsidiary, Stone and Allied Industries, that were sold effective October 1, 2002 are reflected in the US GAAP financial statements only through September 30, 2002. The financial condition of AngloGold's interests in its wholly-owned Amapari Project, that were sold effective May 19, 2003 are reflected in the US GAAP financial statements only through May 18, 2003. The stake in the Gawler Craton Joint Venture that was sold effective June 6, 2003 is reflected in the US GAAP financial statements only through June 5, 2003. The operations and financial condition of AngloGold's interest in the Jerritt Canyon Joint Venture that was sold effective June 30, 2003, are reflected in the US GAAP financial statements only through June 29, 2003. The operations and financial condition of the interests in the

companies and assets acquired in Ashanti are included in the US GAAP financial statements from April 26, 2004, the effective date of the transaction. The operations and financial condition of AngloGold Ashanti's interest in the Freda-Rebecca mine that was sold effective September 1, 2004 are reflected in the US GAAP financial statements only through August 31, 2004. Therefore such financial statements are not necessarily indicative of AngloGold Ashanti's financial condition or results of operations for any future periods. For a discussion of the acquisitions mentioned above, see "Item 4A.: History and development of the company" and "Item 4B.: Business Overview – Products, operations and geographic locations".

### **Restatement of financial statements**

The financial statements contained herein for the two fiscal years ended December 31, 2003 and other financial information contained herein for the four fiscal years ended December 31, 2003 have been restated to correct AngloGold Ashanti's historical accounting practices for certain joint venture arrangements. Historically, interests in certain incorporated mining joint ventures in which AngloGold Ashanti has joint control were reported using the proportionate consolidation method. This accounting treatment represents a departure from US GAAP which requires the equity method of accounting for such joint venture arrangements. These joint venture arrangements consist of operating entities situated in Mali (the Sadiola, Yatela and Morila Joint Ventures) and Tanzania (the Geita Joint Venture), of which the significant financial operating policies are, by contractual arrangement, jointly controlled.

As a result, AngloGold Ashanti has restated the consolidated balance sheet as of December 31, 2003, and the consolidated statements of income and consolidated statements of cash flows for the years ended December 31, 2003 and 2002 included in this Annual Report on Form 20-F as described in note 2 to the consolidated financial statements and other financial information contained herein for the four fiscal years ended December 31, 2003. The restatement corrects the company's historical accounting for interests in mining joint ventures and has no impact on net income or total stockholders' equity.

8

**Year ended December 31,**

**2000**

**(1)(2)**

**2001**

**(4)(7)**

**2002**

**(5)(6)(7)**

**2003**

**(10)**

**2004**

**(11)(12)**

**(as restated)**

**\$**

**(as restated)**

**\$**

**(as restated)**

**\$**

**(as restated)**

**\$**

**\$**

**(in millions, except share and per share amounts)**

Consolidated statement of income

Sales and other income

2,176

1,840

1,493

1,743

2,238

Product sales

(13)

2,122

1,816

1,458

1,714

2,183

Interest, dividends and other

54

24

35

29

55

Costs and expenses

2,422

1,841

1,137

1,403

2,274

Operating costs

(14)

1,576

1,294  
912  
1,211  
1,607  
Royalties  
4  
5  
9  
11  
27  
Depreciation, depletion and amortization  
396  
304  
257  
247  
445  
Impairment of assets  
387  
173  
-  
78  
3  
Goodwill amortized  
11  
11  
-  
-  
-  
Interest expense  
69  
44  
22  
28  
67  
Accretion expense  
-  
-  
-  
2  
8  
Loss on sale of mining assets  
-  
4  
-  
-  
-  
Loss/(profit) on sale of assets  
-  
-  
11  
(55)

(14)  
Non-hedge derivative (gain)/loss  
(21)  
6  
(74)  
(119)  
131  
(Loss)/income before equity income and income tax  
(246)  
(1)  
356  
340  
(36)  
Equity income in affiliates  
13  
17  
80  
74  
23  
(Loss)/income before income tax provision  
(233)  
16  
436  
414  
(13)  
Deferred income and mining tax (expense)/ benefit  
(16)  
(171)  
(64)  
(147)  
132  
(Loss)/income before minority interest  
(249)  
(155)  
372  
267  
119  
Minority interest  
(13)  
(8)  
(16)  
(17)  
(22)  
(Loss)/income before cumulative effect of accounting  
change  
(262)  
(163)  
356  
250  
97  
Cumulative effect of accounting change

-  
 (10)  
 -  
 (3)  
 -  
 Net (loss)/income applicable to common stockholders  
 (262)  
 (173)  
 356  
 247  
 97

**Other financial data**

(Loss)/income from continuing operations  
 (262)  
 (163)  
 356  
 250  
 97  
 (Loss)/income per common share from continuing  
 operations (in \$)  
 (1.22)  
 (0.76)  
 1.60  
 1.12  
 0.39  
 Basic (loss)/earnings per common share (in \$)  
 (15)(16)  
 Before cumulative effect of accounting change  
 (1.22)  
 (0.76)  
 1.60  
 1.12  
 0.39  
 Cumulative effect of accounting change  
 -  
 (0.05)  
 -  
 (0.01)  
 -  
 Net (loss)/income – applicable to common  
 stockholders  
 (1.22)  
 (0.81)  
 1.60  
 1.11  
 0.39  
 Diluted (loss)/earnings per common share (in \$)  
 (15)(16)  
 Before cumulative effect of accounting change  
 (1.22)  
 (0.76)

1.60  
1.12  
0.38  
Cumulative effect of accounting change  
-  
(0.05)  
-  
(0.01)  
-  
Net (loss)/income – applicable to common  
stockholders  
(1.22)  
(0.81)  
1.60  
1.11  
0.38  
Dividend per common share (cents)  
(16)  
135  
84  
113  
133  
76







9

**Year ended December 31,****2000****(1)(2)(3)****2001****(4)****2002****(5)(6)(7)****2003****(8)(9)(10)****2004****(11)(12)****(as restated)****\$****(as restated)****\$****(as restated)****\$****(as restated)****\$****\$****(in millions, except share and per share amounts)****Consolidated balance sheet data (as at period end)**

Cash and cash equivalents

172 156 362 479 299

Other current assets

368 350 524 804

1,116

Property, plant and equipment, deferred stripping,  
and acquired properties, net

3,272 2,115 2,449 3,037 6,665

Goodwill and other intangibles, net

188 160 166 226 591

Materials on the leach pad

31 47 79 7 22

Other long-term assets, and derivatives

720 755 770 790 703

Total assets

4,751 3,583 4,350 5,343 9,396

Current liabilities

767 1,146 694 1,116 1,465

Provision for environmental rehabilitation

179 128 133 124 209

Deferred income and mining tax

728 386 505 789

1,525

Other long-term liabilities, and derivatives

743 541

1,158

1,194

2,292				
Minority interest				
27	28	40	52	59
Stockholders' equity				
2,307	1,354	1,820	2,068	3,846
Total liabilities and stockholders' equity				
4,751	3,583	4,350	5,343	9,396
Capital stock (exclusive of long-term debt and redeemable preferred stock)				
9	9	9	9	
10				
Number of common shares as adjusted to reflect changes in capital stock				
214,024,174	215,268,116	222,622,022	223,136,342	264,462,894
Net assets				
2,334	1,382	1,860	2,120	3,905

(1)

*Translated into US dollars in accordance with the provisions of Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation"*

*(SFAS52).*

(2)

*Includes the equity interest in Morila from July 3, 2000. See "Item 4A.: History and development of the company".*

(3)

*Includes the the equity interest in Geita from December 15, 2000. See "Item 4A.: History and development of the company".*

(4)

*Excludes the results of operations and financial condition of the Deelkraal and Elandsrand mines sold with effect from February 1, 2001. See "Item 4A.: History and development of the company".*

*History and development of the company".*

(5)

*Excludes the results of operations and financial condition of the Free State mines sold with effect from January 1, 2002. See "Item 4A.: History and development of the company".*

(6)

*Includes the results of operations and financial condition of an additional 46.25 percent interest acquired in the Cerro Vanguardia mine located in Argentina from July 1, 2002. See "Item 4A.: History and development of the company".*

(7)

*Excludes the results of operations and financial condition of Stone and Allied Industries sold with effect from October 1, 2002. See "Item 4A.: History and development of the company".*

(8)

*Excludes the financial condition of the Amapari Project sold with effect from May 19, 2003. See "Item 4A.: History and development of the company".*

(9)

*Excludes the Gawler Craton Joint Venture sold with effect from June 6, 2003. See "Item 4A.: History and development of the company".*

(10)

*Excludes the results of operations and financial condition of the Jerritt Canyon Joint Venture sold with effect from June 30, 2003. See "Item 4A.: History and development of the company".*

(11)

*Includes the results of operations and financial condition of Ashanti as of April 26, 2004. See "Item 4A.: History and development of the company".*

(12)

*Excludes the results of operations and financial condition of the Freda-Rebecca mine sold with effect from September 1, 2004. See "Item 4A.: History and development of the company".*

(13)

*Product sales represents revenue from the sale of gold.*

(14)

*Operating costs include production costs, exploration costs, related party transactions, general and administrative, market development costs, research and development, employment severance costs and other.*

(15)

*The calculations of basic and diluted earnings/(loss) per common share are described in note 8 to the consolidated financial statements "earnings/(loss) per common share".*

(16)

*Per share information gives effect to the December 2002 two-for-one stock split and the issuance of a total of 278,196 ordinary shares under AngloGold's odd-lot offer. For further information on the stock split and the odd-lot offer, see note 30 to the consolidated financial statements "stock split".*





10

**Annual dividends**

The table below sets forth the amounts of interim, final and total dividends paid in respect of the past five years in cents per ordinary share. AngloGold Ashanti's board of directors declared an interim dividend of 170 South African cents per ordinary share in respect of 2004 on July 29, 2004 with a record date of August 20, 2004 and a payment date of August 27, 2004 and a final dividend of 180 South African cents per ordinary share on January 26, 2005, with a record date of February 18, 2005 and a payment date of February 25, 2005. See "Item 10E.: Taxation – Taxation of dividends".

<b>Interim</b>	<b>Final</b>	<b>Total</b>
<b>Interim</b>	<b>Final</b>	<b>Total</b>
<b>Year ended December 31,</b>		
<b>(South African cents per ordinary share)</b>		
<b>(US cents per ordinary share</b>		
<b>(1)</b>		
<b>)</b>		
2000		
375	325	
700		
51.06	39.88	90.94
2001		
350	550	
900		
38.21	49.06	87.27
2002		675
675		
1,350		
63.81		
82.12		
145.93		
2003		375
335		
710		
50.73		
49.82		
100.55		
2004		
170	180	
350		
25.62	30.37	55.99

*(1) Dividends for these periods were declared in South African cents. US dollar cents per share figures have been calculated based on exchange rates prevailing on each of the respective payment dates.*

Future dividends will be dependent on AngloGold Ashanti's cash flow, earnings, financial condition and other factors. AngloGold Ashanti does not currently intend substantially changing its past practice of paying out dividends from funds available after providing for long-term growth. Under South African law, AngloGold Ashanti may declare and pay

dividends

from any reserves included in total shareholders' equity calculated in accordance with SA GAAP, subject to its solvency and

liquidity. As at December 31, 2004 the company's total shareholders' equity as calculated under SA GAAP amounted to

ZAR17,551 million (\$3,109 million). Dividends are payable to shareholders registered at a record date that is after the date of

declaration.

Under the terms of AngloGold Ashanti's articles of association adopted on December 5, 2002, dividends may be declared in

any currency at the discretion of the AngloGold Ashanti Board or AngloGold Ashanti shareholders at a general meeting.

Currently, dividends are declared in South African rands and paid in Australian dollars, South African rands, United Kingdom

pounds and Ghanaian cedis. Dividends paid to registered holders of AngloGold Ashanti ADSs are paid in US dollars converted from South African rands by The Bank of New York, as depositary, in accordance with the deposit

agreement. For

details on exchange controls applicable to holders of ordinary shares or ADSs, see "Item 10D.: Exchange controls".

#### **Exchange rate information**

The following table sets forth for the periods and dates indicated certain information concerning the noon buying rate in New

York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York expressed in rands

per \$1.00. On July 7, 2005, the noon buying rate between rands and US dollars was R6.87 = \$1.00.

#### **Year ended December 31**

**High**

**Low**

**Year end**

**Average**

**(1)**

2000

7.84

6.06

7.57

6.98

2001

13.60

7.50

12.00

8.76

2002

12.47

8.59

8.59

10.34

2003

9.05

6.26

6.70

7.42

2004

7.31

5.62

5.65

6.39

(1)

*The average of the noon buying rates on the last business day of each month during the year.*



11

**Exchange rate information for the months of****High****Low**

January 2005	
6.10	5.64
February 2005	
6.23	5.76
March 2005	
6.35	5.77
April 2005	
6.28	6.03
May 2005	
6.75	5.96
June 2005	
6.92	6.63
July 2005	
(1)	
6.87	6.82
(1)	

*Through July 7, 2005*

AngloGold Ashanti historically has declared all dividends in South African rand and, as a result, exchange rate movements may have affected the Australian dollar, the United Kingdom pound, the Ghanaian cedi and the US dollar value of these dividends, as well as that of any other distributions paid by the relevant depository to investors holding AngloGold Ashanti's securities, which may have reduced their value to investors. At the general meeting of AngloGold Ashanti's shareholders held on December 5, 2002, shareholders approved a special resolution adopting a new Memorandum and Articles of Association, which, among other things, allows for dividends and distributions to be declared in any currency at the discretion of the AngloGold Ashanti's Board or AngloGold Ashanti shareholders at a general meeting. If, and to the extent that AngloGold Ashanti declares dividends and distributions in US dollars, exchange rate movements will not affect the US dollar value of any dividend or distribution. Nevertheless, the Australian dollar, United Kingdom pound and Ghanaian cedi value of any dividend or distribution will continue to be affected and the South African rand value of any dividend or distribution will also be affected.

Moreover, fluctuations in the exchange rates of the pound sterling and the US dollar may have affected and are likely to affect the US dollar price of the ADSs on the NYSE and the US dollar equivalents of the United Kingdom pound price of the ordinary shares on the London Stock Exchange (LSE).

**3B. Capitalization and indebtedness**

Not applicable.

### 3C. Reasons for the offer and use of proceeds

Not applicable.

### 3D. Risk factors

The risk factors set forth in this document have been organized into three categories:

**&#183**

risks related to the gold mining industry generally;

**&#183**

risks related to AngloGold Ashanti's operations; and

**&#183**

risks related to AngloGold Ashanti's ordinary shares and ADSs.

**Risks related to the gold mining industry generally**

*The profitability of AngloGold Ashanti's operations, and the cash flows generated by these operations, are significantly affected by changes in the market price for gold.*

The market price for gold can fluctuate widely. These fluctuations are caused by numerous factors beyond AngloGold Ashanti's control, including:

**&#183**

speculative positions taken by investors or traders in gold;

**&#183**

changes in the demand for gold used in jewellery, for industrial uses and for investment;

**&#183**

changes in the supply of gold from production, disinvestment, scrap and hedging;

**&#183**

financial market expectations regarding the rate of inflation;

**&#183**

the strength of the US dollar (the currency in which the gold price trades internationally) relative to other currencies;

**&#183**

changes in interest rates;

12

**&#183**

actual or expected gold sales by central banks and the IMF;

**&#183**

gold sales by gold producers in forward transactions;

**&#183**

global or regional political or economic events; and

**&#183**

costs of gold production in major gold-producing nations, such as South Africa, the United States and Australia.

The price of gold is often subject to sharp, short-term changes resulting from speculative activities. While the overall supply of

and demand for gold can affect its market price, because of the considerable size of above-ground stocks of the metal in

comparison to other commodities, these factors typically do not affect the price in the same manner or degree as the supply of

and demand for other commodities tend to affect their market price.

The following table presents the annual high, low and average afternoon fixing prices over the past 10 years, expressed in US

dollars, for gold per ounce, on the London Bullion Market:

<b>Year</b>	<b>High</b>
<b>Low</b>	
<b>Average</b>	
1995	396
372	
384	
1996	415
367	
388	
1997	367
283	
331	
1998	314
273	
287	
1999	340
252	
278	
2000	317
262	
279	
2001	298
253	
271	
2002	347
278	
310	
2003	417
320	
364	
2004	456

371

410

*Source of Data: Metals Week, Reuters and London Bullion Market Association*

The table reveals a price volatility as low as \$24 per ounce in 1995 and as high as \$97 per ounce in 2003. Price volatility appears to be increasing with the gap between low and high being \$69 per ounce, \$97 per ounce and \$85 per ounce in 2002, 2003 and 2004 respectively.

On July 7, 2005 the afternoon fixing price of gold on the London Bullion Market was \$425.20 per ounce.

If revenue from gold sales falls below the cost of production for an extended period, AngloGold Ashanti may experience losses and be forced to curtail or suspend some or all of its capital projects and/or operations and change its past dividend payment policies. In addition, it would have to assess the economic impact of low gold prices on its ability to recover any losses it may incur during that period and on its ability to maintain adequate cash and accounting reserves.

For further information on this and other non-GAAP measures, see Item “5A.: Operating Results—Total cash costs and total production costs”.

***Gold companies face many risks related to their operations (including their exploration and development activities) that may affect their cash flows and overall profitability.***

***Uncertainty and cost of mineral exploration and acquisitions.*** Exploration activities are speculative and are often unproductive. These activities also often require substantial expenditure to:

**&#183;**

establish Ore Reserves through drilling and metallurgical and other testing techniques;

**&#183;**

determine metal content and metallurgical recovery processes to extract metal from the ore; and

**&#183;**

construct, renovate or expand mining and process facilities.

Once gold mineralization is discovered it can take several years to determine whether Ore Reserves exist. During this time the economic feasibility of production may change.





13

AngloGold Ashanti considers from time to time the acquisition of Ore Reserves, development properties and operating mines, either as stand-alone assets or as part of companies. Its decisions to acquire these properties have historically been based on a variety of factors including historical operating results, estimates of and assumptions about future reserves, cash and other operating costs, metal prices and projected economic returns and evaluations of existing or potential liabilities associated with the property and its operations. Other than historical operating results, all of these parameters may differ significantly from its estimates and assumptions. In addition, there is intense competition for attractive properties.

As a result of these uncertainties, the exploration programs and acquisitions engaged in by AngloGold Ashanti may not result in the expansion or replacement of the current production with new Ore Reserves or operations. This could adversely affect its ongoing business and financial position.

**Development risks.** AngloGold Ashanti's profitability depends, in part, on the actual economic returns and the actual costs of developing mines, which may differ significantly from its current estimates. The development of its mining projects may be subject to unexpected problems and delays.

AngloGold Ashanti's decision to develop a mineral property is typically based, in the case of an extension or, in the case of a new development, on the results of a feasibility study. Feasibility studies estimate the expected or anticipated project economic returns. These estimates are based on assumptions about:

**&#183;**

future gold and other metal prices;

**&#183;**

anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed;

**&#183;**

anticipated recovery rates of gold and other metals from the ore;

**&#183;**

anticipated capital expenditure and cash operating costs; and

**&#183;**

the required return on investment.

Actual cash operating costs, production and economic returns may differ significantly from those anticipated by such studies

and estimates. There are a number of uncertainties inherent in the development and construction of an extension to an existing mine, or in the development and construction of any new mine. These uncertainties include, in addition to those

discussed immediately above:

**&#183;**

the timing and cost, which can be considerable, of the construction of mining and processing facilities;

**&#183;**

the availability and cost of skilled labor, power, water and transportation facilities;

**&#183;**

the availability and cost of appropriate smelting and refining arrangements;

**&#183**

the need to obtain necessary environmental and other governmental permits and the timing of those permits; and

**&#183**

the availability of funds to finance construction and development activities.

The costs, timing and complexities of mine development and construction can increase because of the remote location of many

mining properties. New mining operations could experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production could occur.

Accordingly,

AngloGold Ashanti's future development activities may not result in the expansion or replacement of current production with

new production, or one or more of these new production sites or facilities may be less profitable than currently anticipated or

may not be profitable at all.

***Ore Reserve estimation risks.*** AngloGold Ashanti's Ore Reserves described in this document are the best estimates of AngloGold Ashanti's management as of the dates stated and are reported in accordance with the requirements of the SEC's

Industry Guide 7. In Australia and South Africa, AngloGold Ashanti is legally required to publicly report Mineral Resources and

Ore Reserves in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves ("JORC 2004")

and the South African Code for Reporting of Mineral Resources and Ore Reserves ("SAMREC 2000"), respectively. SEC's

Industry Guide 7 does not recognize mineral resources. Accordingly, AngloGold Ashanti does not report estimates of mineral

resources in this annual report on Form 20-F.







14

AngloGold Ashanti undertakes annual revisions to its Mineral Resource and Ore Reserve estimates based upon actual exploration and production results, depletion, new information and fluctuations in production and economic parameters. These factors may result in reductions in its Ore Reserve estimates, which could adversely impact upon the life-of-mine plans and consequently the total value of AngloGold Ashanti's mining asset base and, as a result, have a negative impact upon the market price of AngloGold Ashanti's ordinary shares and ADSs.

***Mining industry risks.*** Gold mining is susceptible to numerous events that may have an adverse impact on a gold mining

business. These events include, but are not limited to:

•

•

•

•

environmental hazards, including discharge of metals, pollutants or hazardous chemicals;

industrial accidents;

underground fires;

labor

disputes;

•

unexpected geological formations;

•

unanticipated ground and water conditions;

•

fall of ground accidents;

•

failure of mining pit slopes and tailings dam walls;

•

legal and regulatory restrictions and changes to such restrictions;

•

seismic activity; and

•

other natural phenomena, such as floods or inclement weather conditions.

The occurrence of one or more of these events may result in the death of, or personal injury to, miners, the loss of mining

equipment, damage to or destruction of mineral properties or production facilities, monetary losses, delays in production,

environmental damage and potential legal liabilities. As a result, AngloGold Ashanti's operations could be affected and, if such

effects were material, its financial position could be adversely impacted to a significant extent.

Seismic activity is of particular concern to the gold mining industry in South Africa, in part because of the large percentage of

deep-level gold mines. To understand and manage this risk, AngloGold Ashanti uses sophisticated seismic and rock mechanics technologies. AngloGold Ashanti has had some success with these technologies in identifying the possible location

of future seismic activity and in the development of mine layouts, support layouts and technologies and mining methods to

ameliorate seismic risk. Despite these programs and their success to date, seismic events have in the past, and may in the future, cause employee injury and death and may cause substantial damage to AngloGold Ashanti's operations both within South Africa and elsewhere, which could have an adverse impact on the future results of its operations and, consequently, its financial condition.

***Gold mining operations are subject to extensive health and safety laws and regulations.***

Gold mining operations are subject to a variety of mine health and safety laws and regulations depending upon the jurisdiction in which they are located. These laws and regulations are formulated to improve and to protect the safety and health of employees.

In complying with the mine health and safety laws and regulations to which its operations are subject, AngloGold Ashanti has dedicated resources in an attempt to achieve and to ensure the application of international best practice in the management of health across its operations, including medical surveillance systems. These systems and policies have resulted in improvements in its safety performance.

If these laws and regulations were to change and, if as a result, material additional expenditure was required to comply with such new laws and regulations, it could adversely affect AngloGold Ashanti's financial position. For a discussion of the mine health and safety laws and regulations to which AngloGold Ashanti's operations are subject, see Item "4B.: Business overview—Safety and health".

15

***Gold mining companies are subject to extensive environmental laws and regulations.***

Gold mining companies are subject to extensive environmental laws and regulations in the various jurisdictions in which they operate. These regulations establish limits and conditions on gold producers' ability to conduct their operations. The cost of AngloGold Ashanti's compliance with environmental laws and regulations has been significant in the past.

Gold mining companies are required to close their operations and rehabilitate the lands that they mine in accordance with environmental laws and regulations. Estimates of the total ultimate closure and rehabilitation costs for gold mining operations are significant and based principally on current legal and regulatory requirements that may change materially. Environmental liabilities are accrued when they are known, probable and can be reasonably estimated.

Environmental laws and regulations are continually changing and are generally becoming more restrictive. If AngloGold Ashanti's environmental compliance obligations were to change as a result of changes in the laws and regulations or in certain assumptions it makes to estimate liabilities, or if unanticipated conditions were to arise in its operations, its expenses and provisions would increase to reflect these changes. If material, these expenses and provisions could adversely affect its results of operations and financial position. For a discussion of the estimated cost of the future environmental rehabilitation obligations with respect thereto, see note 17 to the consolidated financial statements "Provision for environmental rehabilitation". Additionally, for a discussion of the effects of the Mineral and Petroleum Resources Development Act with respect to the additional responsibilities imposed on mining companies in South Africa in respect of the environment and rehabilitation, see "Changes to mineral rights ownership regimes in South Africa, where a significant portion of AngloGold Ashanti's mineral reserves and deposits are located, could have a material impact on its financial position" below.

**Risks related to AngloGold Ashanti's operations**

AngloGold Ashanti faces many risks related to its operations that may affect its cash flows and overall profitability.

***AngloGold Ashanti's use of hedging instruments to protect against low gold prices and exchange rate movements may prevent it from realizing all potential gains resulting from subsequent gold price increases in the future.***

AngloGold Ashanti currently uses hedging instruments to fix the selling price of a portion of its respective anticipated gold production and to protect revenues against unfavorable gold price and exchange rate movements. While the use of these instruments may protect against a drop in gold prices and exchange rate movements, it will only do so for a limited period of time and only to the extent that the hedge remains in place. The use of these instruments may also prevent AngloGold Ashanti from realizing the positive impact on income from any subsequent favorable increase in the price of gold on the

portion of production covered by the hedge and of any subsequent favorable exchange rate movements. For a discussion of AngloGold Ashanti's hedging instruments, see Item "11.: Quantitative and qualitative disclosures about market risk".

***If the development of the deep-level ore deposits at Obuasi mine is not economically feasible, there may be a material negative impact on AngloGold Ashanti's operations and financial performance in the long-term.***

A key aspect of the Business Combination of AngloGold and Ashanti is the development of the deep-level extension of the existing orebody at the Obuasi mine, otherwise referred to as Obuasi Deeps. This development could potentially extend the life of this mine to well beyond 2020. In furtherance of this goal, AngloGold Ashanti has commenced a process of investing \$44 million over the next five years on further exploration and feasibility studies necessary to establish reserves and develop the most profitable extraction plan. Depending upon these results, the full development of Obuasi Deeps may proceed in five to seven years time, but will take several years to complete. Initial scoping studies have indicated that the development of Obuasi Deeps will require an estimated capital expenditure of \$570 million in 2003 money terms over the anticipated life of the mine.

If as a result of this further exploration and following the completion of these feasibility studies, AngloGold Ashanti determines that the development of the Obuasi Deeps is not economically feasible, such determination may have a material negative impact on its operations and financial performance in the long-term. The funding of the development of Obuasi Deeps will only proceed if it is determined to be economically feasible.

16

In addition, if the feasibility study indicates that the development of Obuasi Deeps is economically feasible, the actual economic returns and the actual costs of development may differ significantly from the assumptions and estimates used in preliminary scoping studies completed to date, as well as in the feasibility studies completed following further exploration. This could have a negative impact on AngloGold Ashanti's return on its investment in Obuasi Deeps and, as a result, AngloGold Ashanti's long-term profitability following the Business Combination.

***Benefits from integration of Ashanti's operations with AngloGold may not be achieved to the extent or within the time period that is currently anticipated, and AngloGold Ashanti may encounter costs and difficulties in integrating the Ashanti operations, which would reduce or delay the realization of increased revenues, cost savings and operational benefits.***

Following the Business Combination, AngloGold Ashanti is in the process of integrating the Ashanti operations with AngloGold's operations in order to increase revenues and earnings, and to achieve cost savings through enhanced growth opportunities and synergies. AngloGold Ashanti may fail to reach the anticipated levels of production and cost savings that it expects, or achieve these at a higher capital cost than anticipated.

In addition, the need to deal with integration issues could also divert management's attention from day-to-day business.

***Foreign exchange fluctuations could have a material impact on AngloGold Ashanti's operating results and financial position.***

Since June 2002, the weakening of the US dollar against the South African rand, and, to a lesser extent, the Brazilian real, the Argentinean peso and the Australian dollar has negatively impacted AngloGold Ashanti's profitability. Conversely, in certain prior years, the devaluation of these local currencies against the US dollar has had a significant positive effect on the profitability of its operations. Typically, revenues are derived in US dollars and production costs are largely incurred in the relevant local currency. In 2004 and 2003, AngloGold Ashanti derived approximately 75 and 91 percent, respectively, of its revenues from these countries and approximately 74 and 91 percent, respectively, of production costs in these local currencies.

In 2004, the weakening of the US dollar against these local currencies accounted for nearly \$28 per ounce, or 52 percent of the total increase in total cash costs from 2003. In addition, production costs in South African rand, Brazilian real, Argentinean peso and Australian dollar were only modestly offset by the effect of exchange rate movements on the price of imports denominated in US dollars, as imported products comprise a small proportion of production costs in each of these countries.

AngloGold Ashanti's product, gold, is principally a US dollar-priced commodity, and most of its revenues are realized in or linked to US dollars. The weakening of the US dollar, without a corresponding increase in the US dollar price of gold against these local currencies, results in lower revenues and higher production costs in US dollar terms. Conversely, the strengthening of the US dollar, without a corresponding decrease in the US dollar price of gold, against these local currencies yields significantly higher revenues and lower production costs in US dollar terms. If material, these exchange rate movements may have an adverse impact on AngloGold Ashanti's operating results. For example, due to the strengthening of the South African rand against the US dollar, production costs at AngloGold Ashanti's South African operations increased in US dollar terms during both 2003 and 2004. These impacts have been partially offset by the increase in the US dollar price of gold, which increase has been partially a function of US dollar weakness. For a discussion of trends expected for 2005, see "Item 5D.: Trend information".

To a lesser extent, mainly as a result of its hedging instruments, a small proportion of AngloGold Ashanti's revenues are denominated in South African rand and Australian dollar, which may partially offset the effect of the US dollar's strength or weakness on AngloGold Ashanti's profitability.

In addition, due to its global operations and local foreign exchange regulations, some of AngloGold Ashanti's funds are held in local currencies, such as the South African rand and Australian dollar. The US dollar value of these currencies may be affected by exchange rate fluctuations. If material, exchange rate movements may affect AngloGold Ashanti's overall financial position. See "Item 5B.: Liquidity and capital resources – Liquidity".



***Inflation may have a negative impact on AngloGold Ashanti's results of operations.***

Most of AngloGold Ashanti's operations are located in countries that have, during periods in the past, experienced high rates of inflation. Because it is unable to control the market price at which it sells the gold it produces (except to the extent that it enters into forward sales and other derivative contracts), it is possible that significantly higher future inflation in the countries in which AngloGold Ashanti operates may result in a consequent increase in future operational costs in local currencies, without a concurrent devaluation of the local currency of operations against the US dollar or an increase in the US dollar price of gold. This could have a material adverse effect upon its results of operations and financial condition.

While none of AngloGold Ashanti's specific operations are currently materially adversely affected by inflation, significantly higher and sustained inflation in the future, with a consequent increase in operational costs, could result in operations being discontinued or reduced or rationalised at higher cost mines. See "Item 4B.: Business overview – Products, operations and geographic locations".

***Changes to mineral rights ownership regimes in South Africa, where a significant portion of AngloGold Ashanti's mineral reserves and deposits are located, could have a material impact on its financial position.***

AngloGold Ashanti's rights to own and exploit mineral reserves and deposits are governed by the laws and regulations of the jurisdictions in which the mineral properties are located. Currently, a significant portion of its mineral reserves and deposits are located in South Africa.

On May 1, 2004, the Mineral and Petroleum Resources Development Act, Act 28 of 2002 (MPRDA), came into effect and operation.

The MPRDA vests custodianship of South Africa's mineral rights in the State. The State issues prospecting rights or mining rights to applicants. The former common law prospecting, mining and mineral rights are now known as old order rights and the transitional arrangements provided in the MPRDA give holders of such old order rights the opportunity to convert their old order rights into new order rights.

Applicants have five years from May 1, 2004, in which to apply to convert old order mining rights into new order mining rights. AngloGold Ashanti submitted its application for conversion of its rights in July 2004. AngloGold Ashanti submitted mining work programs that substantiated the areas and period of the new order mining rights and also demonstrated its compliance with the requirements of the Charter as described below. A similar application was submitted to the relevant government

department

for unused old order prospecting rights. AngloGold Ashanti has applied for the conversion of two old order prospecting permits

to new order prospecting rights. The Department of Minerals and Energy is considering AngloGold Ashanti's various conversion applications.

AngloGold Ashanti also submitted two applications for new mining rights to extend its mining areas at its TauTona and

Kopanang mines.

Even where new rights are obtained under the MPRDA, these rights may not be equivalent to the old order rights. The area

covered by the new rights may be reduced by the State if it finds that the prospecting or mining work programs submitted by an

applicant do not substantiate the need to retain the area covered by the old rights. The duration of the new rights will no longer

be perpetual but rather, in the case of new mining rights, for a maximum of 30 years with renewals of up to 30 years each and,

in the case of prospecting rights, up to five years with one renewal of up to three years. The MPRDA provides for a retention

period after prospecting of up to three years with one renewal of up to two years, subject to certain conditions, such as non-

concentration of resources, fair competition and non-exclusion of others. In addition, the new rights will only be transferable

subject to the approval of the Minister of Minerals and Energy. Mining or prospecting must commence within one year or

120 days, respectively, of the mining right or prospecting right becoming effective, and must be conducted continuously and

actively thereafter.

The new rights can be suspended or cancelled by the Minister of Minerals and Energy on breach or, in the case of a mining

right, on non-optimal mining in accordance with the mining work program.

18

The Department of Minerals and Energy has published the Broad-Based Socio-Economic Empowerment Charter for the South

African Mining Industry (the Charter). The objectives of the Charter are to:

•

•

promote equitable access to the nation's Mineral Resources to all the people of South Africa; substantially and meaningfully expand opportunities for historically disadvantaged South Africa (HDSAs) (that is, any person, category of persons or communities, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, 1993 came into operation) including women, to enter the mining and minerals industry and to

benefit from the exploitation of the nation's mineral resources;

•

utilize the existing skills base for the empowerment of HDSAs;

•

expand the skills base of HDSAs in order to serve the community;

•

promote employment and advance the social and economic welfare of mining communities and the major labor sending areas; and

•

promote beneficiation of South Africa's mineral commodities.

The Charter and the relevant Scorecard require that every mining company achieve 15 percent ownership by HDSAs of its

South African mining assets within five years of May 1, 2004, and 26 percent ownership within 10 years of May 1, 2004.

It contemplates that this will be achieved by, among other things, disposals of assets by mining companies to HDSAs on a

willing seller – willing buyer basis at fair market value. In addition, the Charter and Scorecard require mining companies to

formulate plans for achieving employment equity at management level with a view to achieving 40 percent participation by

HDSAs in management and 10 percent participation by women in the mining industry, each within five years. The State will

evaluate the company's commitment to the different facets of promoting the objectives of the Charter against the Scorecard

when considering applications for conversion of old order rights to new order rights.

AngloGold Ashanti has completed a number of asset sales to companies owned by HDSAs in the past five years. According to

AngloGold Ashanti's estimates based on operating data for the 12 months ended March 31, 2004 – the period on which the

company's license conversion applications are based – these transactions transfer 20 percent of its attributable units of production in South Africa to HDSAs. However, the State is currently considering AngloGold Ashanti's rights conversion

application. In addition, AngloGold Ashanti is continuing to evaluate alternative ways in which to achieve the objectives of the

Charter through, for example, forms of broad-based equity ownership by historically disadvantaged entities, groups or individuals, including employee share ownership and empowerment unit trusts. On June 8, 2005 AngloGold Ashanti announced that it was considering establishing an employee share ownership program (ESOP), which program is

consistent with the company's stated strategic intention to develop means of promoting broad-based equity participation. The scope and terms of the program remain under consideration and, once finalized, an announcement will be made and, if appropriate, the terms will be put forward to shareholders for their consideration and approval.

The Scorecard allows for a portion of "offset" against these HDSA ownership requirements insofar as companies have facilitated downstream, value-adding activities as regards the products they mine. AngloGold Ashanti carries out such activities and is confident that these will be recognized in terms of a framework currently devised by government.

AngloGold Ashanti believes that it has made significant progress towards meeting the requirements of the Charter and the Scorecard in human resource development, employment equity, mine community and rural development, housing and living conditions, procurement and beneficiation. It reflected these results when it lodged its application for new mining rights and conversions. Details of the State's methodology for calculating performance in regard to beneficiation have, however, not yet been made public. Failure on the part of AngloGold Ashanti to comply with the requirements of the Charter and the Scorecard could subject it to negative consequences.

AngloGold Ashanti may also incur expenses in giving additional effect to the Charter and the Scorecard, including costs which it may incur in facilitating the financing of initiatives towards ownership of HDSAs as part of the industry-wide commitment to assist such persons in securing R100 billion of financing during the first five years of the Charter's life. There is furthermore no guarantee that any steps AngloGold Ashanti has taken and might take to comply with the Charter will ensure that it successfully acquires new order rights in place of its old order rights. In addition, the terms of such new rights may not be as favorable to AngloGold Ashanti as the terms applicable to its existing rights. Based on present indications, however, AngloGold Ashanti believes that it should acquire the new order rights on reasonable terms.





19

The MPRDA also imposes on mining companies additional responsibilities relating to environmental management and to environmental damage, degradation or pollution resulting from their prospecting or mining activities. AngloGold Ashanti has a policy of evaluating, minimizing and addressing the environmental consequences of its activities and, consistent with this policy and the MPRDA, conducts an annual review of the environmental costs and liabilities associated with its South African operations in light of the new, as well as existing, environmental requirements.

AngloGold Ashanti considers the new mineral rights regime in South Africa to be a proper and appropriate method of dealing with the country's mineral resources and political legacy. The company believes the new mineral rights regime is likely to play a significant part in enhancing socio-economic stability and progress by encouraging equitable participation in the economy and thereby improving the lives of those citizens previously disadvantaged by apartheid. A failure on the part of government to have implemented such measures would have endangered prospects for political and economic stability.

AngloGold Ashanti has made progress in adjusting the ownership structure of its South African mining assets and the composition of its management consistent with the Charter's spirit. It believes that it is well placed to meet the Charter's targets in accordance with the Scorecard.

The South African government has announced that it is giving consideration to new legislation, in terms of which the new rights will be subject to a State royalty. The extent and basis of that royalty is unknown at present. The draft Mineral and Petroleum Royalty Bill, 2003, was released in March 2003 for comments and proposed a royalty payment of 3 percent of gross revenue per annum, payable quarterly, in the case of gold. Had the proposal become law, royalty payments would have commenced upon the conversion and granting of a new mining right. AngloGold Ashanti and other members of the South African mining community have submitted comments on the draft bill to the relevant authorities. These comments included recommendations for a profit-based, rather than a revenue-based, royalty and in order not to delay the conversion of mineral rights from old into new order rights, it was recommended that the proposed royalty should only become payable from a fixed date being five years after the MPRDA took effect, that is May 1, 2009, which date is the final date for conversion of the old order into new order mining rights under the MPRDA. In addition, a reduction in the royalty rate from that proposed in the draft Mineral and Petroleum Royalty Bill has been proposed. On February 18, 2004, in the Budget Speech for the 2004 fiscal year, the South African Minister of Finance proposed several refinements to the draft Mineral and Petroleum Royalty Bill. These included a delay in the introduction of the royalty to five years after May 1, 2004, that is the date on which the MPRDA came

into operation and confirmation of the South African government's preference for a revenue-based royalty. It was further indicated that the royalty regime would take cognizance of the mining sector's diverse production and profitability dynamics with differential rates to apply to marginal mining operations. The introduction of the proposed royalty would, all else being equal, have an adverse impact upon AngloGold Ashanti's profitability, as currently no royalty is payable to the State. However, the Finance Minister announced also that due to the new regulatory system for the mining rights in terms of the MPRDA and accompanying royalty dispensation under the draft Mineral and Petroleum Royalty bill, it has become imperative to holistically reassess the current fiscal regime as applicable to the mining and petroleum industries in South Africa, including tax, depreciation, rate differentiation for mining sectors, allowable deductions and exemptions from secondary tax on companies in terms of South Africa's income tax laws. Also due for review is the gold mining tax formula, which provides income tax exemption and relief from secondary tax on companies for gold mines, despite the existence of profit. The impact of these proposed reviews is unknown at this stage but may have an adverse effect on AngloGold Ashanti's financial condition or results of operations.

For discussion of mineral rights ownership of AngloGold Ashanti, see note 28 to the consolidated financial statements "Mineral and Petroleum Resources Development Act" and "Item 4B.: Business overview – Rights to mine and title to properties".

***AngloGold Ashanti's mineral reserves and deposits and mining operations are located in countries that face political and economic risks.***

The mineral deposits and mining and exploration operations of AngloGold Ashanti are located in some counties which have experienced, to a greater or lesser extent, political instability and economic uncertainty in the past. In all of the countries where AngloGold Ashanti operates, government policy may be unpredictable on issues ranging from environmental regulations to mineral rights ownership.



20

Any existing and new mining and exploration operations and projects AngloGold Ashanti carries out in these countries are and will be subject to various national and local laws, policies and regulations governing the prospecting, developing and mining of mineral reserves, taxation, exchange controls, investment approvals, employee relations and other matters. If, in one or more of these countries, AngloGold Ashanti were not able to obtain or maintain necessary permits, authorizations or agreements to implement planned projects or continue its operations under conditions or within time frames that make such plans and operations economic, or if legal or fiscal regimes or the governing political authorities change materially, its financial position could be adversely affected.

In addition, certain of the countries in which AngloGold Ashanti has mineral deposits or mining or exploration operations have experienced a difficult security environment as well as political instability. AngloGold Ashanti monitors its activities in these countries to ensure the security of its personnel and assets and adherence to its business principles. In the event that continued operations in these countries compromise AngloGold Ashanti's security or business principles, AngloGold Ashanti may withdraw from these countries on a temporary or permanent basis.

In South Africa, on February 18, 2004, the Minister of Finance announced in the Budget Speech the new regulatory system for the mining rights as detailed in the previous risk factor.

In May 2004, the government of Guinea imposed an embargo on all imports and exports by AngloGold Ashanti's Siguirri mine including the export of gold bullion and the import of diesel. The embargo has subsequently been lifted by the Guinean government following extensive discussions between itself and the management of AngloGold Ashanti. Negotiations with the government in respect of the Convention de Base are in progress and its outcome cannot be predicted at this stage. The Convention de Base is an agreement entered into on November 11, 1993, between wholly-owned subsidiaries Golden Shamrock Mines Limited and Chevaning Mining Company Limited, (original owners of the Siguirri mine) and the Government of Guinea. The agreement governs the conduct of the Mine in relation to the Government, as regulator.

***Labor disruptions in South Africa and other countries could have an adverse effect on AngloGold Ashanti's operating results and financial condition.***

As at December 31, 2004, approximately 69 percent (2003: 87 percent) of AngloGold Ashanti's workforce was located in South Africa.

Approximately 87.5 percent of the workforce on its South African operations is unionized, with the National Union of Mineworkers ("NUM") representing the majority of unionized workers. AngloGold Ashanti's employees in some

South

American countries are also highly unionized. Trade unions have a significant impact on AngloGold Ashanti's labor relations

climate as well as on social and political reforms, most notably in South Africa. In 1987, the NUM embarked on a three-week

strike in support of a wage demand. Since then labor relations between AngloGold Ashanti and the industry have stabilized

and no significant strikes have occurred. This is in part due to the presence of the representative unions and the part they play

in ensuring orderly collective bargaining. It has become practice to negotiate wages and conditions of employment with the

unions, every two years, through the Chamber of Mines of South Africa. The most recent settlement negotiation was completed in July 2003, when the parties reached an agreement covering the period from July 1, 2003 to June 30, 2005.

AngloGold Ashanti are at the date of this report, in negotiations with the unions, through the Chamber of Mines of South Africa,

regarding a new wage agreement. Furthermore, AngloGold Ashanti has instituted a number of processes at both mine and at

company level, whereby management and unions interact regularly and address areas of difference as they arise.

Prior to the Business Combination with AngloGold, Ashanti and its mining contractors also relied to a large degree on a

unionized workforce. In 1999, Ashanti experienced strikes at the Obuasi mine in Ghana. There is a risk that strikes or other

types of conflict with unions or employees may occur at any one of AngloGold Ashanti's operations.

It is uncertain whether labor disruptions will be used to advocate labor, political or social goals in the future. Should any labor

disruptions occur, if material, they could have an adverse effect on AngloGold Ashanti's results of operations and financial

condition. For a discussion of AngloGold Ashanti's employees and labor relations, see "Item 6D.: Employees".





21

***AngloGold Ashanti faces certain risks in dealing with HIV/AIDS which may have an adverse effect on its operations.***

AIDS remains the major health care challenge faced by AngloGold Ashanti's South African operations. Accurate prevalence data for AIDS is not available. The South African workforce prevalence studies indicate that the percentage of the South African AngloGold Ashanti workforce that may be affected by HIV may be as high as 30 percent. AngloGold Ashanti is continuing to develop and implement various programs aimed at helping those who have been infected with HIV and preventing new infections. On November 14, 2002, AngloGold Ashanti announced that it had begun implementing a voluntary monitored pilot anti-retroviral therapy program for employees in South Africa who are infected with HIV. The pilot program involved offering a triple combination drug regimen, known as a drug cocktail, to 200 Wellness Clinic patients that met the medical eligibility criteria for starting treatment. From April 2003, it commenced a roll out of the treatment to all eligible employees desiring it.

At this stage, the cost of providing rigorous outcome-focused disease management of employees with AIDS, including the provision of an anti-retroviral drug cocktail, is an average \$213 per employee on treatment per month. It is not yet possible to develop an accurate cost estimate of the program in its entirety, given uncertainties such as drug prices and the ultimate rate of employee participation. AngloGold Ashanti does not expect the cost that it will incur related to the prevention of HIV infection and the treatment of AIDS to materially and adversely affect its operations and profitability. Nevertheless, it is not possible to determine with certainty the costs that it may incur in the future in addressing this issue, and consequently, its operations and profitability could be adversely affected. For a more detailed discussion, see Item "4B.: Business overview – Safety and health – South Africa region".

***Some of AngloGold Ashanti's power supplies are not always reliable and have on occasion forced AngloGold Ashanti to halt or curtail activities at its mines. Power fluctuations and power cost increases may have a negative impact on AngloGold Ashanti's profitability.***

Substantial portions of AngloGold Ashanti's mining operations in Ghana are dependent for their electricity supply on hydro-electric power supplied by the Volta River Authority, or VRA, an entity controlled by the government of Ghana, although AngloGold Ashanti also has access to VRA electricity supply from a recently constructed smaller thermal plant. The VRA's principal electricity generating facility is the Akosombo Dam and during periods of below average inflows from the Volta reservoir, electricity supplies from the Akosombo Dam may be curtailed, as occurred in 1998. In addition, this electricity supply

has been subject to voltage fluctuations, which can damage AngloGold Ashanti's equipment. Other than short-term stand-by generators, which are not sufficient to allow AngloGold Ashanti to continue mining operations, AngloGold Ashanti has no means of obtaining alternative power in the event of a supply shortage from the VRA. The VRA also obtains power from neighbouring Cote d'Ivoire, which has recently experienced some political instability and civil unrest. These factors may cause interruptions in AngloGold Ashanti's power supply or result in increases in the cost of power even if they do not interrupt supply.

AngloGold Ashanti's mining operations in Guinea, Tanzania and Mali are dependent on power supplied by outside contractors and supplies of fuel being delivered by road. AngloGold Ashanti's power supply has been disrupted in the past and AngloGold Ashanti has suffered resulting production losses as a result of equipment failure.

***The occurrence of events for which AngloGold Ashanti is not insured or for which its insurance is inadequate may affect its cash flows and overall profitability.***

AngloGold Ashanti maintains insurance to protect only against catastrophic events which could have a significant adverse impact on its operations and profitability. This insurance is maintained in amounts that are believed to be reasonable depending upon the circumstances surrounding each identified risk. However, AngloGold Ashanti's insurance does not cover all potential risks associated with its business. In addition, AngloGold Ashanti may elect not to have insurance for certain risks, due to the high premiums associated with insuring those risks or for various other reasons, including an assessment that the risks are remote. Furthermore, AngloGold Ashanti may not be able to obtain insurance coverage at acceptable premiums. AngloGold Ashanti has a captive insurance company, namely AGRe Insurance Company Limited, which participates at various levels in certain of the insurances maintained by AngloGold Ashanti. The occurrence of events for which it is not insured may adversely affect AngloGold Ashanti's cash flows and overall profitability.







22

***If securities litigation currently pending in the United States is not resolved satisfactorily out of court, then any substantial damages awarded to plaintiffs by a court of law may affect AngloGold Ashanti's business and financial condition.***

The former Ashanti Goldfields Company Limited, which is now part of the group, is currently subject to litigation, including a consolidated class action lawsuit pending in the United States alleging misstatements and non-disclosures in connection with SEC filings and other public statements made in by Ashanti between 1997 and 1999 concerning Ashanti's hedging program. Negotiations are in progress to settle this litigation out of court. There is no guarantee that a settlement can be reached in a manner satisfactory to the parties involved. In addition, if the settlement negotiations are not successful, the outcome of the litigation will not be known and the company may be required to pay substantial amounts in respect thereof.

#### **Risks related to AngloGold Ashanti's ordinary shares and ADSs**

***Sales of large numbers of AngloGold Ashanti's ordinary shares and ADSs, or the perception that these sales may occur, could adversely affect the prevailing market price of such securities.***

The market price of AngloGold Ashanti's ordinary shares or ADSs could fall if large amounts of ordinary shares or ADSs are sold in the public market, or there is the perception in the marketplace that such sales could occur. Holders of AngloGold Ashanti ordinary shares or ADSs may decide to sell them at any time. Sales of ordinary shares or ADSs, if substantial, or the perception that these sales may occur and be substantial, could exert downward pressure on the prevailing market prices for the AngloGold Ashanti ordinary shares or ADSs, causing their market prices to decline.

***Fluctuations in the exchange rate of different currencies may reduce the market value of AngloGold Ashanti's securities, as well as the market value of any dividends or distributions paid by AngloGold Ashanti.***

AngloGold Ashanti has historically declared all dividends in South African rand. As a result, exchange rate movements may have affected and may continue to affect, respectively, the Australian dollar, the British pound, the Ghanaian cedi and the US dollar value of these dividends, as well as of any other distributions paid by the relevant depositary to investors that hold AngloGold Ashanti's securities. This may reduce the value of these securities to investors. At the general meeting of AngloGold Ashanti's shareholders held on December 5, 2002, a majority of its shareholders passed a special resolution adopting a new Memorandum and Articles of Association, which, among other things, allows for dividends and distributions to be declared in any currency at the discretion of AngloGold Ashanti's Board, or its shareholders at a general meeting. If, and to the extent AngloGold Ashanti declares dividends and distributions in US dollars, exchange rate movements will not affect the US dollar value of any dividends or distributions. Nevertheless, the Australian dollar and British pound and Ghanaian

cedi  
value of any dividend or distribution will continue to be affected and the South African rand value of any dividend or distribution  
will also be affected. If and to the extent dividends and distributions are declared in South African rand, exchange rate movements will continue to affect the Australian dollar, British pound, Ghanaian cedi and US dollar value of these dividends  
and the Australian dollar, British pound, Ghanaian cedi and US dollar market value of AngloGold Ashanti's securities will  
continue to fluctuate with exchange rate movements.





23

#### **Item 4: Information on the company**

AngloGold Ashanti, as it conducts business today, was formed on April 26, 2004 following the Business Combination of AngloGold Limited (AngloGold) with Ashanti Goldfields Company Limited (Ashanti). AngloGold, formerly Vaal Reefs Exploration and Mining Company Limited, was incorporated in South Africa in 1944.

#### **4A. History and development of the company**

AngloGold Ashanti, headquartered in Johannesburg, South Africa, is a global gold company with a portfolio of long-life, relatively low-cost assets and differing orebody types in key gold producing regions. The company's 22 operations comprising open-pit and underground mines and surface reclamation plants are located in ten countries (Argentina, Australia, Brazil, Ghana, Guinea, Mali, Namibia, South Africa, Tanzania and the United States of America), and are supported by extensive exploration activities. The combined proven and probable ore reserves of the group amounted to 79 million ounces as at December 31, 2004.

AngloGold Ashanti is listed on the following securities exchanges under the respective trading symbols: Johannesburg (ANG), New York (AU) and Australia (AGG), as well as the London Stock Exchange (ANG), Euronext Paris (VA), Euronext Brussels (ANG) and the Ghana Stock Exchange (AGA and AADS).

AngloGold Ashanti Limited (formerly AngloGold Limited) (Registration number 1944/017354/06) was incorporated in the Republic of South Africa in 1944 under the name of Vaal Reefs Exploration and Mining Company Limited and operates under the South African Companies Act 61 of 1973, as amended. Its principal executive office is located at 11 Diagonal Street, Johannesburg, 2001 (P.O. Box 62117, Marshalltown, 2107) South Africa (Telephone +27 11 637-6000). AngloGold Ashanti's US office is located at 509 Madison Avenue, Suite 1914, New York, NY 10022, USA (Tel. +1 212 750 5626).

AngloGold was formed in June 1998 through the consolidation of the gold interests of Anglo American Corporation of South Africa Limited (AAC) and its associated companies into a single, focused, independent, global gold company. Vaal Reefs Exploration and Mining Company Limited (Vaal Reefs), the vehicle for the consolidation, changed its name to AngloGold Limited and increased its authorized share capital, effective March 30, 1998.

AngloGold then acquired, in share-for-share exchanges in terms of South African schemes of arrangement and following shareholder approval, all of the issued share capital of the following participating companies:

**&#183**

East Rand Gold and Uranium Company Limited (Ergo);

**&#183**

Eastvaal Gold Holdings Limited (Eastvaal);

**&#183**

Southvaal Holdings Limited (Southvaal);

**&#183**

Free State Consolidated Gold Mines Limited (Freegold);

**&#183**

Elandsrand Gold Mining Company Limited (Elandsrand);

**&#183**

H.J. Joel Gold Mining Company Limited (HJ Joel); and

**&#183**

Western Deep Levels Limited (Western Deep Levels)

(collectively the “participating companies”). A total of 51,038,968 ordinary shares were issued to AAC and 66,010,118 ordinary

shares to other shareholders in exchange for their shares in these companies.

In addition, AngloGold acquired in private transactions with AAC and minority shareholders certain share interests in gold

mining companies, including:

**&#183**

approximately 17 percent of Driefontein Consolidated Limited (Driefontein);

**&#183**

100 percent of Anmercosa Mining (West Africa) Limited (Anmin West Africa);

**&#183**

approximately 89 percent of Western Ultra Deep Levels Limited (Western Ultra Deep);

**&#183**

approximately 52 percent of Eastern Gold Holdings Limited (Eastern Gold);

**&#183**

100 percent of Erongo Mining and Exploration Company Limited (Erongo); and

**&#183**

other sundry share interests

(collectively the “share interests companies”). A total of 25,734,446 ordinary shares were issued to AAC and 957,920 ordinary

shares to minority shareholders in exchange for their shares in these companies.







24

AngloGold also acquired certain gold exploration and mining rights from AAC and other companies in exchange for which

1,623,080 ordinary shares were issued to AAC and 4,210,412 ordinary shares to other companies.

Prior to the consolidation, Vaal Reefs was a client company of AAC under a service agreement and HJ Joel was a client

company of Johannesburg Consolidated Investments Limited (JCI) under another service agreement. Under these agreements, AAC and JCI provided certain technical, administrative, secretarial and purchasing services. In connection with

the above transaction, AngloGold acquired from AAC and JCI all the rights under these service agreements relating to the

participating companies listed above. AngloGold now provides these services. The rights under the service agreements were

acquired from AAC in exchange for 6,834,872 ordinary shares of AngloGold, and the rights under the service agreement from

JCI were acquired for cash of R62.5 million.

The consolidation was approved by the required majorities of the shareholders of AngloGold and the participating companies

and became effective on June 29, 1998 for accounting purposes. The participating companies and the 50 percent or more

owned share interests companies became subsidiaries, and the less than 50 percent owned share interests companies became associate companies.

In December 1998, AngloGold agreed to purchase Minorco's gold interests located primarily in North and South America. This

transaction became effective March 31, 1999. See "Item 4B.: Business overview – Products, operations and geographic locations – North American operations" and "– South American operations".

With effect from December 31, 1999 AngloGold acquired Acacia Resources in Australia, including all or part of new mining

operations and exploration activities. See "Item 4B.: Business overview – Products, operations and geographic locations – Australian operations".

With effect from July 3, 2000, AngloGold acquired an effective 40 percent interest in the Morila mine located in Mali from

Randgold Resources. See "Item 4B.: Business overview – Products, operations and geographic locations – East and West African operations – Morila".

With effect from December 15, 2000, AngloGold acquired a 50 percent interest in the Geita mine located in northern Tanzania

from Ashanti Goldfields Company Limited. See "Item 4B.: Business overview – Products, operations and geographic locations

East and West African operations – Geita".

In 2000, in support of its market development initiatives, AngloGold acquired a 25 percent interest in OroAfrica, South Africa's

largest manufacturer of gold jewellery and a 33 percent holding in GoldAvenue, an e-commerce business in gold, created

jointly with JP Morgan and Produits Artistiques de Metaux Precieux (PAMP). As at December 31, 2004 AngloGold

Ashanti

held 26.6 percent of OroAfrica. Gold Avenue continued to sell gold jewellery by catalogue and website until early 2004, after which it was wound-up.

In December 2000, agreement was reached with Harmony Gold Mining Company Limited, whereby Harmony agreed to purchase AngloGold's Elandsrand and Deelkraal mines with effect from February 1, 2001 for an amount of \$109 million. All conditions precedent relative to the sale were fulfilled on April 9, 2001 on which date the agreement of sale became unconditional.

In terms of an agreement signed with African Rainbow Minerals Gold Limited (currently Harmony Gold Mining Company Limited) ("ARM") in January 1998, the No. 2 Shaft Vaal River Operations was tributed to ARM on the basis that 40 percent of all revenue, costs and capital expenditure would be attributable to ARM, with the balance to AngloGold. With effect from July 1, 2001, AngloGold announced that it had disposed of its interests in No. 2 Shaft Vaal River Operations to ARM for the sum of \$1 million.

On September 5, 2001, AngloGold announced that it was to make a takeover offer for Normandy Mining Limited (Normandy), Australia's largest listed gold mining company. The offer was to be settled in AngloGold ordinary shares in the ratio of 4.30 AngloGold ordinary shares for every 100 Normandy shares. The final offer to Normandy shareholders comprised 4.30 AngloGold ordinary shares plus a cash consideration of A\$30 for every 100 Normandy shares. At the close of the offer on January 18, 2002, AngloGold had received acceptances totaling 159,703,481 Normandy shares (7.16 percent of the Normandy issued share capital). Arising out of the offer, a total of 6,869,602 AngloGold ordinary shares were issued. This excludes 143,630 AngloGold ordinary shares issued under the top-up facility to Normandy shareholders. The Normandy shares acquired were sold on the market on January 21, 2002 realizing a total of \$158 million. See note 3 to the consolidated financial statements "Acquisitions and disposals of businesses and assets".





25

On April 11, 2002 AngloGold announced that the final condition precedent for the sale of its Free State assets to African Rainbow Minerals Gold Limited (currently Harmony Gold Mining Company Limited) and Harmony Gold Mining Company Limited, through a jointly-owned company ("Free Gold"), had been fulfilled for a net consideration of \$229 million including tax payable by AngloGold and net of contractual obligations pursuant to the sale. The sale was effective from January 1, 2002. See note 25 to the consolidated financial statements "Sales of shafts".

During July 2002 AngloGold acquired an additional 46.25 percent of the equity, as well as the total loan assignment, of Cerro Vanguardia SA, a company conducting gold mining operations in Argentina, from Pérez Companc International SA, for a net consideration of \$97 million, thereby increasing its interest in Cerro Vanguardia to 92.5 percent. For a detailed discussion see note 3 to the consolidated financial statements "Acquisitions and disposals of businesses and assets".

AngloGold disposed of its wholly-owned subsidiary, Stone and Allied Industries (O.F.S.) Limited, a stone crushing company, to a joint venture of that company's existing management and a group of black entrepreneurs, with effect from October 1, 2002, for a consideration of R5 million, comprising R1.4 million in respect of the equity interest and R3.6 million, in respect of a loan claim. In respect of the equity interest, R450,000 in cash and the outstanding balance of R950,000 together with the loan of R3.6 million is payable in five equal annual installments, together with interest, commencing October 1, 2003. The agreement of sale provides for a 10 percent interest in Stone and Allied Industries (O.F.S.) Limited to be held by Masakhisane Investment Limited, a wholly-owned subsidiary established by AngloGold in terms of its Small and Medium Enterprises Development Initiative, which company will render technical and administrative assistance to the purchasers until the total amount of the consideration has been settled. See note 3 to the consolidated financial statements "Acquisitions and disposals of businesses and assets".

On April 8, 2003 AngloGold announced that it had reached agreement with Helix Resources Limited for the sale of its interest in the Gawler Craton and Tarcoola Joint Ventures in South Australia. As announced on June 6, 2003 the sale of AngloGold's 49 percent stake in the Gawler Craton Joint Venture, including the Tunkillia project was finalized, for a consideration comprising cash of \$500,000 (A\$750,000), 1.25 million fully-paid Helix shares issued at A\$0.20 per share and 1.25 million Helix options exercisable at A\$0.25 per option before November 30, 2005, with an additional payment of \$335,000 (A\$500,000) deferred to the delineation of 350,000 ounces. Helix's proposed acquisition of AngloGold's rights to the Tarcoola Project, 60 kilometers to the south, was excluded from the final agreement. See note 3 to the consolidated financial statements "Acquisitions and disposals of businesses and assets".

On May 23, 2003 AngloGold announced that it had signed an agreement to sell its wholly-owned Amapari Project to Mineraç o

Pedra Breanca do Amapari, for the total consideration of \$18 million. The effective date of the transaction was May 19, 2003.

The Amapari project is located in the State of Amapá, North Brazil. Since acquiring the property from Minorco, AngloGold had

sought to prove up additional reserve ounces in order to get it to a size and life that would justify the management resources

needed to run it effectively. This was not achieved and AngloGold, on receiving an offer from a purchaser who could constructively turn this orebody to account, agreed to sell. See note 3 to the consolidated financial statements

“Acquisitions

and disposals of businesses and assets”.

On July 2, 2003, AngloGold announced that it had concluded the sale of its interest in the Jerritt Canyon Joint Venture to

Queenstake Resources USA Inc., effective June 30, 2003. This follows negotiations originally announced on February 27,

2003. Queenstake paid the Jerritt Canyon Joint Venture partners, AngloGold and Meridian Gold, \$1.5 million in cash and

32 million shares issued by a subsidiary, Queenstake Resources Limited, with \$6 million in deferred payments and \$4 million in

future royalties. Queenstake accepted full closure and reclamation liabilities. The shares acquired by AngloGold in this

transaction, were sold in November 2003. See note 3 to the consolidated financial statements “Acquisitions and disposals of

businesses and assets”.

On July 8, 2003 AngloGold disposed of its entire investment of 8,348,600 shares held in East African Gold Mines Limited and

in the second half of 2003 AngloGold disposed of 952,481 shares in Randgold Resources Limited. See note 3 to the consolidated financial statements “Acquisitions and disposals of businesses and assets”.

On September 18, 2003 AngloGold and Gold Fields Limited jointly announced that agreement had been reached on the sale

by Gold Fields of a portion of the Driefontein mining area to AngloGold for a cash consideration of R315 million (\$48 million).

See note 3 to the consolidated financial statements “Acquisitions and disposals of businesses and assets”.







26

On January 20, 2004 AngloGold announced that it had received a cash payment of A\$4 million (\$3 million) and 25 million fully paid ordinary shares from Tanami Gold NL in Australia, as consideration for Tanami Gold's purchase of the Western Tanami Project. This follows an initial payment of A\$0.3 million (\$0.2 million) made on November 24, 2003, when the Heads of Agreement was signed by the companies. See note 3 to the consolidated financial statements "Acquisitions and disposals of businesses and assets".

The Business Combination between AngloGold and Ashanti Goldfields Company Limited which was originally announced on May 16, 2003 was completed with effect from Monday, April 26, 2004, following the confirmation by the High Court in Ghana on Friday, April 23, 2004, of the scheme of arrangements, in terms of which AngloGold acquired the entire issued share capital of Ashanti. AngloGold changed its name to AngloGold Ashanti Limited on April 26, 2004, the effective date of the transaction. See note 3 to the consolidated financial statements "Acquisitions and disposals of businesses and assets".

### **Ashanti Goldfields Company Limited**

Ashanti Goldfields Corporation Limited was founded in 1897 to develop a mining concession in the area of the operations at Obuasi. In 1969, Ashanti became a wholly-owned subsidiary of Lonrho Plc (later Lonmin Plc, a UK-listed company which at that time had interests in mining, hotels and general trade in Africa).

The government of Ghana acquired 20 percent of Ashanti from Lonmin in exchange for the extension of Ashanti's mining lease over its concession area. In 1972, the government of Ghana formed a Ghanaian company to take over the assets, business and functions formerly carried out by Ashanti, holding 55 percent of the outstanding shares. Further developments include:

- &#183;**
- &#183;**

in 1994, as part of its divestiture policy, the government of Ghana sold part of its holding at which time the company was listed in Ghana;

in 1996, Ashanti acquired companies holding interests in the Ayanfuri, Bibiani, Iduapriem, Siguiri and Freda-Rebecca properties as well as an interest in what was then the Geita exploration concession in Tanzania. This was followed by the acquisition in 1998 of SAMAX Gold Inc., the principal asset of which was the other part of the interest in the Geita exploration concession adjacent to Ashanti's existing license area;

- &#183;**

in 1999/2000, the Geita mine was developed and, in 2000, AngloGold acquired a 50 percent interest; and

- &#183;**

in 2000, Ashanti acquired a 90 percent interest in the Teberebie mine, adjacent to the Iduapriem mine. From the end of 1999 to June 2002, commencing with a sharp rise in the price of gold which led initially to a liquidity crisis,

Ashanti engaged in a process of financial restructuring with its banks, hedge counterparties and noteholders. In June 2002, the company completed a financial restructuring which involved entering into a new enlarged revolving credit facility of \$200 million, raising approximately \$41.8 million from the early exercise of 70.3 percent of its warrants (which were previously issued to banks and hedge counterparties and which were exchangeable for shares); reaching agreement with hedge counterparties for continued margin-free trading; and raising \$75 million through the issue to its largest shareholder, Lonmin, of mandatorily exchangeable notes, or MENs.

### **Business Combination between AngloGold and Ashanti**

On August 4, 2003, AngloGold and Ashanti announced that they had agreed the terms of a recommended Business Combination at an exchange ratio of 0.26 AngloGold ordinary shares for every Ashanti share. On the same date, AngloGold entered into the Lonmin Support Deed, pursuant to which Lonmin, which held 27.6 percent of Ashanti's issued share capital, agreed, among other things, to vote its Ashanti shares in favor of the Business Combination.

After further discussion with AngloGold and careful, detailed consideration of a competitive proposal, and following the increase by AngloGold in the offer consideration from 0.26 to 0.29 ordinary shares, the Ashanti board announced on October 15, 2003 that it was recommending the improved final offer from AngloGold. On October 28, 2003, the government of Ghana, which held 16.8 percent of Ashanti's issued share capital, announced its support for the AngloGold offer, as well as the principal terms of a Stability Agreement which the government of Ghana intended to enter into with AngloGold.

AngloGold and the government of Ghana agreed the terms of a Stability Agreement, approved by the parliament of Ghana on February 18, 2004, to govern certain aspects of the fiscal and regulatory framework under which AngloGold Ashanti will operate in Ghana following the implementation of the Business Combination.

27

Under the Stability Agreement, the government of Ghana:

**&#183**

agreed to extend the term of the mining lease relating to the Obuasi mine until 2054 on terms existing prior to the Business

Combination;

**&#183**

agreed to maintain for a period of 15 years, the royalties payable by Ashanti with respect to its mining operations in Ghana

at a rate of 3 percent per annum of the total revenue from minerals obtained by Ashanti from such mining operations;

**&#183**

agreed to maintain the corporate tax rate for Ashanti and fix this rate for each of its subsidiaries in Ghana at 30 percent for

a period of 15 years;

**&#183**

agreed that the sale of Ashanti or any of its subsidiaries' assets located in Ghana remain subject to the government's approval;

**&#183**

agreed to permit Ashanti and any or all of its subsidiaries in Ghana to retain up to 80 percent of their exportation proceeds

in foreign currencies offshore, or if such currency is held in Ghana, to guarantee the availability of such foreign currency;

and

**&#183**

retained its special rights ("Golden Share") under the provisions of the mining law pertaining to the control of a mining company, in respect of the assets and operations in Ghana. See "Golden Share" below. For details of the provisions of the mining law, see "Item 4B.: Business Overview – Rights to mine and title to properties – Ghana – Control of mining companies".

The government of Ghana also agreed that Ashanti's Ghanaian operations will not be adversely affected by any new enactments or orders or by changes to the level of payments of any customs or other duties relating to mining operations,

taxes, fees and other fiscal imports or laws relating to exchange control, transfer of capital and dividend remittance for a period

of 15 years after the completion of the Business Combination. In consideration for these agreements and undertakings, AngloGold agreed to issue to the government of Ghana 2,658,000 new AngloGold ordinary shares and to pay to the government of Ghana \$5 million in cash, promptly after the implementation of the Business Combination. AngloGold also

agreed to pay to the government of Ghana, on the date of the completion of the Business Combination, an additional \$5 million

in cash towards the transaction costs incurred by the government of Ghana in its role as regulator of Ashanti.

In consideration of the agreements and undertakings contained in the Stability Agreement, AngloGold committed to:

**&#183**

the recapitalization of the existing Obuasi mine as well as to undertake further exploration of Obuasi Deeps;

**&#183**

expenditure of \$220 million on the existing Obuasi mine over the five-year period commencing January 1, 2004, which

includes an amount of \$110 million in real terms, to be spent on underground equipment, infrastructure and environmental

and planning systems for the existing Obuasi mine;

**&#183**

conclude by December 31, 2008, the required exploration program and feasibility studies with regard to Obuasi Deeps, at an estimated cost of \$44 million;

**&#183**

for a period of two years, to not implement any new retrenchment program in Ghana (excluding individual dismissals made from time-to-time) and to continue to apply Ashanti's existing and approved retrenchment programs; and

**&#183**

establish and/or maintain a community trust in Ghana to which AngloGold will contribute a total amount of 1 percent of profits generated in Ghana; and implement programs pertaining to training, malaria control and improvement of health, safety and working conditions.

The Business Combination was effected by means of a scheme of arrangement, under Ghanaian law, which required and

obtained the approval of Ashanti shareholders and the confirmation by the High Court of Ghana. In terms of the Business

Combination, Ashanti shareholders received 0.29 ordinary shares or 0.29 ADSs of AngloGold for every Ashanti share or

Ashanti GDS (Global Depositary Security) held. Each ADS represents one ordinary AngloGold share. The Business Combination became effective on April 26, 2004 after the Court Order from the High Court of Ghana was lodged with the

Ghana Registrar of Companies. From the effective date, Ashanti became a private company and AngloGold changed its name

to AngloGold Ashanti Limited, following approval by its shareholders at a general meeting held on April 8, 2004.





28

**Golden Share**

The following requires, and will not be effective without, the written consent of the government of Ghana as the holder of the Golden Share:

**&#183**

any disposal by Ashanti (other than any disposal in the ordinary course of business of Ashanti) which, alone or when aggregated with any disposal or disposals forming part of, or connected with, the same or a connected transaction, constitutes a disposal of the whole or a material part of the assets of the Ashanti Group taken as a whole. For this purpose, a part of the Ashanti Group's assets will be considered material if either (a) its book value (calculated by reference to the then latest audited consolidated accounts), or the total consideration to be received on its disposal, is not less than 25 percent of the book value of the net assets of the Ashanti Group or (b) the average profits attributable to it represent at least 25 percent of the average profits of the Ashanti Group for the last three years for which audited accounts are available (before deducting all charges, except taxation and extraordinary items).

The Golden Share does not carry any right to vote at any general meeting of Ashanti.

**Convertible Bonds**

On February 19, 2004 AngloGold announced the launch of an offering of \$900 million convertible bonds due 2009, subject to increase by up to \$100 million pursuant to an option, by its subsidiary, AngloGold Holdings plc. The bonds are guaranteed by AngloGold. This was followed by an announcement of February 20, 2004 which advised the pricing of the offering at 2.375 percent while on February 25, 2004, AngloGold announced that the Managers had exercised the option to subscribe for additional bonds in a principal amount of \$100 million, increasing the offering to \$1 billion. The offer closed and was settled on February 27, 2004.

**Recent developments – AngloGold Ashanti**

Developments by the AngloGold Ashanti group post the Business Combination include:

The \$75 million MENs were redeemed following the Business Combination.

On July 1, 2004, AngloGold Ashanti announced that it had entered into an agreement with Trans-Siberian Gold plc (TSG) for the acquisition of a 29.9 percent stake in the company through an equity investment of approximately £18 million (\$32 million) in two subscriptions for ordinary shares. TSG is listed on the London Stock Exchange's Alternative Investment Market (AIM). This first move into Russia allows AngloGold Ashanti the opportunity of establishing a meaningful interest in a company with Russian assets and activities, thereby allowing AngloGold Ashanti to gain exposure to, and familiarity with, the operating and business environment in Russia, as well as being able to establish a business within this prospective New Frontier. On December 23, 2004, it was announced that the second subscription had been delayed to April 15, 2005 while on April 18, 2005, the second subscription date was extended by a further two weeks to April 29, 2005. On April 28, 2005, the company announced that agreement had been reached with TSG on revised terms for the second subscription of shares in TSG,

and a

revised subscription price of £1.30 per share, compared to £1.494 per share agreed between the parties on June 30, 2004.

The revised terms of the subscription were approved by TSG shareholders on May 27, 2005 and AngloGold Ashanti's 17.5 percent equity interest in TSG increased to 29.9 percent on May 31, 2005, the date on which the second subscription was completed. See note 3 to the consolidated financial statements "Acquisitions and disposals of businesses and assets".

On August 5, 2004, AngloGold Ashanti announced the sale of its Union Reefs assets to the Burnside Joint Venture, comprising subsidiaries of Northern Gold NL (50 percent) and Harmony Gold Mining Company Limited (50 percent), for a total consideration of A\$4 million (\$2 million). The Burnside Joint Venture is responsible for all future obligations associated with the assets, including remaining site rehabilitation and reclamation. See note 3 to the consolidated financial statements "Acquisitions and disposals of businesses and assets".

In 2004, Queenstake approached the Jerritt Canyon Joint Venture partners, AngloGold and Meridian Gold, about the possibility of monetizing all or at least a majority of the \$6 million in deferred payments and \$4 million in future royalties, payable in the concluded sale of AngloGold's interest in the Jerritt Canyon Joint Venture to Queenstake Resources USA Inc., effective June 30, 2003. Based on an agreement reached between the parties, AngloGold Ashanti was paid on August 25, 2004 approximately \$7 million for its portion of the deferred payments and future royalties, thereby monetizing all outstanding obligations, except for a minor potential royalty interest that AngloGold Ashanti retained. See note 3 to the consolidated financial statements "Acquisitions and disposals of businesses and assets".



29

In a joint announcement made on September 10, 2004, AngloGold Ashanti confirmed its agreement to sell its entire interest in Ashanti Goldfields Zimbabwe Limited to Mwana Africa Holdings (Pty) Limited for a deferred consideration of \$2 million. The sole operating asset of Ashanti Goldfields Zimbabwe Limited is the Freda-Rebecca Gold Mine. The sale was effective on September 1, 2004. See note 3 to the consolidated financial statements "Acquisitions and disposals of businesses and assets".

Agreement was reached to sell AngloGold Ashanti's 40 percent equity interest in Tameng Mining and Exploration (Pty) Limited of South Africa (Tameng) to Mahube Mining (Pty) Limited for a cash consideration of R20 million (\$3 million). Tameng owns certain mineral rights to platinum group metals (PGMs) on the farm Locatie Van M'Phatlele KS 457, on the northern limb of the Bushveld Complex in the Limpopo Province in South Africa. The sale was effective on September 1, 2004. See note 3 to the consolidated financial statements "Acquisitions and disposals of businesses and assets".

In an announcement made on October 11, 2004, AngloGold Ashanti advised that it had signed an agreement with Philippines explorer Red 5 Limited to subscribe for a 12.3 percent stake in the expanded issued capital of Red 5 for a cash consideration of A\$5 million (\$4 million). This placement will be used to fund the exploration activities along strike from current mineral resources at the Siana Project, and to test the nearby porphyry gold-copper targets in the Surigao region of the Republic of the Philippines. See note 3 to the consolidated financial statements "Acquisitions and disposals of businesses and assets".

On January 27, 2005, AngloGold Ashanti announced the signing of a new three-year loan facility agreement for \$700 million to replace the existing \$600 million facility that matured in February 2005. The facility was used to repay the maturing facility of \$600 million (\$265 million drawn as at December 31, 2004) and for general corporate purposes. The new facility will reduce the group's cost of borrowings, as the borrowing margin over LIBOR will reduce from 70 to 40 basis points. The facility was arranged with a number of AngloGold Ashanti's relationship banks. The company expects to finance the repayment of debt scheduled to mature in 2005 from existing cash resources, cash generated from future operations, its existing debt facilities and, potentially, future debt facilities and debt instruments.

A substantial restructuring of the AngloGold Ashanti hedge book commenced in late December 2004 and was completed in January 2005. This resulted in a reduction in the net delta of the combined hedge by 2.2 million ounces during the fourth quarter. The restructured hedge now represents cover equal to 31 percent of five years' production spread over a ten-year period.

On April 15, 2005, the South African Department of Water Affairs and Forestry issued a directive ordering three mining groups, DRDGold, Harmony and AngloGold Ashanti to share equally the costs of pumping water at some shafts of DRDGold's North West operations in South Africa. This follows an interdict application made by AngloGold Ashanti in response to DRDGold's threat to cease funding the pumping of water at these shafts, after placing Buffelsfontein, its subsidiary that operated the North West operations, into liquidation on March 22, 2005. The aggregate monthly cost of pumping is estimated at R8 million (\$1.2 million). See note 31 to the consolidated financial statements "Subsequent events".

On April 29, 2005, AngloGold Ashanti announced the conditional sale of exploration assets in the Laverton area in Australia, comprising the Sickle royalty of \$30 per ounce, the Child Harold prospect, various 100 percent AngloGold Ashanti Australia-owned interests including the Lord Byron and Fish projects as well as its interests in the Jubilee, Black Swan and Jasper Hills Joint Ventures to Crescent Gold Limited, for a total consideration of A\$4 million (\$3 million). A\$0.3 million (\$0.2 million) was payable on the execution of a binding sale and purchase agreement, A\$1 million (\$0.8 million) is payable in Crescent Gold shares and A\$3 million (\$2 million) is payable in cash, on or before December 15, 2006. See note 31 to the consolidated financial statements "Subsequent events".

On June 1, 2005, AngloGold Ashanti noted the publication of the report issued by the Human Rights Watch in which it was alleged that AngloGold Ashanti had provided funding to rebel militia in the Democratic Republic of Congo, as well as logistical and medical support. AngloGold Ashanti admitted that certain payments were extorted from junior personnel under duress by the militia. A high level review of the accusations was carried out to consider the company's exploration activities in that country and on June 21, 2005, the company announced that it would continue with its exploration activities, but would closely monitor the situation in the region. See "Item 3, Risk Factors - AngloGold Ashanti has exploration operations in countries that face political and economic risks".

30

**4B. Business overview****Gold market**

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

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

Interest rates affect the price of gold on several levels. High real rates of interest increase the cost of holding gold and discourage physical buying in developed economies. High US interest rates would also make hedging or forward selling of gold attractive because of the higher contango premiums available in the forward prices. Increased forward selling in turn has an impact on the spot price at the time of such sales. At a secondary level, changes to interest rates are viewed by market participants as indicators of other economic changes (including expectations of inflation), and have been used historically by market participants to motivate decisions to buy or sell gold.

Changes in exchange rates against the dollar affect levels of demand for gold in non-US economies. In South East Asia, for example, during the mid-1990s strong local currencies encouraged robust gold demand due to low real gold prices in local currencies. In contrast, when South East Asian currencies fell sharply against the dollar in 1997, the local currency values of gold increased proportionally, and wholesale selling of the metal ensued in the region. Recoveries in Asian currencies since 1999, have resulted in a decline in gold prices in terms of these currencies which in turn has led to a rise in gold demand to previous levels. In the investment market, a strong dollar during the 1990s had a negative effect on investment demand for gold in developed economies. Since 2001, the weakness in the dollar has been seen as a signal to buy gold.

While political and economic crises can have either a positive or negative impact on gold, this is not inevitable. As a recent example of this, in 1998, despite negative sentiment caused by the Russian financial crisis and ensuing corrections in the capital markets worldwide, the price of gold remained stable. By contrast, more recent political events have helped to drive the gold price higher, particularly the war in Iraq.

#### **The market in 2004**

The return of investor interest in gold resulted in a sustained rise in the gold price during the latter half of 2004. The gold price rose almost uninterrupted for three months to early December to \$456.75 per ounce, the highest price in almost 17 years.

There was a measure of correction after the price failed to rise above \$460 per ounce, and the price ended the year at \$435 per ounce, up by 6 percent from the beginning of 2004. The market has since corrected further to a low of \$410 per ounce, but buying interest has returned and the price rally of the past three years appears intact.

The driving influence on investor sentiment was the weakening dollar, particularly against the euro, but also against the Japanese yen. This has been the case also for the past three and a half years and the correlation between the rising dollar spot price of gold and the weakening dollar against the euro reached 97 percent over the three months to December. While this does not mean that other factors do not influence the gold market and the price of gold from time to time, it does underline the primary influence of the health of the US currency on the gold price in the current market cycle.

In this respect, the gold market differs from the parallel cycle of rising base metal and commodity prices, which has also been influenced to some extent by investor buying on the back of a weakening US currency. However, prices of industrial metals are being driven mainly by Chinese demand at present. The correlation between the gold price and the weak dollar is an important one for the year ahead.





31

Investment demand remains the instrument through which this influence on the gold price is manifested. The role played by investors and speculators in gold on the New York Comex has been supplemented by the launch in the USA of the gold exchange-traded fund, the streetTRACKS Gold Shares. The fund was created by the World Gold Council in partnership with State Street Global Markets and by early 2005 this fund had purchased on behalf of its investors over 140 tons of physical gold in the market. This level of investment is equal to over 25 percent of the net long position in gold on the New York Comex. On the Comex itself, during the year the total open position in gold reached a record high of over 22 million ounces, or 685 tons. The net long position remained consistently strong throughout the final quarter of 2004, although it failed to reach the record high levels seen in early April.

The average spot price of \$409 per ounce for the year was \$46 per ounce or 13 percent stronger than the average for the previous year. However, the rand strengthened against the dollar by some 15 percent during this period, and the rand gold price enjoyed no benefit from the higher dollar prices. The gold price in rands at the end of 2004 of R79,442 per kilogram was over 10 percent (or R9,000 per kilogram) lower than the local gold price at the beginning of 2004, and the average local price of R84,400 per kilogram for 2004 was 4 percent lower than the average price in 2003.

## Currencies

The recovery in the dollar which began early in the first quarter of 2004 lasted well into the third quarter of the year. For over six months, the US currency traded mostly between \$1.20 and \$1.25 to the euro, and reached ¥115 during May 2004. The dollar's strength during this time was a result largely of purchases of dollar instruments by monetary authorities in China and Japan. As this Asian intervention ended, so did the recovery in the US currency, and the dollar's devaluation resumed late in the third quarter, and continued unbroken for four months, to close 2004 at almost \$1.36 to the euro and at ¥102. By the end of the year, the euro had gained 8 percent and the yen 5 percent against the dollar compared to their exchange rates at the beginning of 2004.

The cycle of dollar weakness continued as the market took the view that the challenge of the US budget deficit was unlikely to be resolved and the US currency would have to weaken in order to set in motion the economic corrections necessary to reduce the US deficits. This market view was reinforced by the public announcement in mid-November by Alan Greenspan, Chairman of the US Federal Reserve Bank, that the current account deficit of the US was unsustainable and that the willingness of

foreign investors to finance that deficit through investments in the US currency was finite. After this announcement, the US currency went on to touch a record low of over \$1.37 to the euro, and also to lose ground against the yen. With the weaker dollar came a stronger gold price, and the behavior of gold as a currency trade against the dollar was reinforced. Since the end of 2004, the dollar has recovered somewhat against both the euro and the yen.

The South African rand has strengthened against the dollar by significantly more than the dollar has weakened against other major currencies. At its strongest point against the dollar (at the end of 2004), the rand had gained 17 percent since the beginning of 2004. The local currency also showed significant volatility during the year. While the rand has been helped in 2004 by the weakening dollar, it has also benefited from strong commodity prices and from sustained investor interest in the South African economy. In addition, sound economic policies have translated to sustained growth in the country and to a further upgrading of the country's sovereign risk rating by international ratings agencies. While the value of the rand remains vulnerable to a recovery in the dollar, or to specific event-driven reactions, it is otherwise likely to sustain its strength against major currencies into 2005.

AngloGold Ashanti believes that the primary driver in gold continues to be strong speculator and investor interest in the metal, driven by a number of fundamental economic circumstances. Among these is the possibility of a further decline in the dollar.

The physical market for gold in the first half of 2004 showed some positive adjustment, and some acceptance of higher gold prices. This resulted in a slight recovery in demand and some slippage in supply and a physical market move in balance for that. In particular, in the important area of demand for gold in jewellery, latest reports show improved offtake in the Middle East (particularly in Turkey) and in South East Asia (particularly Vietnam), and sustained demand in India. Set against this demand performance, official sales of gold were lower in 2004, due in part to the process of renegotiation and extension of the Washington Agreement for a further five years, and lower scrap sales.

A further contribution to an improved supply/demand balance is likely to come from rising gold offtake in jewellery in China this year, the first time in several years. This improvement has come with the completion in 2003 of the deregulation of the gold jewellery market in China, and the subsequent introduction by the World Gold Council of modern, 18-carat gold jewellery to metropolitan markets in China. This new product is able to compete with platinum jewellery on price, color and design and it has been interesting to see growing sales of this new product and a simultaneous fall in platinum jewellery sales in the China mainland market during 2004.







32

**Hedging**

As at December 31, 2004, the net delta held position of AngloGold Ashanti was 10.49 million ounces or 326 tons, valued at the spot price of gold on that date of \$434.70 per ounce. This net delta position reflects a decrease over the year of 4.2 million ounces or 130 tons in the net combined size of the AngloGold Ashanti hedge since the beginning of 2004 and the take-on of the Ashanti hedge in April 2004. This decrease has been achieved by the active management of hedge positions quarter on quarter, and a restructuring and reduction of hedge commitments during the final quarter of 2004. The marked-to-market value of the hedge position as at December 31, 2004 was negative \$1.161 billion. The group continues to manage its hedge positions actively and to reduce overall levels of pricing commitments in respect of future gold production by the group.

**The process of producing gold**

The process of producing gold can be divided into six main phases:

**&#183;**

finding the orebody;

**&#183;**

creating access to the orebody;

**&#183;**

removing the ore by mining or breaking the orebody;

**&#183;**

transporting the broken material from the mining face to the plants for treatment;

processing; and

refining.

The basic process applies to both underground and surface operations.

***Finding the orebody***

AngloGold Ashanti's global exploration program generates targets and undertakes exploration, on its own or in conjunction with joint venture partners.

***Creating access to the orebody***

There are two types of mining which take place to access the orebody;

**&#183;**

underground – a vertical or decline shaft (designed to transport people and/or materials) is first sunk deep into the ground,

after which horizontal development takes place at various levels of the main shaft or decline. This allows for further on-

reef development of specific mining areas where the orebody has been identified; and

**&#183;**

open-pit – where the top layers of topsoil or rock are removed in a process called “stripping” to uncover the reef.

***Removing the ore by mining or breaking the orebody*****&#183;**

In underground mining, holes are drilled into the orebody, filled with explosives and then blasted. The blasted “stopes” or

“faces” are then cleaned and the ore released is now ready to be transported out of the mine.

**&#183;**

In open-pit mining, drilling and blasting may also be necessary to release the gold-bearing rock; excavators then load the

material on to the ore transport system.

***Transporting the broken material from the mining face to the plants for treatment***

**&#183**

Underground ore is transported by means of vertical and/or horizontal transport systems. Once on surface, conveyor belts

usually transport the ore to the treatment plants.

**&#183**

Open-pit mines transport ore to the treatment plants in vehicles capable of hauling huge, heavy loads.

***Services***

Mining activities require extensive services, both on the surface and underground, including:

**&#183**

**&#183**

**&#183**

**&#183**

**&#183**

**&#183**

**&#183**

mining engineering services;

mine planning;

ventilation;

provision of consumable resources;

engineering services;

financial, administration and human resource services; and

environmental/permitting services.





33

**Processing****&#183**

Comminution is the breaking up of ore to make gold available for treatment. Conventionally, this process occurs in multi-stage crushing and milling circuits. Modern technology is based on large mills fed directly with run-of-mine material.

**&#183**

Gold ores can typically be classified into:

- o refractory ores, where the gold is locked within a sulphide mineral and not readily available for recovery by the cyanidation process; or
- o free milling, where the gold is readily available for recovery by the cyanidation process.

**&#183**

Refractory ore treatment – after fine grinding the sulphide materials are floated away from the barren gangue material to

produce a high-grade sulphide concentrate. The sulphide concentrate is oxidized by either roasting as at AngloGold Ashanti Mineração or bacterial oxidation (BIOX) as at Obuasi. The oxidation process oxidizes the sulphide minerals liberating the gold particles making them amenable to recovery by the cyanidation process.

Free milling and oxidized refractory ores are processed for gold recovery by agitator leaching the ore in an alkaline cyanide leach solution followed generally by adsorption of the gold cyanide complex on to activated carbon-in-pulp (CIP).

**&#183**

The alternative process is the heap-leach process. Generally considered applicable to only high-tonnage, low-grade ore deposits, AngloGold Ashanti has successfully applied this to medium-grade deposits where the ore deposit tonnage cannot economically justify constructing a process plant. Here, the run-of-mine ore is crushed and placed on the leach. Low strength alkaline cyanide solution is applied, generally as a drip, to the top of the heap for periods of up to three months. The dissolved gold bearing solution is collected from the base of the heap and transferred to the carbon-in-solution (CIS) columns where the gold cyanide complex is adsorbed on to activated carbon. The stripped solution is recycled back to the top of the heaps.

Gold adsorbed on to activated carbon is recovered by a process of re-dissolving the gold from the activated carbon (elution), followed by precipitation in electro-winning cells and subsequent smelting of that precipitate into bars that are

shipped to the gold refineries.

The treatment of tailing stockpile from previous decades' operations is also practiced by AngloGold Ashanti. The old tailings are mined by water sluicing followed by agitator leaching in alkaline cyanide solution and recovery of dissolved

gold on to activated carbon.

At AngloGold Ashanti operations, the major by-products produced are:

- o Silver, which is associated with gold in ratios ranging from 0.1 to 1 to 200:1 silver to gold;
- o Sulphuric acid which is produced by scrubbing the off gases from the roasting plants; and
- o Uranium which is recovered in a process which involves initial acid leaching followed by recovery of the leached uranium on to resin and subsequent stripping with ammonium hydroxide and precipitation of crude yellow cake.

**&#183****&#183****&#183****&#183****&#183**

The tailings from the process operations are stored in designated Tailings Storage Facilities designed to enhance water recovery and prevent containment seepage into the environment.

**Refining**

The gold dust is then smelted into gold bars, which are transported to a refinery for further refining, to as close to pure gold as

possible – good delivery status. This gives the assurance that the bar contains the quantity and purity of gold as stamped on the bar.

**Products, operations and geographic locations**

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



34

**Operating performance and outlook**

Overall gold production for 2004 rose as a result of the combination of the AngloGold assets with those of Ashanti, in line with the company's strategy of achieving geographic and orebody diversity. Gold production for the year amounted to 6.05 million

ounces, an increase of 8 percent when compared with 2003 gold production of 5.62 million ounces. Gold production from

outside South Africa – principally from low-cost surface and shallow mines – rose by 27 percent to 2.973 million ounces.

Strong operating currencies against the US dollar and rising cost of inputs resulted in total cash costs increasing by 17 percent

to \$268 per ounce (2003: \$229 per ounce).

Gold production in 2003 declined to 5.62 million ounces, representing a 5 percent decrease in gold production compared to

2002. Total cash costs increased to \$229 per ounce in 2003, an increase of \$68 per ounce from 2002.

Capital expenditure for the year rose to \$583 million from \$363 million in 2003. Of this, \$329 million (56 percent) was for

maintenance capital expenditure and \$254 million (44 percent) for new projects. Capital expenditure in 2002 amounted to

\$271 million.

Capital expenditure in 2005 is expected to be \$655 million, mainly at the South African, South American and former Ashanti

operations.

The operations and geographical areas in which AngloGold Ashanti currently operates are shown below.

35

**REVIEW OF OPERATIONS - SUMMARY**Attributable tones  
treated/milled (Mt)Average grade  
recovered (g/t)Attributable gold  
production (000oz)Total cash costs  
(\$/oz)

(1)

2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
------	------	------	------	------	------	------	------	------	------	------	------

**SOUTH AFRICA****West Wits**

Mponeng

1.7

1.7

1.7

8.14

8.96

8.63

438

499

466

322

247

178

TauTona

1.6

1.7

1.7

10.88

12.09

11.66

568

646

643

245

194

132

Savuka

0.8

1.0

1.0

6.19

5.81

7.07

158

187

236

455

448

245

***Vaal River***

Great Noligwa

2.4

2.4

2.5

10.38

10.57

11.02

795

812

880

231

218

124

Kopanang

2.0

2.2

2.2

7.37

7.07

7.23

486

497

511

281

266

165

Tau Lekoa

2.4

2.4

2.2

3.87

4.24

4.45

293

322

311

370

294

192

Ergo

28.7

30.9

32.8

0.24

0.20

0.25

222

203

264  
389  
349  
184

**ARGENTINA**

Cerro Vanguardia(92.5 percent)

0.9  
0.9  
0.6  
7.60  
7.15  
9.49  
211  
209  
179  
156  
143  
104

**AUSTRALIA**

Sunrise Dam

3.7  
3.6  
3.4  
3.46  
3.12  
3.49  
410  
358  
382  
260  
228  
177

Boddington

(6)  
- - - - - 2 - - -

Union Reefs

(1)  
-  
2.0  
2.7 -  
1.12  
1.36 -  
74  
118 -  
272  
224

**BRAZIL**

AngloGold Ashanti Mineração

1.0  
1.1  
0.9

7.62  
 6.84  
 6.71  
 240  
 228  
 205  
 133  
 141  
 131  
 Serra Grande (50 percent)

0.4  
 0.4  
 0.4  
 7.80  
 7.88  
 7.84  
 94  
 95  
 94  
 134  
 109  
 100

**GHANA**

Obuasi

(2)  
 2.6       —       —  
 3.08       —       —  
 255       —       —  
 305       —       —

Bibiani

(2)  
 1.7       —       —  
 1.93       —       —  
 105       —       —  
 251       —       —

Iduapriem

(2)  
 2.2       —       —  
 1.76       —       —  
 125       —       —  
 303       —       —

**GUINEA**

Siguiri (85 percent)

(2)  
 2.6       —       —  
 1.10       —       —       83       —       —  
 443       —       —

**MALI**

Sadiola (38 percent)

2.0  
 1.9

1.9  
2.77  
2.77  
2.96  
174  
172  
182  
242  
210  
163  
Yatela (40 percent)  
1.1  
1.0  
1.1  
3.41  
2.84  
3.60  
97  
87  
107  
255  
235  
175  
Morila (40 percent)  
1.4  
1.3  
1.1  
4.57  
7.56  
11.96  
204  
318  
421  
196  
108  
74  
**NAMIBIA**  
Navachab  
1.3  
1.3  
1.4  
1.59  
1.75  
1.93  
67  
73  
85  
348  
274  
147  
**TANZANIA**

Geita

(5)

4.8	2.9	2.5	3.74	3.60	3.62	570	331	290	250	183	175
-----	-----	-----	------	------	------	-----	-----	-----	-----	-----	-----

**UNITED STATES OF AMERICA**

Cripple Creek & Victor

18.2

17.1

12.4

0.61

0.67

0.82

329

283

225

220

199

187

Jerritt Canyon

(3)

–

0.5

0.9 –

7.15

7.91 –

107

237 –

270

249

**ZIMBABWE**

Freda-Rebecca

(2)(4)

0.1 – –

1.66 – – 9 – –

417 – –

(1)

*Union Reefs ceased production in February 2004.*

(2)

*Interest acquired April 26, 2004 with reporting from May 1, 2004.*

(3)

*Jerritt Canyon Joint Venture was sold effective June 30, 2003.*

(4)

*Freda-Rebecca was sold effective September 1, 2004.*

(5)

*50 percent holding to April 26, 2004 and 100 percent from this date.*

(6)

*Operation placed on care and maintenance in 2003, pending commencement of the Boddington Expansion Project.*

36

**SOUTH AFRICA**

**Location:** AngloGold Ashanti's South Africa region includes seven underground operations located in two geographic areas on

the Witwatersrand Basin:

- the **West Wits area**, near Carletonville, straddling the North West Province and Gauteng, where the Mponeng, TauTona and Savuka mines are located; and
- the **Vaal River area**, near Klerksdorp and Orkney, in the North West Province and Free State, where the Great Noligwa, Kopanang, Tau Lekoa and Moab Khotsong (which remains under development) mines are located.

In addition, a surface metallurgical reclamation operation, **Ergo**, is located near Johannesburg in the province of Gauteng.

Ergo was closed during March 2005.

**Geology:** The Witwatersrand Basin comprises a six-kilometer thick sequence of interbedded argillaceous and arenaceous

sediments that extends laterally for some 300 kilometers north-east south-west and 100 kilometers north-west south-east on

the Kaapvaal Craton. The upper portion of the basin, which contains the orebodies, crops out at its northern extent near

Johannesburg. Further west, south and east the Witwatersrand Basin is overlain by up to four kilometers of Archaean, Proterozoic and Mesozoic volcanic and sedimentary rocks. The Witwatersrand Basin is late Archaean in age and is considered to be in the order of 2.7 to 2.8 billion years old.

In the Witwatersrand Basin, gold occurs in laterally extensive quartz pebble conglomerate horizons termed reefs that are

generally less than two meters thick and are widely considered to represent laterally extensive braided fluvial deposits. Separate fan systems were developed at different entry points and these are preserved as distinct goldfields. There is still

much debate about the origin of the gold mineralization in the Witwatersrand Basin. Gold was generally considered to have

been deposited syngenetically with the conglomerates but there has been a swing to an epigenetic origin theory.

However, the

most fundamental control to the gold distribution in the Basin remains the sedimentary features, such as facies variations and

channel directions. Gold generally occurs in native form often associated with pyrite and carbon, with quartz being the main

gangue mineral.



37

**Operating performance:** Overall, production in 2004 fell by 6 percent to 3.079 million ounces (2003: 3.281 million ounces) with both volumes and yield being down. Total cash costs rose by 15 percent to \$291 per ounce compared with \$253 per ounce in 2003. This was mainly as a result of the continued strength of the South African rand and inflationary pressures. The second year of a two-year wage agreement, which provides for an average 7 percent increase in wages for the majority of employees, came into effect from July 2004. In local currency terms, costs were well-contained at R60,223 per kilogram, representing a 10 percent increase from R54,624 per kilogram in 2003. While some cost savings were achieved at mine-level, regional initiatives included rationalization and restructuring of AngloGold Health Services, commodity strategies, automation and revised insurance rates.

Capital expenditure for 2004 was \$333 million, 38 percent higher than the previous year of \$242 million. Expansion capital amounted to \$157 million, ore reserve development to \$137 million and the balance being stay-in-business capital. Expansion capital was primarily at Moab Khotsong (\$71 million), at Mponeng (\$11 million), and at TauTona (\$38 million).

In 2003, overall, production fell by 4 percent compared with 2002 to 3.281 million ounces with increased volumes mined being offset by planned reductions in yield of 3 percent. Cash costs rose by 60 percent to \$253 per ounce in 2003, mainly because of the stronger South African rand (45 percent) and the inflationary pressures of the two-year wage agreement which came into effect from July 2003 and resulted in a 9 percent increase in the wages of the majority of employees. Capital expenditure for the year was \$242 million, primarily at Moab Khotsong (\$67 million), which remains under development, the Mponeng shaft deepening project (\$55 million), Kopanang (\$12 million) and TauTona (\$65 million).

- **West Wits operations**

**Description:** The West Wits operations comprise Mponeng, Savuka and TauTona mines. Savuka and TauTona share a processing plant, whereas Mponeng has its own individual processing plant. These plants comprise crushers, mills, CIP and zinc precipitation and smelting facilities.

**Location:** The West Wits operations are located near the town of Carletonville in North West Province, south-west of Johannesburg.

**Geology:** Two reef horizons are exploited at the West Wits operations, the Ventersdorp Contact Reef (VCR) located at the top of the Central Rand Group and the Carbon Leader Reef (CLR) near the base. The separation between the two reefs increases from east to west from 400 to 900 meters, owing to unconformity in the VCR. TauTona and Savuka exploit both reefs whereas Mponeng only mines the VCR. The structure is relatively simple; faults of greater than 70 meters are rare. The CLR consists of

one or more conglomerate units and varies from several centimeters to more than three meters in thickness.

Regionally, the

VCR dips at approximately 21 degrees but may vary between 5 and 50 degrees, accompanied by changes in thickness of the

conglomerate units. Where the conglomerate has the attitude of the regional dip, it tends to be thick, well-developed and

accompanied by higher gold accumulations. Where the attitude departs significantly from the regional dip, the reef is thin,

varying from several centimeters to more than three meters in thickness.

**West Wits – Summary of metallurgical operations**

**Mponeng**

**Savuka**

**Gold plants**

Capacity (000 tonnes/month)

180

280

Technology

ROM mills (3),

cyanide,

CIP,

elution,

electro-winning

crushers,

tube mills,

ball mills,

cyanide,

CIP

38

**Operating and production data for West Wits operations****Mponeng****TauTona****Savuka****2004**

Pay limit (oz/t)

0.39

0.67

0.41

Pay limit (g/t)

13.26

23.01

14.17

Recovered grade (oz/t)

0.237

0.317

0.181

Recovered grade (g/t)

8.14

10.88

6.19

Gold production (000 oz)

438

568

158

Total cash costs (\$/oz)

(1)

322 245

455

Total production costs (\$/oz)

(1)

393 319

639

Capital expenditure (\$ million)

62

65

8

Employees

(2)

5,164 4,673

3,001

Outside contractors

(2)

712 825

228

**2003**

Pay limit (oz/t)

0.29

0.45

0.45

Pay limit (g/t)

10.08

15.48

15.28

Recovered grade (oz/t)		
0.261		
0.353		
0.169		
Recovered grade (g/t)		
8.96		
12.09		
5.81		
Gold production (000 oz)		
499		
646		
187		
Total cash costs (\$/oz)		
(1)		
247	194	448
Total production costs (\$/oz)		
(1)		
291	218	497
Capital expenditure (\$ million)		
55		
65		
14		
Employees		
(2)		
5,374	4,794	4,122
Outside contractors		
(2)		
795	663	407
<b>2002</b>		
Pay limit (oz/t)		
0.24		
0.47		
0.38		
Pay limit (g/t)		
7.54		
14.54		
11.90		
Recovered grade (oz/t)		
0.252		
0.340		
0.206		
Recovered grade (g/t)		
8.63		
11.66		
7.07		
Gold production (000 oz)		
466		
643		
236		
Total cash costs (\$/oz)		
(1)		

178	132	245
Total production costs (\$/oz)		
(1)		
240	152	297
Capital expenditure (\$ million)		
32		
11		
6		
Employees		
(2)		
5,237	5,397	4,396
Outside contractors		
(2)		
456	318	514
(1)		

*Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see "Item 5A.: Operating results – Total cash costs and total production costs".*

(2)

*Average for the year.*

**Operating performance:**

**Mponeng:** Volumes mined decreased in the first quarter of 2004 as a result of a slow start to the year and a planned safety day which was called for following four fatalities in February. A good recovery was made in the second quarter, with a return to targeted levels by year-end to counteract in particular, the impact of high grade lock-up from recently commenced ledging operations. A grade decline in the first quarter, as a result of seismic damage to a number of high-grade panels, was followed by expected declines in face value and dilution from increased development rates. On average, the grade for the year was 8.14g/t, down some 9 percent on the 8.96g/t recovered in 2003. Consequently, gold production decreased by 12 percent from 499,000 ounces in 2003 to 438,000 ounces in 2004. Total cash costs increased by 30 percent to \$322 per ounce (2003: \$247 per ounce) on the back of lower production, the strong South African rand and the mid-year wage increase. In rand terms, total cash costs rose by 12 percent to R66,437 per kilogram. Capital expenditure, mostly stay-in-business capital of \$62 million for 2004, was 19 percent higher than in 2003.

39

During 2003, volumes mined increased 9 percent as a result of additional stope crews, extra equipped face lengths and improved face advance. Recovered grade rose to 8.96g/t during 2003. This, together with the higher than planned face values, resulted in gold production rising by 7 percent to 499,000 ounces from 466,000 ounces in 2002. Total cash costs rose marginally in rand per kilogram terms but increased by 39 percent to \$247 per ounce compared with \$178 per ounce in 2002, mainly as a result of the stronger South African rand.

**TauTona:** Infrastructure failure and a reduction in face length in the first quarter of 2004, which was partially offset by increased tramming and accelerated cleaning activities, set the mine off to a poor start to the year in respect of volumes mined. This was followed in the second quarter by delays in negotiating a major fault and planned stoppages for safety reasons, along with reduced face advance. Volumes improved in the third quarter, along with increased face length and face advance, but were impeded once more on several panels by seismicity and planned stoppages related to rock mechanic issues. These factors, together with dilution from increased development, resulted in the average yield declining by 10 percent compared with 2003, to 10.88g/t. Gold production decreased by 12 percent to 568,000 ounces (2003: 646,000 ounces), reflecting the lower tonnages. Revenues were negatively affected by the strong South African rand and the mid-year wage increase. Total cash costs rose by 26 percent to \$245 per ounce in dollar terms compared with \$194 per ounce in 2003. In South African rand terms, total cash costs rose by 8 percent to R50,531 per kilogram. Capital expenditure of \$65 million 2004 was the same as in 2003.

In 2003, volume mined decreased as production delays were experienced following two significant seismic incidents in the second quarter and a fire in the third quarter. There was a release of high grade locked-up gold in the stopes which led to a 4 percent improvement in grade. Gold production increased marginally to 646,000 ounces from 643,000 ounces in 2002. Total cash costs rose to \$194 per ounce, a 47 percent increase from the 2002 total cash cost of \$132 per ounce.

**Savuka:** In 2004, tons milled declined by 20 percent as waste tons decreased in line with decreased development as the mine reaches the end of its life. As a result, the yield improved to 6.19g/t despite the marginal decrease in the in-situ mining grade owing to the channelized nature of the orebody. Gold production declined by 16 percent from 187,000 ounces in 2003 to 158,000 ounces in 2004. Gradual downsizing of the operation led to some labor cost saving, although this was partially undermined by mid-year wage increases. Total cash costs were well-contained, rising by 2 percent to \$455 per ounce (2003: \$448 per ounce). In South African rand terms, total cash costs declined by 13 percent to R94,036 per kilogram. Capital expenditure of \$8 million, mainly on ore reserve development, was down by 43 percent on the previous year.

During 2003, safety-related concerns continued to require the replanning of areas available for mining, which led to a 15 percent decrease in volumes mined. This was also affected by a decision to stop mining uneconomic Ventersdorp Contact Reef (“VCR”) panels. At the same time cost-saving initiatives began to show results, as both the number of people employed and the number of contractors were reduced in line with the level of production. Grade decreased by 18 percent to 5.81g/t, relative to the high grades achieved in 2002 as a result of the mining of a high-grade pillar. Gold production decreased by 21 percent to 187,000 ounces, while total cash cost rose by 83 percent as a result of the lower gold production and the stronger South African rand, to \$448 per ounce compared with 2002 when gold production was 236,000 ounces at a total cash cost of \$245 per ounce. The continued operating difficulties at Savuka have led to a review of the mine. As a result, the mine has been put into closure mode. AngloGold impaired the assets and has, as a result, charged profits with an amount of \$35 million in respect of this impairment, net of tax.

**Growth prospects:**

**Mponeng Shaft Deepening Project:** The scope of the project is to deepen the sub-shaft system and provide access tunnels

to the VCR horizon on 113, 116 and 120 levels (ranging from 3,172 meters to 3,372 meters below surface).

AngloGold Ashanti

expects the project to produce 4.8 million ounces of gold over a period of 13 years to 2016. The total capital expenditure is

estimated at \$207 million (at closing 2004 exchange rate), with some \$8 million (at closing 2004 exchange rate) remaining.

The average project cash cost over the life-of-mine is expected to be approximately \$226 per ounce in 2004 real terms.

Progress continued to be made on this project during 2004, with stoping operations commencing in May 2004.

40

**TauTona:**

- The **CLR shaft pillar project** allows for stoping operations up to the infrastructure zone of influence. The project, from which production commenced in 2004, is expected to produce 550,000 ounces of gold over a period of 10 years, at a capital cost of \$35 million (at closing 2004 exchange rate). Approximately \$29 million (at closing 2004 exchange rate) has been spent to date. The expected average project cash cost is \$134 per ounce.
- The **VCR development project** aims to access two distinct reserve blocks on the VCR horizon, one situated north-east of the shaft complex, and the other in the VCR pillar area situated outside the zone of influence. The project will add some 300,000 ounces to production, with a capital cost of \$30 million (at closing 2004 exchange rate).
- The **CLR reserve block below 120 level, known as TauTona below 120 level project** is being accessed via a twin decline system into its geographical center, down to 125 level. The project is expected to produce 2 million ounces of gold over a period of nine years, with a project capital cost of \$152 million (at closing 2004 exchange rate). The average project cash cost is expected to be \$203 per ounce. Progress is on schedule and production is due to start in January 2007.

**Outlook:**

Production at **Mponeng** in 2005 is expected to increase by 7 percent to 470,000 ounces at a total cash cost of \$295 per ounce, with capital expenditure of \$54 million.

Gold production at **TauTona** is expected to remain constant at 2004 levels of around 570,000 ounces in 2005 while total cash cost is expected to rise to \$229 per ounce. Capital expenditure should amount to some \$66 million.

Production at **Savuka** is expected to remain at 2004 levels of around 160,000 ounces at a total cash cost of \$404 per ounce, while the downsizing of this operation continues. Minimal capital expenditure is forecast at \$7 million.

• **Vaal River operations**

**Description:** AngloGold Ashanti's Vaal River operations are located in the original Vaal Reefs mining area of the Witwatersrand Basin and comprise three operating mines, Great Nologwa, Kopanang and Tau Lekoa and a developing mine, Moab Khotsong.

The Vaal River complex also has four gold plants, one uranium plant and one sulphuric acid plant. The Vaal River processing plants include crushers, mills, CIP and electro-winning facilities and are able to treat between 180,000 and 420,000 tonnes of ore per month. Although the Vaal River operations produce uranium oxide as a by-product of the production of gold, the value is not significant relative to the value of gold produced.

**Location:** The Vaal River operations are located near the towns of Klerksdorp and Orkney in North West and Free State Provinces.

**Geology:** In order of importance, the reefs mined at the Vaal River operations are the Vaal Reef, the VCR and the "C"



Reef.

The Vaal Reef contains approximately 85 percent of the reserve tonnage with mining grades between 10 and 20g/t. It comprises a series of oligomictic conglomerates and quartzite packages developed on successive unconformities.

Several

distinct facies have been identified, each with its unique gold distribution and grade characteristic. The VCR has a lower grade

than the Vaal Reef, and contains approximately 15 percent of the estimated reserves. The economic portion is mainly concentrated in the western part of the lease area. It can take the form of a massive conglomerate, a pyritic sand unit with

intermittent pebble layers or a thin conglomerate horizon. The reef is located at the contact between the overlying Kliprivierberg Lavas of the Ventersdorp SuperGroup and the underlying sediments of the Witwatersrand SuperGroup which

creates a distinctive seismic reflector. The VCR is located up to one kilometer above the Vaal Reef. The "C" Reef is a thin,

small pebble conglomerate with a carbon-rich basal contact, located approximately 270 meters above the Vaal Reef. It has

less than 1 percent of the estimated reserves with grades similar to the Vaal Reef, but more erratic. The most significant

structural features are the north-east striking normal faults which dip to the north-west and south-east, resulting in zones of

fault loss.

41

**Vaal River – Summary of metallurgical operations**

**No. 1 plant**

**No. 2 plant**

**No. 8 plant**

**No. 9 plant**

**Gold plants**

Capacity (000 tonnes/month)

180

240

240

420

Technology

ROM mills (2),

ball mills,

cyanide,

CIP,

elution,

electro-winning

cyanide,

CIP,

elution,

electro-winning

crushers,

tube mills,

ball mills,

cyanide,

CIP,

electro-winning

ROM mills (6),

cyanide,

CIP,

electro-winning

**Uranium plants**

Capacity (000 tonnes/month)

–

–

–

250

**Pyrite flotation plants**

Capacity (000 tonnes/month)

–

250

145

250

**Sulphuric acid plants**

Production

(tonnes/month)

– 7,500

– 6,300

**Operating and production data for Vaal River operations**

**Great**

**Noligwa**

(1)

**Kopanang**

**Tau Lekoa**

**Moab Khotsong**

(1)

**2004**

Pay limit (oz/t)

0.38

0.39

0.18

Pay limit (g/t)

13.01

13.51

6.31

Recovered grade (oz/t)

0.303

0.215

0.113

Recovered grade (g/t)

10.38

7.37

3.87

Gold production (000 oz)

795

486

293

Total cash costs (\$/oz)

(2)

231

281

370

Total production costs (\$/oz)

(2)

268

325

444

Capital expenditure (\$ million)

36

38

25

80

Employees

(3)

6,192

5,758

3,398

1,066

Outside contractors

(3)

908  
 554  
 854  
 808  
**2003**  
 Pay limit (oz/t)  
 0.34  
 0.32  
 0.14  
 Pay limit (g/t)  
 11.53  
 10.96  
 4.90  
 Recovered grade (oz/t)  
 0.308  
 0.206  
 0.124  
 Recovered grade (g/t)  
 10.57  
 7.07  
 4.24  
 Gold production (000 oz)  
 812  
 497  
 322  
 Total cash costs (\$/oz)  
 (2)  
 218  
 266  
 294  
 Total production costs (\$/oz)  
 (2)  
 243  
 294  
 345  
 Capital expenditure (\$ million)  
 22  
 12  
 7  
 67  
 Employees  
 (3)  
 6,819  
 6,131  
 3,450  
 1,020  
 Outside contractors  
 (3)  
 1,002  
 835  
 689

772

**2002**

Pay limit (oz/t)

0.32

0.35

0.14

Pay limit (g/t)

9.96

10.78

4.30

Recovered grade (oz/t)

0.321

0.211

0.130

Recovered grade (g/t)

11.02

7.23

4.45

Gold production (000 oz)

880

511

311

Total cash costs (\$/oz)

(2)

124

165

192

Total production costs (\$/oz)

(2)

142

194

244

Capital expenditure (\$ million)

12

9

2

36

Employees

(3)

8,356

6,953

3,890

822

Outside contractors

(3)

913

685

732

1,011

(1)

*The 2002 operating data for Great Noligwa includes Moab Khotsong 2002 operating data.*

(2)

*Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see “Item 5A.: Operating results – Total cash costs and total production costs”.*

(3)

*Average for the year.*

42

**Operating performance:**

**Great Noligwa:** Volumes mined decreased as a result of fewer production shifts in the first quarter of 2004, although improved face length and advance resulted in an increase in the second half of the year. The grade decreased marginally to 10.38g/t, in line with expectations, as mining moved towards the extremities of the lease area, and as the high grades experienced in the SV1 area in the first quarter were not sustained. This was offset to some degree by an improved mining mix. As a result, gold production was down by 2 percent to 795,000 ounces, from 812,000 ounces in 2003. New cost saving initiatives and favorable summer power tariffs towards year-end helped to maintain total cash costs at \$231 per ounce (2003: \$218 per ounce), despite the mid-year wage increase. In local currency terms, total cash costs decreased by 9 percent to R47,820 per kilogram. Stay-in-business capital expenditure totalled \$36 million, an increase of 64 percent on 2003.

Volume mined at Great Noligwa in 2003 increased by 1 percent despite difficulties experienced in the SV4 section. Grade fell by 4 percent to 10.57g/t compared with 11.02g/t in 2002, following the lower face values experienced during the year, resulting in an 8 percent reduction in gold output to 812,000 ounces from 880,000 ounces in 2002. Reduced gold production, increased wages and the effect of the strong South African rand contributed to a significant rise in total cash costs to \$218 per ounce from \$124 per ounce in 2002.

**Kopanang:** Volumes mined were lower as a result of a slow start up after the Christmas break, although they recovered later in 2004, particularly as five additional shifts were worked in the fourth quarter. Overall, gold production decreased by 2 percent from 497,000 ounces in 2003 to 486,000 ounces in 2004. Efforts to reduce reef/waste contamination contributed to better yields, as did the lower volumes of tonnes treated. Grade increased slightly to 7.37g/t in line with expectations. Total cash costs were 6 percent higher at \$281 per ounce (2003: \$266 per ounce), a function of higher labor costs from mid-year, lower treatment costs and lower production. In rand terms, total cash costs decreased by 9 percent to R58,220 per kilogram. Capital expenditure of \$38 million was 217 percent higher than 2003. Most of this expenditure was stay-in-business capital, with a minor amount (\$3 million) being spent on development of the Edom ground.

At Kopanang, the 5 percent improvement in volumes mined in 2003 can be attributed to the impact of the “power team” training initiatives that were undertaken during the year as productivity (measure in terms of m<sup>2</sup>/employee) rose by 8 percent. However, generally lower grades were encountered in the first half of 2003 which resulted in a 3 percent reduction in gold production to 497,000 ounces, compared with 511,000 ounces in 2002. Total cash costs rose from \$165 per ounce in 2002 to

\$266 per ounce in 2003.

**Tau Leko**a: In 2004, Tau Leko a increased its volumes mined as a result of a 5 percent increase in face length despite a 1 percent decrease in face advance. Plant throughput was boosted owing to a clean-up of underground lock-up after the Easter break and a redistribution of mining crews to allow the mining of more panels per raise line. This was negated by a Department of Minerals and Energy decision to stop work on Sundays for five weeks after a fatal accident in June. Yield, however, declined by 9 percent to 3.87g/t, despite an improvement in mining mix. As a result, production decreased in 2004 to 293,000 ounces from 322,000 ounces in 2003. Total cash costs decreased by 26 percent from \$294 per ounce in 2003 to \$370 per ounce in 2004, and increased by 8 percent to R76,428 per kilogram in local currency. Capital expenditure of \$25 million was 257 percent higher than in 2003, mainly stay-in-business capital.

Gold production at Tau Leko a increased by 4 percent in 2003 to 322,000 ounces from 311,000 ounces in 2002, as volumes mined increased. This was offset by lower grades that were impacted by the mining mix. Total cash costs were \$294 per ounce, 53 percent higher than the \$192 per ounce in 2002.

**Moab Khotsong**: Commercial production is scheduled for 2006. Capital expenditure for the year amounted to \$80 million, 19 percent more than in 2003.

**Growth prospects: Moab Khotsong** is the largest of South Africa's current projects. Located in the Vaal River area, the project involves sinking, constructing and equipping the shaft systems to a depth of 3,130 meters below surface, providing access tunnels to the reef horizon on 85, 95 and 101 levels, and developing the necessary ore reserves. The project is expected to produce 4.9 million ounces of gold from 7.75 million tonnes of milled ore over 12 years. The project capital cost is estimated at \$651 million (at end 2004 exchange rate), of which \$585 million has been spent to date. The main shaft extension has been completed following the shaft's commissioning in March 2003. Access development is progressing to plan. The first raiseline has been established and stoping operations began in November 2003. Moab Khotsong is forecast to reach commercial production in 2006 and full production, at an average of 15.6 tonnes (502,000 ounces) per annum, is expected by 2010.



43

**Outlook:**

As mining moves into lower grade areas, production at **Great Noligwa** is expected to decrease by 2 percent to 782,000 ounces in 2005, at a total cash cost of \$256 per ounce. Capital expenditure during 2005 is expected to be approximately \$43 million.

In 2005, gold production at **Kopanang** is expected to decrease by 3 percent to 471,000 ounces, at a total cash cost of \$327 per ounce. The lower production expected is in line with an anticipated 2 percent decline in face advance as some complex geology is expected to be encountered. Capital expenditure for the year ahead will be in the region of \$37 million.

In 2005, production at **Tau Lekoa** is expected to rise to 311,000 ounces on improved recoveries. Total cash cost is anticipated to increase to \$377 per ounce. Capital expenditure is expected to be approximately \$21 million.

Development of the **Moab Khotsong** mine will continue with capital expenditure of \$79 million planned for the year.

**• Ergo operations**

**Description:** AngloGold Ashanti's Ergo operation, located in Gauteng, re-treats tailings dams and sand to recover gold and produce sulphuric acid using a secondary process. Since 1987, material has been treated through two CIL plants, which AngloGold Ashanti believes to be two of the largest of their kind in the world. Ergo can only profitably treat tailings dams if they exceed a certain grade and, as a result of the expected rate of depletion of the higher grade material available, the operation was closed during March 2005.

**Ergo – Summary of metallurgical operations****Gold plants**

Capacity (000 tonnes/month)

4,420

Technology

Retreatment,

cyanide,

CIL,

zinc-precipitation

**Pyrite flotation plants**

Capacity (000 tonnes/month)

800

**Sulphuric acid plants**

Production

(tonnes/month)

15,000

**Operating and production data for Ergo operations**

<b>2004</b>	<b>2003</b>	<b>2002</b>
Pay limit (oz/t)		
0.01	0.01	0.01
Pay limit (g/t)		
0.44	0.44	0.29

Recovered grade (oz/t)

0.007

0.006

0.007

Recovered grade (g/t)

0.24

0.20

0.25

Gold production (000 oz)

222

203

264

Total cash costs (\$/oz)

(1)

389

349

184

Total production costs (\$/oz)

(1)

563

453

273

Capital expenditure (\$ million)

–

–

–

Employees

(2)

767

829

904

Outside contractors

(2)

1,083

1,104

218

(1)

*Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see “Item 5A.: Operating results – Total cash costs and total production costs”.*

(2)

*Average for the year.*

44

**Operating performance:** Tonnes treated improved at the beginning of the 2004 as higher volumes were reclaimed from the Withok tailings dam and the 5L29 dam, and the lower rainfall led to reduced down-time. From mid-year onwards, however, tonnes treated decreased as the clean-up material became increasingly difficult to treat. This combined with a slightly increased yield of 0.24g/t resulted in gold production rising by 9 percent to 222,000 ounces in 2004 from 203,000 ounces in 2003. Total cash costs rose by 11 percent to \$389 per ounce (2003: \$349 per ounce) mainly because of the establishment of the 5L29 pump station and the reduced by-product contributions from the acid circuit, together with lower production. The latter losses were stemmed following the closure of the acid plant in the third quarter and more efficient cyanide usage during the year. Total cash costs in local currency decreased by 4 percent to R80,695 per kilogram from R84,455 per kilogram in 2003.

In 2003, tonnes treated were 6 percent lower at 30.9 million tonnes, as a result of an increased proportion of “clean-up” tonnes which restricted incoming tonnages and the ability to recover from down-time events, as well as the large number of water and slurry pipeline failures. As a result, gold production at Ergo decreased to 203,000 ounces from 264,000 ounces in 2002. The grade, although 20 percent lower, was in line with planned levels as accessibility to higher grade dams diminished. An increased loss on acid by-products from the lower-than-planned sulphur grades and the impact of the decreased production as the operation enters its final years, led to total cash costs rising to \$349 per ounce from \$184 per ounce in 2002.

**Growth prospects:** Ergo ceased operations during March 2005.

## **ARGENTINA**

The **Cerro Vanguardia** mine is the only AngloGold Ashanti operation in this country. This operation was acquired as part of the Minorco transaction effective March 31, 1999, at which time AngloGold held a 46.25 percent stake. AngloGold Ashanti has a 92.5 percent interest in the Cerro Vanguardia mine following the acquisition of an additional 46.25 percent in July 2002, while the Santa Cruz Province has a 7.5 percent interest.

**Description:** Cerro Vanguardia consists of multiple small open-pits with high stripping ratios. The orebodies comprise a series of hydrothermal vein deposits containing vast quantities of silver, which is produced as a by-product. Throughput has increased steadily since the first gold was poured in September 1998, from an original design capability of 1,800 tpd to the present level of 2,700 tpd. Cerro Vanguardia’s lease area is 514 square kilometers.

**Location:** The Cerro Vanguardia operation is located to the north-west of Puerto San Julian in the Province of Santa Cruz, Argentina. The company owns the right to exploit the deposit for 40 years based on the Usufruct Agreement signed in

December 1996. The operation, which was constructed at a total cost of \$270 million, was commissioned in the fourth quarter of 1998.





45

**Geology:** The oldest rocks in this part of Patagonia are metamorphics of the Precambrian-Cambrian age. These are overlain by Permian and Triassic continental clastic rocks which have been faulted into a series of horsts and grabens. These are associated with both limited basaltic sills and dykes and with calc-alkaline granite and granodiorite intrusions. Thick andesite flows of Lower Jurassic age occur above these sedimentary units. A large volume of rhyolitic ignimbrites was emplaced during the Middle and Upper Jurassic age over an area of approximately 100,000 square kilometers. These volcanic rocks include the Chon Aike formation ignimbrite units that host the gold bearing veins at CVSA. Post-mineral units include Cretaceous and Tertiary rocks of both marine and continental origin, the Quaternary La Avenida formation, the Patagonia gravel and the overlying La Angelita basalt flows. These flows do not cover the area of the CVSA veins. Gold and silver mineralization at CVSA occurs within a vertical range of about 150 to 200 meters in a series of narrow, banded quartz veins that occupy structures within the Chon Aike ignimbrites. These veins form a typical structural pattern related to major north-south (Concepcion) and east-west (Vanguardia) shears. Two sets of veins have formed in response to this shearing. One set strikes about N40W and generally dips 65 to 90 degrees to the east; the other set strikes about N75W and the veins dip 60 to 80 degrees to the south. The veins are typical of epithermal low-temperature, adularia-sericite character. They consist primarily of quartz in several forms: as massive quartz, banded chalcedonic quartz, and quartz-cemented breccias. Dark bands in the quartz are due to finely disseminated pyrite, now oxidized to limonite. Other minerals include minor adularia, sericite, clay, and quartz pseudomorphs after barite. The veins show sharp contacts with the surrounding ignimbrite which hosts narrow stockwork zones that are weakly mineralized. The veins appear to have been cut by a sequence of north-east-trending faults that have southerly movement with no appreciable lateral displacement.

#### **Cerro Vanguardia – Summary of metallurgical operations**

##### **Gold plants**

Capacity (000 tonnes/month)

82

Technology

crushers,

ball mill in cyanide,

CCD,

leach,

CIL,

elution,

zinc-precipitation,

electro-winning

##### **Operating and production data for Cerro Vanguardia**

<b>2004</b>	<b>2003</b>	<b>2002</b>
Pay limit (oz/t)		
(1)		
0.12	0.12	0.18
Pay limit (g/t)		

(1)			
4.05			
4.28			
6.21			
Recovered grade (oz/t)			
0.222			
0.208			
0.277			
Recovered grade (g/t)			
7.60			
7.15			
9.49			
Gold production (000 oz) 100 %			
229			
226			
261			
Gold production (000 oz) 92.50 %			
211			
209			
179			
Total cash costs (\$/oz)			
(2)			
156			
143			
104			
Total production costs (\$/oz)			
(2)			
284			
273			
218			
Capital expenditure (\$ million) 100 %			
13			
10			
3			
Capital expenditure (\$ million) 92.50 %			
12			
10			
2			
Employees			
(3)			
389	339		316
Outside contractors			
(3)			
402			
351			
224			

(1)  
2002 and 2003 pay limit figures have been restated to reflect a calculation based on total cash costs.

(2)  
Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see "Item 5A.: Operating results – Total cash costs and total production costs".



(3)

*Average for the year.*

46

**Operating performance:** At Cerro Vanguardia (92.5 percent attributable), gold production decreased in the first quarter of 2004, as a result of a planned decline in tonnes mined and the treatment of lower grade ore. Production recovered in the next two quarters as a result of the plant upgrade and improved grades, and despite operational plant difficulties in the third quarter, efforts to optimize the production mix of low and high-grade pits to be mined at a higher stripping ratio, and dewatering high-grade pits, were largely successful. Overall, attributable gold production amounted to 211,000 ounces in 2004, up marginally on 2003's production of 209,000 ounces. The yield rose by 6 percent to 7.60g/t. Total cash costs rose by 9 percent to \$156 per ounce compared to \$143 per ounce in 2003, mainly due to new equipment rental, higher fuel consumption (as a result of greater distance), higher royalty payments and higher inflation. These were partially offset by a 65 percent higher silver by-product credit. Attributable capital expenditure for the year amounted to \$12 million, 20 percent higher than the previous year. This was spent on mine equipment, the raising of tailings dam and exploration.

During 2003, attributable gold production at Cerro Vanguardia rose by 17 percent from 179,000 ounces in 2002 to 209,000 ounces in 2003 principally as a result of the acquisition of an additional 46.25 percent stake from Pérez Companc in July 2002. Excluding the additional production arising from the acquisition, production declined by 13 percent due to problems caused by excess water in the pits that restricted the amount of high-grade material delivered to the plant for processing. As a result, the plant was fed by lower-grade dry ore (grades 25 percent lower than in 2002) from a contingency stockpile, which affected production levels. A full range material scrubber was commissioned in late September enabling the treatment of wet, higher-grade material. Total cash cost increased by 38 percent to \$143 per ounce in 2003, compared with \$104 per ounce in 2002, largely due to Peso appreciation and operational problems that led to lower production and higher costs. These were partially offset by a 68 percent higher silver by-product credit.

**Growth prospects:** During 2005, drilling will continue on underexplored veins within the greater license area, while scoping studies will be conducted to investigate potential high-grade underground and attributable leachable low-grade ores.

**Outlook:** In 2005, attributable production at Cerro Vanguardia should decrease to 204,000 ounces, at a total cash cost of \$174 per ounce. Attributable capital expenditure is expected to be in the region of \$10 million.

## **AUSTRALIA**

Acquired at the end of 1999, the Australian operations (formerly Acacia Resources Ltd) comprise only one operation at present, the Sunrise Dam Gold Mine in Western Australia, (AngloGold Ashanti's interest is 100 percent). Mining

ceased at

Union Reefs in the Northern Territory in the third quarter of 2003, and Union Reefs' assets were sold to the Burnside Joint

Venture in 2004. The Boddington Gold Mine in Western Australia (in which AngloGold Ashanti's has a 33.33 percent interest),

is currently on care and maintenance, pending a decision to proceed with the Boddington expansion project.

47

**Australia – Summary of metallurgical operations**

**Boddington**

**Sunrise Dam**

**Basement**

**Leach plant**

**Gold plants**

*Closed*

*Closed*

Capacity (000 tonnes/month)

290

45

683

Technology

crushers,

ball mill,

gravity concentrate,

CIL,

elution,

electro-winning

crushers,

mills,

gravity concentrate,

flotation,

CIL,

elution,

electro-winning

crushers,

mills,

CIL,

elution,

electro-winning

*The Boddington plant is on care and maintenance, pending commencement of the expansion project.*

• **Sunrise Dam**

**Description:** Sunrise Dam comprises a large open-pit and an underground project. Mining is carried out by contractors and ore

is treated in a conventional gravity and leach process plant.

**Location:** Sunrise Dam gold mine lies some 220 kilometers north-northeast of Kalgoorlie and 55 kilometers south of Laverton in Western Australia.

**Geology:** Following the purchase of the Sunrise lease from Placer Dome in December 2002, AngloGold Ashanti now has

control of the entire mineralized system at Sunrise Dam. Gold ore at Sunrise Dam is structurally and lithologically controlled

within gently dipping high strain shear zones (for example, Sunrise Shear) and steeply dipping brittle-ductile low strain shear

zones (for example, Western Shear). Host rocks include andesitic volcanic rocks, volcanogenic sediments and magnetic

shales.

**Operating and production data for Sunrise Dam**

2004	2003	2002
Pay limit (oz/t)		
0.07	0.07	0.08
Pay limit (g/t)		
2.14	2.26	2.37
Recovered grade (oz/t)		
0.110		
0.091		
0.102		
Recovered grade (g/t)		
3.46		
3.12		
3.49		
Gold production (000 oz)		
410		
358		
382		
Total cash costs (\$/oz)		
(1)		
260		
228		
177		
Total production costs (\$/oz)		
(1)		
337		
299		
230		
Capital expenditure (\$ million)		
25		
20		
26		
Employees		
(2)		
88	94	112
Outside contractors		
(2)		
268		
222		
253		
(1)		

*Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see "Item 5A.: Operating results – Total cash costs and total production costs".*

(2)

*Average for the year.*

**Operating performance:** After abnormally heavy rainfall limited access to higher-grade ore in the pit early in 2004, mining moved into the higher-grade Watu section of the orebody. As a result, production increased by 15 percent to a record 410,000 ounces from 358,000 ounces in 2003. Recovered grade at 3.46g/t was 11 percent higher than the previous year. Total cash costs increased by 14 percent from \$228 per ounce in 2003 to \$260 per ounce, as a result of remedial measures taken to

mitigate the effects of the rain in the first quarter, increased ore transport costs, higher mining costs, and crusher maintenance requirements.

48

The underground project at Sunrise Dam is progressing well, with 3,155 meters of underground capital development and 1,550 meters of operational development completed during 2004. The first gold was produced from underground in the fourth quarter. Capital expenditure at \$25 million was 25 percent higher than the \$20 million spent in 2003, with \$17 million spent on underground development, \$4 million on brownfields exploration and the remaining \$4 million on operations.

During 2003, gold production at Sunrise Dam decreased by 6 percent from 382,000 ounces in 2002 to 358,000 ounces as a result of mining progressing through lower grade areas of the orebody. Total cash costs increased by 29 percent to \$228 per ounce in 2003 compared with \$177 per ounce in 2002. In Australian dollar terms, total cash costs increased by 8 percent during the same period commensurate with the lower gold production. Capital expenditure for the year amounted to \$20 million, down from \$26 million in 2002. In the second half of 2003, the underground mine was commissioned as part of a 3-year feasibility study into the viability of a large underground operation.

**Growth prospects:** Following a scoping study that was completed in the first half of 2003, underground development commenced in the fourth quarter of 2004. The three-year underground project, involving the development of two declines and 125,000 meters of drilling from surface and underground, will enable the underground potential for the Sunrise Dam orebody to be fully explored.

Declines are being developed in the vicinity of defined underground reserves, which will be mined through the course of the project. Deep drilling to date has indicated that the sub-vertical, high-grade zones that have been a feature of open-cut mining at Sunrise Dam continue at depth. It is expected that the project will add significantly to underground reserves and a decision on whether to proceed to fullscale underground mining will be made early in 2007.

**Outlook:** Gold production is expected to increase to some 464,000 ounces in 2005, at a total cash cost of \$274 per ounce.

Capital expenditure is expected to be in the order of \$40 million in 2005.

- **Boddington (attributable 33.33 percent)**

**Description:** Boddington gold mine, which closed at the end of 2001, was an open-pit operation. Formerly operated by Worsley Alumina, since September 2002 it has been operated by the Boddington Gold Mine Management Company under the direction of the Boddington joint venture partners, namely AngloGold Ashanti (33.33 percent), Newmont Boddington (44.44 percent) and Newcrest Operations (22.22 percent).

**Location:** The operation is located approximately 100 kilometers south-east of Perth.

**Geology:** Boddington is located in the Archaean Saddleback greenstone belt in south-west Western Australia. The main zone of gold mineralization occurs reasonably continuously over a strike length of over five kilometers and a width of

about one kilometer. The oxide gold mineralization forms a semi-continuous blanket within the upper iron-rich laterite, with more erratic gold distribution in the lower zones. The basement rocks below the oxide zone host gold mineralization with a variety of geological styles, predominantly in andesitic volcanics and diorite dykes.

**Operating and production data for Boddington**

<b>2004</b>	<b>2003</b>	<b>2002</b>
Pay limit (oz/t)		
–	–	–
Pay limit (g/t)		
–	–	–
Recovered grade (oz/t)		
–	–	–
Recovered grade (g/t)		
–	–	–
Gold production (000 oz) 100 %		
–		
–		
6		
Gold production (000 oz) 33.33 %		
–		
–		
2		
Total cash costs (\$/oz)		
(1)		
–		
–		
–		
Total production costs (\$/oz)		
(1)		
–		
–		
–		
Capital expenditure (\$ million) 100 %		
8		
4		
–		
Capital expenditure (\$ million) 33.33 %		
3		
1		
–		
Employees		
(2)		
12	12	10
Outside contractors		
(2)		
33	29	–
(1)		



*Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see “Item 5A.: Operating results – Total cash costs and total production costs”.*

*(2)*

*Average for the year.*

49

**Operating performance:** In 2004 as in 2003, the plant was on care and maintenance pending commencement of the Boddington expansion project. Site activities included minor rehabilitation, plant preservation, exploration and assistance with testwork for the feasibility study update.

Work continued during 2004 on the Boddington expansion project feasibility update. All three parties remain committed to completing the study and proceeding with the project subject to satisfactory economic criteria being met. Attributable capital expenditure during 2004 amounted to \$3 million.

**Growth prospects:** A decision to proceed with the Boddington expansion project is expected towards the end of 2005. A feasibility study completed in 2000 was based on an operation with a throughput of 25 million tonnes per annum, producing an average of 600,000 ounces of gold and 22,500 tonnes of copper per annum over a life-of-mine of 15 years, at an estimated attributable capital cost of \$192 million. The update of the study has pointed towards a larger project with greater throughput, higher annual gold production and a longer mine life. This larger scale will reduce the impact of higher costs in the region resulting from the current minerals boom. Environmental approvals associated with the expansion as defined in the 2000 feasibility study were received in June 2002 and will remain valid for a period of five years. Subsequent changes to the project may require a supplementary approval process, which is planned will be completed during the year.

- **Union Reefs**

AngloGold Ashanti sold its interest in the Union Reefs assets in August 2004 to the Burnside Joint Venture.

**Description:** Mining ceased at the Union Reefs open-pit operations in the third quarter of 2003, and the treatment plant was placed on care and maintenance. In the interim, closure and rehabilitation work has continued.

**Location:** Union Reefs lies some 160 kilometers south-east of Darwin, between the townships of Pine Creek and Adelaide River in Northern Territory.

**Operating and production data for Union Reefs**

	2004	2003	2002
Pay limit (oz/t)	–	0.05	0.03
Pay limit (g/t)	–	1.61	1.05
Recovered grade (oz/t)	–	0.033	0.040
Recovered grade (g/t)	–	1.12	1.36
Gold production (000 oz)	–		

74

118		
Total cash costs (\$/oz)		
(1)		
–		
272		
224		
Total production costs (\$/oz)		
–		
365		
364		
Capital expenditure (\$ million)		
–		
–		
0.1		
Employees		
(2)		
8	50	62
Outside contractors		
(2)		
3	72	
125		
(1)		
<i>Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see “Item 5A.: Operating results – Total cash costs and total production costs”.</i>		
(2)		
<i>Average for the year.</i>		

50

**BRAZIL**

AngloGold Ashanti's operations in Brazil were acquired as part of the Minorco transaction effective March 31, 1999 and comprise the wholly-owned AngloGold Ashanti Mineração (formerly Morro Velho) and a 50 percent interest in the Mineração Serra Grande mines.

**Brazil – Summary of metallurgical operations**

**AngloGold Ashanti Mineração**

**Serra Grande**

**Cuiabá**

**Raposos**

**Gold plants**

Capacity (000 tonnes/month)

66

30

62

Technology

crushers,

ball mill,

gravity concentration,

flotation,

acid plant,

calcine leach,

rotary filters,

CIP,

elution,

zinc-precipitation,

electro-winning

crushers,

ball mill,

gravity concentration,

cyanide,

CIP,

zinc-precipitation,

electro-winning

crushers,

ball mill,

gravity concentration,

cyanide,

rotary filters,

zinc-precipitation,

51

- **AngloGold Ashanti Mineração (formerly Morro Velho)**

**Description:** With the closing of the Mina Velha underground mine in 2003 and the Engenho D'Água open-pit in 2004, ore is currently being sourced from the Cuiabá underground mine, (this ore is treated at the Queiroz plant) and from the Córrego do Sítio heap-leach mine.

**Location:** AngloGold Ashanti Mineração has mining rights over 30,698 hectares in the state of Minas Gerais, in south-eastern Brazil. The AngloGold Ashanti Mineração complex is located in the municipalities of Nova Lima, Sabará and Santa Bárbara, near the city of Belo Horizonte.

**Geology:** The area in which AngloGold Ashanti Mineração is located is host to historic and current gold mining operations. This is in addition to producing limestone and iron ore from a number of open-pit operations, and is known as the Iron Quadrangle. The geology of the Iron Quadrangle is composed of Proterozoic and Archaean volcanosedimentary sequences and Pre-Cambrian granitic complexes.

The host to the gold mineralization is the volcano-sedimentary Nova Lima Group (NLG) that occurs at the base of the Rio das Velhas SuperGroup (RDVS). The upper sequence of the RDVS is the meta-sedimentary Maquiné Group. Cuiabá mine, located at Sabara Municipality, has gold mineralization associated with sulphides and quartz veins in Banded Ironstone Formation (BIF) and volcanic sequences.

At this mine, structural control and fluids flow ascension are the most important factors for gold mineralization with a common association between large-scale shear zones and their associated structures. Where BIF is mineralized, such as at AngloGold Ashanti Mineração, the ore appears strongly stratiform due to the selective sulphidation of the iron rich layers. Steeply plunging shear zones tend to control the ore shoots, which commonly plunge parallel to intersections between the shears and other structures.

The controlling mineralization structures are the apparent intersection of thrust faults with tight isoclinal folds in a ductile environment. The host rocks at AngloGold Ashanti Mineração are BIF, Lapa Seca and mafic volcanics (principally basaltic). Mineralisation is due to the interaction of low salinity CO<sub>2</sub> rich fluids with the high-iron BIF, basalts and carbonaceous graphitic schists. Sulphide mineralization consists of pyrrhotite and arsenopyrite with subordinate pyrite and chalcopyrite; the latter tends to occur as a late stage fracture fill and is not associated with gold mineralization. Wallrock alteration is typically carbonate, potassic and silicic.

**Operating and production data for AngloGold Ashanti Mineração**

<b>2004</b>	<b>2003</b>	<b>2002</b>
-------------	-------------	-------------

Pay limit (oz/t)

(1)

0.11	0.09	0.09
------	------	------

Pay limit (g/t)

(1)

3.85

3.16

3.25

Recovered grade (oz/t)

0.222

0.190

0.196

Recovered grade (g/t)

7.62

6.84

6.71

Gold production (000 oz)

240

228

205

Total cash costs (\$/oz)

(2)

133

141

131

Total production costs (\$/oz)

(2)

200

206

205

Capital expenditure (\$ million)

32

25

17

Employees

(3)

1,222

1,286

1,341

Outside contractors

(3)

1,021

950

587

(1)

2002 and 2003 pay limit figures have been restated to reflect a calculation based on total cash costs.

(2)

Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see "Item 5A.: Operating results – Total cash costs and total production costs".

(3)

*Average for the year.*

52

**Operating performance:** Gold production decreased early in 2004 following a planned reduction in the ore treated on the closure of the operations at Mina Velha and the Morro do Galo dump, and a decline in the heap-leaching operations caused by heavy rains. This was mitigated by increases in production from the Cuiabá mine, including ore mined from the development below level 11, and an increased contribution from Córrego do Sítio mine. Overall gold production rose by 5 percent in 2004 to 240,000 ounces from 228,000 ounces in 2003. The average yield for the year was 7.62g/t, 11 percent higher than in 2003. Total cash costs decreased by 6 percent from \$141 per ounce in 2003 to \$133 per ounce in 2004. A higher sulphuric acid by-product credit (of 70 percent) and increased gold production were partially offset by local currency appreciation and higher inflation. Capital expenditure rose by 28 percent to \$32 million, spent mainly on ongoing projects, and the Cuiabá expansion in particular.

In 2003, production rose by 11 percent to 228,000 ounces from 205,000 ounces in 2002, basically due to increased contribution from the Cuiabá mine. The mine engaged a fourth team of employees early in the year, enabling operations to move to a seven-hour shift to improve efficiency. Increased contributions were achieved from Córrego do Sítio (in its first full year of production) and Morro do Galo, a dump that is being treated. This offset the closure of Mina Velha at the end of October 2003 and the lower production from Engenho D'Água. The recovered grade decreased by 1 percent to 6.66g/t as a result of the addition of ore from the Córrego do Sítio open-pit mine. Total cash costs increased by 8 percent to \$141 per ounce in 2003 from \$131 per ounce in 2002, primarily due to Brazilian real appreciation, higher inflation levels, the annual wage agreement reached with the unions in August, as well as higher energy costs and contractor costs at the Córrego do Sítio mine associated with the higher stripping ratio. Capital expenditure increased to \$25 million.

**Growth prospects:** The economic feasibility study for the Cuiabá expansion project was concluded in December 2004 and approved by the board in January 2005. The project aims to expand current production of 830,000 tonnes to 1.3 million tonnes per annum at an estimated capital cost of \$121 million. The project deepens the shaft from 11 level to 21 level and the additional infrastructure and ore reserves is expected to increase production from 190,000 ounces to 250,000 ounces per year within two years of the project's completion to yield 1.86 million ounces in all over the additional six years of life.

The Lamego conceptual study is expected to be concluded in mid-2005. The drilling campaign and work on the access ramp to the Carruagem orebody are underway and expected to be completed during 2006. The pre-feasibility study will begin in 2005 and is scheduled for completion in late 2006.



Metallurgical testwork began at Córrego do Sítio in 2004 and work also continued to open the underground orebodies. Drilling is to continue in 2005 as is work to open the drift connecting the Cachorro Bravo and Carvoaria Velha orebodies, experimental mining, continuation of metallurgical testwork and the start of the pre-feasibility study which is expected to be concluded in 2006.

**Outlook:** Looking to 2005, attributable production is expected to increase to 245,000 ounces as a result of higher production from the Cuiabá and Córrego do Sítio mines. Total cash costs are forecast at \$125 per ounce. Capital expenditure is expected to increase to \$71 million during 2005, mainly on the Cuiabá expansion.

- **Serra Grande (attributable 50 percent)**

**Description:** The Serra Grande joint venture (50 percent attributable to AngloGold Ashanti) is co-owned with Kinross Gold Corporation. In terms of the Serra Grande joint venture agreement, AngloGold Ashanti manages the operation and has the right to access a maximum of 50 percent of the earnings accrued and dividends paid by Serra Grande. The operation comprises two underground mines, Mina III and Mina Nova.

**Location:** Serra Grande controls, or has an interest in, approximately 21,096 hectares in and around the Crixás mining district in the northwestern areas of the Goiás State, in central Brazil. The Serra Grande operations are located 5 kilometers from the city of Crixás.

53

**Geology:** The deposits occur in the Rio Vermelho and Ribeirão das Antas Formations of the Archaean Pilar de Goiás Group

which together account for a large proportion of the Crixás Greenstone Belt in central Brazil. The stratigraphy of the belt is

dominated by basics and ultrabasics in the lower sequences with volcano sedimentary units forming the upper successions.

The gold deposits are hosted in a sequence of schists, volcanics and carbonates occurring in a typical greenstone belt structural setting. The host rocks are of the Pilar de Goiás Group of the Upper Archaean. Gold mineralisation is associated with

massive sulphides and vein quartz material associated with graphitic and sericitic schists and dolomites. The oreshoots plunge

to the north-west with dips of between 6° and 35°. The stratigraphy is overturned and thrusts towards the east.

The greenstone belt lithologies are surrounded by Archaean tonalitic gneiss and granodiorite. The metamorphosed sediments

are primarily composed of quartz, chlorite, sericite, graphitic and garnetiferous schists. The carbonates have been metamorphosed to ferroan dolomite marble with development of siderite and ankerite veining in the surrounding wallrock,

usually associated with quartz veining. The basalts are relatively unaltered but do show pronounced stretching with elongation

of pillow structures evident. The ultrabasics form the western edge of the belt and the basic volcanics and sediments form the

core of the unit. The northern edge of the belt is in contact with a series of laminated quartzites and quartz sericite schists of

the Lower Proterozoic Araxa Group and a narrow band of graphitic schists and intermediate to ultrabasic volcanics. This latter

group is known as the Allocthon Mina Dos Ingleses (AMDI) and is host to a series of garimpos workings north of the town of

Crixás where the talc schists are mined. The general stratigraphy of this unit is similar to that seen in the main greenstone belt

although at a smaller scale. However, the mineralization in the northern area exhibits a higher level of base metal mineralization with sphalerite and galena present.

#### **Operating and production data for Serra Grande**

<b>2004</b>	<b>2003</b>	<b>2002</b>
Pay limit (oz/t)		
(1)		
0.09	0.12	0.13
Pay limit (g/t)		
(1)		
3.17	4.15	4.55
Recovered grade (oz/t)		
0.228		
0.230		
0.229		
Recovered grade (g/t)		
7.80		
7.88		
7.84		

Gold production (000 oz) 100 %

187

190

187

Gold production (000 oz) 50 %

94

95

94

Total cash costs (\$/oz)

(2)

134

109

100

Total production costs (\$/oz)

(2)

223

200

191

Capital expenditure (\$ million) 100 %

7

7

6

Capital expenditure (\$ million) 50 %

4

3

3

Employees

(3)

514

519

511

Outside contractors

(3)

196

123

119

(1)

*2002 and 2003 pay limit figures have been restated to reflect a calculation based on total cash costs.*

(2)

*Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see "Item 5A.: Operating results – Total cash costs and total production costs".*

(3)

*Average for the year.*

**Operating performance:** In 2004, gold production (50 percent attributable) decreased by 1 percent to 94,000 ounces from 95,000 ounces in 2003, a result of the lower grade ore treated. Total cash costs increased by 23 percent from \$109 per ounce in 2003 to \$134 per ounce in 2004, owing to inflationary pressures and a strong local currency. Capital expenditure (attributable) of \$4 million was spent mostly on primary development, conversion of resources to reserves and mine equipment.

At Serra Grande, attributable production during 2003 rose by 1 percent to 95,000 ounces compared with 94,000 ounces in

2002. This increase is a result of both higher grade and volumes treated. Total cash costs increased 9 percent to \$109 per ounce mainly due to the appreciation of the Real, higher inflation, the annual wage agreement reached with the union in November of 2003 and increased services and materials costs. Capital expenditure was maintained at \$3 million.

**Growth prospects:** Exploration work to increase reserves continues at Serra Grande. During 2004, the drilling of geophysical targets has added two more years to the life-of-mine.

54

**Outlook:** Production at Serra Grande is expected to decrease by 5 percent to 89,000 ounces in 2005, owing to lower grades.

A total cash cost of \$138 per ounce is forecast. Attributable capital expenditure is expected to be \$6 million.

## ***GHANA***

Following the Business Combination with Ashanti which was effective on April 26, 2004, the operations in Ghana form part of the AngloGold Ashanti group. The effective reporting period for the former Ashanti operations is the eight months from May 2004 to December 2004.

**Description:** AngloGold Ashanti has three operations in Ghana: the Obuasi mine (which comprises both surface and underground operations), the Iduapriem mine (open-pit) and the Bibiani mine (open-pit with underground development).

### **Ghana – Summary of metallurgical operations**

#### **Obuasi**

#### **Sulphide Treatment**

#### **Plant**

#### **Tailings Treatment**

#### **Plant**

#### **Bibiani**

#### **Iduapriem**

#### **Gold plants**

Capacity (000 tonnes/month)

210

160

225

375

Technology

BIOX

process,

cyanide leaching,

CIL,

electro-winning

CIP,

ball mills,

cyanide leaching,

electro-winning

CIL,

crushers

CIP,

heap-leaching,

SAG mill,

elution





55

- **Obuasi**

**Description:** Historically, Obuasi has been an underground mine, although there was large-scale surface mining between 1996 and 2000. The mine normally has two active treatment plants: the sulphide treatment plant to process underground ore and the tailings treatment plant to handle tailings reclamation operations. A third plant, the oxide treatment plant, which is used occasionally to batch treat remnant open-pit ore and stockpiles, will be shut down at the end of 2006 following completion of oxide open-pit operations.

**Location:** The Obuasi mine is located in the Ashanti region of Ghana.

**Geology:** The gold deposits at Obuasi are part of a prominent gold belt of Proterozoic (Birimian) volcano-sedimentary and igneous formations which extend for a distance of approximately 300 kilometers in a northeast south-west trend in southwestern Ghana. Obuasi mineralization is shear zone related and there are three main structural trends hosting gold mineralization: the Obuasi trend, the Gyabunsu trend and the Binsere trend. Two main ore types are mined:

- quartz veins which consist mainly of quartz with free gold in association with lesser amounts of various metal sulphides such as iron, zinc, lead and copper. The gold particles are generally fine grained and occasionally are visible to the naked eye. This ore type is generally non-refractory; and

- sulphide ore which is characterized by the inclusion of gold in the crystal structure of a sulphide material. The gold in these ores is fine grained and often locked in arsenopyrite. Higher gold grades tend to be associated with finer grained arsenopyrite crystals. Other prominent minerals include quartz, chlorite and sericite. Sulphide ore is generally refractory.

**Operating and production data for Obuasi**

(1)

<b>2004</b>	<b>2003</b>	<b>2002</b>
Pay limit (oz/t)		
0.188	—	—
Pay limit (g/t)		
6.43	—	—
Recovered grade (oz/t)		
0.090		
—		
—		
Recovered grade (g/t)		
3.08		
—		
—		
Gold production (000 oz)		
255		
—		



–  
 Total cash costs (\$/oz)  
 (2)  
 305  
 –  
 –  
 Total production costs (\$/oz)  
 (2)  
 443  
 –  
 –  
 Capital expenditure (\$ million)  
 32

–  
 –  
 Employees

(3)  
 6,029                      –                      –

Outside contractors

(3)

718

–  
 –  
 (1)

*For the eight months from May 2004.*

(2)  
*Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see “Item 5A.: Operating results – Total cash costs and total production costs”.*

(3)  
*Average for the period.*

**Operating performance:** Production at Obuasi in 2004 was hampered for most of the year by both insufficient trackless mining equipment and developed and drilled underground ore reserves. This was exacerbated by periodic ground instability and rock transfer problems which were resolved as they occurred. New trackless mining equipment was delivered in September and, along with operator training programs, is set to incrementally boost tonnages. Re-organization of the planning and technical functions at Obuasi to restore production to planned levels in 2005 took place during the year. The new Mineral Resources Management department is expected to contribute significantly to the efficiency of the underground operations and to restoring production to planned levels during 2005.

In 2004, adequate processing capacity was available to handle underground ore deliveries and metallurgical recovery was in line with plan. However, intermittent unplanned mill shut downs and mechanical failures resulted in fluctuating throughput rates and process control difficulties. In December, the SAG I mill motor failed and production had to be redirected to the lower capacity SAG II mill until a new motor was installed. During this period, throughput at the sulphide treatment plant was

constrained to approximately 4,500 tonnes per day.

The first phase of the process optimization system control project for the mill and flotation sections of the plant was successfully completed in the fourth quarter of 2004. The second phase is expected to be completed at the end of the first quarter of 2005 and should show benefits through improved recovery starting in the second quarter.

56

During the period May to December 2004, gold production from underground sources was 223,000 ounces, achieved from the processing of 1,313,000 tonnes with an average yield of 5.27g/t.

Over the same period, gold production from the tailings re-treatment plant amounted to 19,000 ounces recovered from 969,000 tonnes of material with a yield of 0.60g/t. Following the commissioning of the Kokoteasua reclamation project in the third quarter of 2004, the yield declined reflecting the lower grade and recovery expected from this more recently deposited tailings dam.

Gold production from the oxide treatment plant, which handled a total of 294,000 tonnes of material during the period under review, was 14,000 ounces from a yield of 1.49g/t.

Total gold production for the eight months May to December 2004 was 255,000 ounces from the processing of 2.6 million tonnes of material at an average yield of 3.08g/t. Total cash costs of \$305 per ounce were negatively affected by a combination of high fixed costs and the lower-than-planned levels of gold production.

Capital expenditure in 2004 amounted to \$32 million. The underground mine was the major area of capital expenditure, specifically on mining equipment, the BSVS shaft, primary development and exploration. Other significant areas of capital expenditure included smaller engineering and processing projects such as equipment replacement and the mill processing optimization system control project.

**Growth prospects:** A key aspect of the rationale for the Business Combination between AngloGold and Ashanti is the development of the deep-level ore deposits at the Obuasi mine currently referred to as Obuasi Deeps. This development could potentially extend the life-of-mine to well beyond 2040. However, this requires an investment of \$44 million over the next five years on further exploration and the necessary feasibility studies. Depending upon the results, the full development of Obuasi Deeps may proceed at the end of this five-year period but could take several years to complete. Initial scoping studies have indicated that the development of Obuasi Deeps will require an estimated capital expenditure of \$570 million in real terms over the anticipated life-of-mine.

**Outlook:** During 2005, AngloGold Ashanti will continue to work towards improving the mine's gold production to an annualized rate of 500,000 ounces and targeted total cash costs of around \$253 per ounce. Capital expenditure is expected to be \$71 million.

**Bibiani**

**Description:** The Bibiani mine was restarted in 1998 as an open-pit mine with a CIL plant. The mine had previously operated between 1903 and 1968 as an underground operation with minor surface quarrying activities. In addition to the open-pit ores, resources at Bibiani include old tailings dumps and underground mineral potential which is presently being explored and evaluated.

**Location:** Bibiani is located in the Western Region of Ghana, 90 kilometers west of Kumasi.

**Geology:** The Bibiani gold deposit lies within Birimian metasediments and related rocks which occur in the Proterozoic Sefwi Belt of southern Ghana. Gold and gold-bearing sulphide mineralization occurs in quartzfilled shear zones and in altered rocks adjacent to those shears. The full strike of the Bibiani structure is at least 4 kilometers. For metallurgical classification there are three main ore types at Bibiani: primary, transition and oxide. Further lithological classification gives four ore types: quartz (generally high grade), stockwork (medium-high grade), phyllites and porphyry (both low grade).

57

**Operating and production data for Bibiani***(1)*

2004	2003	2002
------	------	------

Pay limit (oz/t)

0.020

—

—

Pay limit (g/t)

0.70

—

—

Recovered grade (oz/t)

0.056

—

—

Recovered grade (g/t)

1.93

—

—

Gold production (000 oz)

105

—

—

Total cash costs (\$/oz)

*(2)*

251

—

—

Total production costs (\$/oz)

*(2)*

400

—

—

Capital expenditure (\$ million)

7

—

—

Employees

*(3)*

479

—

—

Outside contractors

*(3)*

392

—

—

*(1)**For the eight months from May 2004.**(2)**Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see "Item 5A.: Operating results – Total cash costs and total production costs".**(3)**Average for the period.***Operating performance:** A highwall failure in the northern portion of the main pit at Bibiani in November 2003, followed by the

failure of the south pit wall adjacent to the entrance of the underground portal in October 2004, impacted negatively on gold production in 2004. These failures resulted in the covering of ore in both sections of the pit. The south wall slip temporarily restricted access to the underground workings and the bottom of the main pit while the area was being backfilled to buttress the failure zone. Towards the end of the year, mining recommenced in the central portion of the pit but was again suspended for safety reasons in mid-January 2005 as the stability of the access ramp to the base of the pit had deteriorated. Plans to ultimately recover the approximately 40,000 ounces sterilized by the north slip by way of either a major north-west wall cut back or by mining as part of the underground project, for which exploration and feasibility study work are being evaluated.

In 2004, the geotechnical problems in the main pit resulted in the unplanned processing of stockpile material that was both lower in grade and metallurgically more complex. This combined with mechanical problems on the milling and crushing circuit contributed to lower than expected gold production. As a result, a total of 105,000 ounces were produced from the processing of 1,683,000 tonnes of material yielding 1.93g/t.

A new flash flotation and re-grind mill circuit commissioned in the first half of the year to treat refractory ore had a positive impact on gold recoveries, particularly the metallurgically more difficult stockpile material.

Exploratory drilling was undertaken on both the northern and southern extremities of the Main pit whilst the main ramp was developed down to 9 level and crosscuts established into the old workings on the 6, 7, 8 and 9 levels in the Central section of the mine. The old workings are presently being evaluated geologically and geotechnically by a team of engineers and geologists and this information combined with exploratory diamond drilling results is being used in the preparation of a fully costed underground production plan. A decision on the underground project is expected to be made before the end of the third quarter of 2005.

Total cash cost was \$251 per ounce, while capital expenditure was \$7 million, mainly on exploration and development work associated with the underground project.

**Growth prospects:** Underground mine development and exploration continues. The focus is on the immediate rehabilitation and geological evaluation of the old workings and the exploration and subsequent development of new mineralization forming virgin ore blocks both to the south and north of the main pit. Old tailings reclamation re-commenced in December 2004 and is expected to deliver 4.7 million tonnes, at an anticipated recovery grade of 0.60g/t over a period of three years.

**Outlook:** Gold production is expected to decrease to 101,000 ounces in 2005, at a total cash cost of some \$278 per

ounce.

Capital expenditure, principally on exploration and underground development, is expected to rise to \$15 million subject to the successful outcome of the feasibility study. In 2005, the smaller satellite pits will be mined out and the processing plant will be fed with a mix of this ore, use of mine stockpile material and old tailings.

58

**Iduapriem (attributable 85 percent)**

**Description:** AngloGold Ashanti has an 80 percent interest in the Iduapriem gold mine, with the balance of 20 percent owned by the International Finance Corporation. In June 2000, Ashanti acquired a 90 percent interest in the Teberebie gold mine, which is adjacent to Iduapriem. The government of Ghana has a 10 percent interest in Teberebie. The combined AngloGold Ashanti interest is 85 percent. The Iduapriem and Teberebie properties are adjacent to each other and are part of the Tarkwaian goldfields.

**Location:** Iduapriem mine is located in the Western Region of Ghana, some 70 kilometers north of the coastal city of Takoradi, and 10 kilometers south-west of Tarkwa.

**Geology:** The Iduapriem and Teberebie gold mines are located along the southern end of the Tarkwa basin. The mineralization is contained in the Banket Series of rocks within the Tarkwaian System of Proterozoic age. The outcropping Banket Series of rocks in the mine area form prominent, arcuate ridges extending southwards from Tarkwa, westwards through Iduapriem and northwards towards Teberebie.

**Operating and production data for Iduapriem**

(1)

	2003	2002
Pay limit (oz/t)		
0.022	—	—
Pay limit (g/t)		
0.76	—	—
Recovered grade (oz/t)		
0.051		
—		
—		
Recovered grade (g/t)		
1.76		
—		
—		
Gold production (000 oz) 100%		
147		
—		
—		
Gold production (000 oz) 85%		
125		
—		
—		
Total cash costs (\$/oz)		
(2)		
303		
—		
—		
Total production costs (\$/oz)		



(2)  
 448  
 –  
 –  
 Capital expenditure (\$ million) 100%  
 4  
 –  
 –  
 Capital expenditure (\$ million) 85%

3  
 –  
 –

Employees

(3)  
 709                      –                      –

Outside contractors

(3)  
 597

–  
 –

(1)  
*For the eight months from May 2004.*

(2)  
*Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see “Item 5A.: Operating results – Total cash costs and total production costs”.*

(3)  
*Average for the period.*

**Operating performance:** Attributable gold production for the eight months in which Iduapriem was part of AngloGold Ashanti was 125,000 ounces from both the CIP and heap-leach processing facilities. Following the expansion of the CIP plant, which involved the installation of an additional mill and an upgrade of downstream processing circuits, throughput was affected by persistent mill and crusher circuit engineering related problems throughout the year. Poor grinding, cyclone and agitator performance caused high levels of leach tank silting and reduced residence time, and resulted in recovery being 90.6 percent rather than the planned 94.5 percent.

Higher than expected maintenance costs were incurred on the crushing and milling circuits as a result of abnormal component replacement and spares and consumables consumption patterns and this, combined with the impact of lower gold production, impacted on the cost per ounce performance.

Between May and December 2004, CIP gold production was 121,000 ounces from the processing of 2,181,000 tonnes of ore yielding 1.72 g/t.

To help resolve these issues changes were made to the crushing and milling circuits during the year to optimize the plant in its

present hardware configuration. In addition, with the installation of a trash screen to reduce volumetric constraints in the CIL circuit, a fourth leach tank was constructed to improve residence time and recovery. However, the overall impact was an increase in the cost per tonne and this in turn impacted negatively on pit optimization and ore reserves.

59

A mine-to-mill study is presently being undertaken to determine the optimum performance of the existing plant and to examine other options to reduce operating cost per tonne to levels that would allow open-pit reserves to be increased and to enhance the NPV of these deposits.

Following an economic evaluation which indicated that, due to low recoveries, the ores which were being heap-leached would be more economically treated through the CIP plant, the crushing and stacking of heap-leach ore was suspended in May 2004. For the period May to December 2004, gold production was 3,000 ounces from the 10,000 tonnes stacked and the wash out of the pads.

Total cash costs at \$303 per ounce were higher than planned, a result of decreased production and high crushing and processing costs. Attributable capital expenditure was \$3 million, and was spent mainly on retro fitting work on the CIP plant.

**Growth prospects:** In 2005, re-engineering studies principally focused on the crushing and CIP plants, but covering the entire business, will be undertaken with a view to reducing the cost per tonne and increasing the number of ounces in the ore reserve and the NPV of the properties.

A scoping study will also be undertaken to evaluate the economics of exploiting the considerable low grade mineral resources of the GAG and TGL properties which lie in the Tarkwain conglomerates extending below the economic limit of the open-pits.

**Outlook:** Attributable gold production is expected to reach 206,000 ounces in 2005, at a total cash cost of \$261 per ounce. Capital expenditure of \$21 million will principally be applied to increasing throughput at the CIP plant.

## **GUINEA**

Following the Business Combination with Ashanti which was effective on April 26, 2004, the Siguiro operation in Guinea, forms part of the AngloGold Ashanti group. The effective reporting period for the former Ashanti operations is the eight months from May 2004 to December 2004.

60

**Siguiri (attributable 85 percent)**

**Description:** AngloGold Ashanti has an 85 percent interest in the Siguiri mine which is an open-pit operation. The balance of 15 percent is held by the government of Guinea.

**Location:** The Siguiri gold mine is located in the Siguiri District in the north-east of the Republic of Guinea, West Africa, approximately 850 kilometers from the capital city of Conakry. The nearest important town is Siguiri (approximately 50,000 inhabitants), located on the banks of the Niger River.

**Geology:** This concession is dominated by Proterozoic Birimian rocks which consist of turbidite facies sedimentary sequences.

Two main types of gold deposits occur in the Siguiri basin and are mined. These are: laterite or CAP mineralization which occurs as aprons of colluvial or as palaeochannels of alluvial lateritic gravel adjacent to, and immediately above, in-situ mineralization quartz-vein related mineralization hosted in meta-sediments with the better mineralization associated with vein stockworks that occur preferentially in the coarser, brittle siltstones and sandstones. The mineralized rocks have been deeply weathered to over 100 meters in places to form saprolite or SAP mineralization. The CAP and SAP ore types were blended and processed using the heap-leach method. The percentage of available CAP ore has decreased and the new CIP plant will treat predominantly SAP ore.

**Siguiri – Summary of metallurgical operations****Gold plants**

Capacity (000 tonnes/month)

750

Technology

crushers,

heap-leach

**Operating and production data for Siguiri***(1)*

<b>2004</b>	<b>2003</b>	<b>2002</b>
Pay limit (oz/t)		
0.017	–	–
Pay limit (g/t)		
0.59	–	–
Recovered grade (oz/t)		
0.032		
–		
–		
Recovered grade (g/t)		
1.10		
–		
–		
Gold production (000 oz) – 100%		

98

-

-

Gold production (000 oz) – 85%

83

-

-

Total cash costs (\$/oz)

(2)

443

-

-

Total production costs (\$/oz)

(2)

578

-

-

Capital expenditure (\$ million) – 100%

57

-

-

Capital expenditure (\$ million) – 85%

48

-

-

Employees

(3)

1,194                      -                      -

Outside contractors

(3)

1,412

-

-

(1)

*For the eight months from May 2004.*

(2)

*Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see “Item 5A.: Operating results – Total cash costs and total production costs”.*

(3)

*Average for the period.***Operating performance:** Government embargoes on the sale of gold and the import of fuel implemented during the second

quarter of 2004 had a significant impact on production. The embargoes were subsequently lifted and discussions with government relating to certain disputed claims and the renegotiation of the Convention de Base continues This was followed by

an unexpected shortage of cement supplies in the third quarter which resulted in reduced crushing and stacking operations.

Attributable gold production for the period ended December 31, 2004 amounted to 83,000 ounces, at an average yield of

1.10g/t.

61

Good progress was made with the construction of the CIP plant, with commissioning planned for the first quarter of 2005.

Total cash costs of \$443 per ounce reflected the decreased production, as well as increased transportation and power costs, a result of higher fuel prices, while attributable capital expenditure rose to \$48 million, largely on the Siguiro CIP plant.

**Growth prospects:** The CIP project will transform Siguiro mine, from a heap-leach only operation, constrained by limited economically treatable mineral resources, to a property capable of economically exploiting the saprolitic ores that extend below the base of the existing pits and still have considerable exploration potential proximal to the existing mine infrastructure.

**Outlook:** Attributable gold production in 2005 will be in the region of 264,000 ounces, at a total cash costs of \$291 per ounce. Capital expenditure is expected to be \$10 million and will be spent on completion of the CIP project and exploration of the concessions.

### ***MALI***

AngloGold Ashanti has three operations in the West African country of Mali in partnership with other parties. These operations are Sadiola, Yatela and Morila, which are all operated by AngloGold Ashanti.

62

**Mali – Summary of metallurgical operations**

**Sadiola**

**Yatela**

**Morila**

**Gold plants**

Capacity (000 tonnes/month)

435

250

350

Technology

mineral

sizing,

SAG mills (2),

ball mill,

cyanide leach,

CIP,

elution,

electro-winning

mineral sizing,

agglomeration,

heap-leaching,

carbon adsorption

crushing,

SAG milling,

ball mill,

gravity concentration,

cyanide leach,

CIP.

elution,

electro-winning

**Pyrite flotation plants**

Capacity (000 tonnes/month)

66

–

–

**Sulphuric acid plants**

Production

(tonnes/month)

10,800

–

–

• **Sadiola (attributable 38 percent)**

**Description:** AngloGold has a 38 percent interest in, and manages, the Sadiola mine within the Sadiola exploitation area in

Western Mali. The joint venture partners are IAMGOLD, a Canadian listed company (38 percent), the Government of Mali

(18 percent), and the International Finance Corporation (IFC) (6 percent).

**Location:** The mine is situated 77 kilometers south of Kayes, the regional capital.

**Geology:** The Sadiola deposit occurs within an inlier of greenschist facies metamorphosed Birimian rocks known as the Kenieba Window. The specific rocks which host the mineralization are marbles and greywackes which have been intensely weathered to a maximum depth of 200 meters. A series of north-south trending faults occur which are the feeders to the Sadiola mineralization. As a result of an east-west regional compression event, deformation occurs along a north-south striking marble-greywacke contact, increasing the porosity of this zone. North-east striking structures which intersect the north-south contact, have introduced mineralization, mainly with the marble where the porosity was greatest.

The Sadiola Hill deposit generally consists of two zones, an upper oxidized cap and an underlying sulphide zone. From 1996 until 2002, shallow, saprolite oxide ore from the Sadiola Hill pit was the primary ore source. Since 2002, the deeper saprolitic sulphide ore has been mined and in future will progressively replace the depleting oxide reserves.

**Operating and production data for Sadiola**

<b>2004</b>	<b>2003</b>	<b>2002</b>
Pay limit (oz/t)		
0.06	0.05	0.05
Pay limit (g/t)		
1.76	1.68	1.71
Recovered grade (oz/t)		
0.081		
0.081		
0.086		
Recovered grade (g/t)		
2.77		
2.77		
2.96		
Gold production (000 oz) 100 %		
459		
452		
480		
Gold production (000 oz) 38 %		
174		
172		
182		
Total cash costs (\$/oz)		
(1)		
242		
210		
163		
Total production costs (\$/oz)		
(1)		
448		
401		
324		
Capital expenditure (\$ million) 100 %		



16

10

16

Capital expenditure (\$ million) 38 %

6

4

6

Employees

(2)

550	492	399
-----	-----	-----

Outside contractors

(2)

609

549

454

(1)

*Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see “Item 5A.: Operating results – Total cash costs and total production costs”.*

(2)

*Average for the year.*

63

**Operating performance:** Attributable production increased by 1 percent to 174,000 ounces in 2004 from 172,000 ounces in 2003, as milled tonnages increased by 2 percent given a 3.6 percent increase in overall milling utilization. Total cash costs increased by 15 percent from \$210 per ounce in 2003 to \$242 per ounce in 2004, as production levels were undermined by higher operating costs. Operating costs were adversely affected by the weaker dollar, higher diesel prices and high reagent costs associated with the increased treatment of sulphide ore and the more stringent detoxification standards. Capital expenditure for the year rose by 50 percent to \$6 million, mainly on exploration, residue pipeline and plant modifications to improve the detoxification capacity.

In 2003, tonnage throughput at Sadiola was adversely affected by plant downtime, largely in the milling circuit. Gold production of 172,000 attributable ounces was 5 percent lower than the 182,000 attributable ounces produced in 2002. Total cash costs increased by 29 percent from \$163 per ounce in 2002 to \$210 per ounce in 2003, as a result of the lower recovered grade, higher landed cost of diesel fuel, high detoxification cost of plant tailings, higher mining cost due to hard material encountered in the pit and the impact of the weaker US dollar on expenditure. A cyanide destruction plant was designed and commissioned in the third quarter of 2002 and was fully optimized by the end of January 2003. This allowed for increased treatment of sulphide material.

**Growth prospects:** A generative study has identified potential oxide targets on the Sadiola property, which will be investigated in 2005. Infill drilling of the Deep Sulphide project located below the existing Sadiola pit is now complete and modeling is ongoing. Conversion drilling of inferred resources on the FE3 South deposit is now complete and modeling of the orebody is under way.

**Outlook:** Attributable production at Sadiola is expected to decrease by 2 percent to 170,000 ounces during 2005, at a total cash cost of about \$260 per ounce. Attributable capital expenditure is expected to be \$13 million, an increase of 117 percent on 2004. The main components of capital expenditure are cyanide recovery and plant modifications, exploration, grid power and mining infrastructure.

- **Yatela (attributable 40 percent)**

**Description:** The Yatela mine is owned by Société d'Exploitation des Mines d'Or de Yatela S.A., in which AngloGold Ashanti and IAMGOLD each hold an effective 40 percent interest, with the government of Mali holding 20 percent.

**Location:** Yatela is located some 25 kilometers north of Sadiola and approximately 50 kilometers south-south-west of

the town  
of Kayes, the regional capital.

**Geology:** Yatela mineralization occurs as a keel-shaped body in Birimian metacarbonates. The keel is centered on a fault which was the feeder for the original mesothermal mineralization, with an associated weakly mineralized diorite intrusion.

Mineralization occurs as a layer along the flanks and in the bottom of the keel. The ore dips almost vertically on the west limb and more gently towards the west on the east limb, with tight closure to the south.

**Operating and production data for Yatela**

<b>2004</b>	<b>2003</b>	<b>2002</b>
Pay limit (oz/t)		
0.06	0.06	0.07
Pay limit (g/t)		
1.96	2.04	2.09
Stacked grade (oz/t)		
0.099		
0.083		
0.105		
Stacked grade (g/t)		
3.41		
2.84		
3.60		
Gold production (000 oz) 100 %		
242		
218		
269		
Gold production (000 oz) 40 %		
97		
87		
107		
Total cash costs (\$/oz)		
(1)		
255	235	175
Total production costs (\$/oz)		
(1)		
320	333	234
Capital expenditure (\$ million) 100 %		
7		
14		
9		
Capital expenditure (\$ million) 40 %		
3		
6		
4		
Employees		
(2)		
208	190	157
Outside contractors		

(2)

825

736

598

(1)

*Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see "Item 5A.: Operating results – Total cash costs and total production costs".*

(2)

*Average for the year.*

64

**Operating performance:** Gold production at Yatela (40 percent attributable) rose by 11 percent from 87,000 ounces in 2003 to 97,000 ounces during 2004 largely owing to an increase of 11 percent in the tonnage stacked. The increased tonnage was due to a 10 percent increase in overall utilization of the treatment section. Total cash costs at \$255 per ounce were 9 percent higher than 2003's total cash costs of \$235 per ounce, a result of the weaker dollar, as well as increased fuel prices. Capital expenditure, at \$3 million, declined by 50 percent year-on-year: expenditure was primarily on the construction of leach pads and payment of historical duties on fixed assets as the exoneration period on import duties came to an end.

Attributable gold production at Yatela decreased by 19 percent to 87,000 ounces in 2003 compared to 107,000 ounces in 2002 due to a reduction in recovered grade and lower tonnage stacked. Tonnage was negatively affected in the second half of the year by bottlenecks in the new crushing circuit. Following excessive wear and high maintenance costs on the mineral sizer caused by hard ore, the mineral sizer was replaced in June 2003 by a primary jaw crusher and secondary cone crusher. Total cash costs increased by 34 percent to \$235 per ounce, largely as a result of the lower grade, higher landed diesel fuel prices, increased mining contractor costs and the impact of the weaker United States dollar on expenditure expressed in dollar terms.

**Growth prospects:** An investigation into the potential for sulphide ore below the existing Alamoutala deposit is ongoing.

**Outlook:** In 2005, Yatela is expected to produce 107,000 ounces, an increase of 10 percent, at a total cash cost of \$261 per ounce. Capital expenditure attributable to AngloGold Ashanti is expected to remain constant at \$3 million, largely for leach pad construction.

- **Morila (attributable 40 percent)**

**Description:** AngloGold Ashanti and Randgold Resources Limited each hold an effective 40 percent interest in the Morila Joint Venture, with the other 20 percent held by the Malian government. Under the joint venture agreement, AngloGold Ashanti is the operator of the mine.

**Location:** This mine is situated some 180 kilometers by road, south-east of Bamako, the capital city of Mali (600 kilometers 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. Mineralization is characterized by silica-feldspar alteration and sulphide mineralization consists of arsenopyrite, pyrrhotite, pyrite and chalcocopyrite.

**Operating and production data for Morila**

<b>2004</b>	<b>2003</b>	<b>2002</b>
Pay limit (oz/t)		
0.09	0.06	0.08
Pay limit (g/t)		
2.81	2.14	2.46
Recovered grade (oz/t)		
0.130		
0.221		
0.349		
Recovered grade (g/t)		
4.57		
7.56		
11.96		
Gold production (000 oz) 100 %		
510		
794		
1,052		
Gold production (000 oz) 40 %		
204		
318		
421		
Total cash costs (\$/oz)		
(1)		
196		
108		
74		
Total production costs (\$/oz)		
(1)		
270	176	143
Capital expenditure (\$ million) 100 %		
5		
12		
17		
Capital expenditure (\$ million) 40 %		
2		
4		
7		
Employees		
(2)		
479	453	442
Outside contractors		
(2)		
919	874	727
(1)		

*Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see "Item 5A.: Operating results – Total cash costs and total production costs".*

(2)

*Average for the year.*

65

**Operating performance:** Tonnage milled initially fell short of budget during the year. This was coupled with a decline in recovered grade as lower grade mining blocks were encountered on the periphery of the pit. Grades recovered towards year-end as mining moved into higher grade zones in Pit 3. The new plant expansion project, which began commissioning in March, provided further constraints resulting in reduced levels of throughput and lower-than-planned recoveries. A technical plan to address these issues was implemented, with performance levels returning to those expected in the fourth quarter. This was negated to some degree by the SAG mill gearbox replacement which took 10 days to complete in August. The new milling circuit reached its expansion design of 350,000tpm by mid-year. Another setback in June was the industrial action experienced – resulting in further loss of production – on the issue of a productivity bonus relating to exceptionally high grades encountered at Morila in 2002. The tense industrial relations climate was resolved with a settlement reached in November.

Total gold production for 2004 (40 percent attributable) reduced by 36 percent from 318,000 ounces in 2003 to 204,000 ounces in 2004, with the average yield falling to 4.57g/t. Total cash costs rose to \$196 per ounce (2003: \$108 per ounce) as a result of lower recovered grades, higher fuel prices and a weaker dollar. Attributable capital expenditure for the year amounted to \$2 million and included the purchase of a crane, a drill rig and community development projects.

In 2003, gold production at Morila decreased by 24 percent to 318,000 attributable ounces from 421,000 attributable ounces in 2002, largely as a result of the exceptionally high grades achieved during July to October 2002 not being sustained. Total cash costs for the year increased by 46 percent to \$108 per ounce in 2003 from \$74 per ounce in 2002 due to the lower grade, higher diesel costs and the impact of the weaker United States dollar on expenditure expressed in dollar terms.

**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 is expected to increase to 258,000 ounces, at a total cash cost of \$173 per ounce. Capital expenditure will decline to \$2 million.

## **NAMIBIA**

AngloGold Ashanti's only operation in this country is the Navachab mine.

66

**Description:** After having obtained an additional 30 percent interest in 1999, AngloGold Ashanti holds a 100 percent interest in

the Navachab open-pit gold mine near Karibib in Namibia, which has been in production since 1990.

**Location:** Navachab is located near Karibib in Namibia, on the southern west coast of Africa.

**Geology:** The Navachab deposit is hosted by Damaran greenschistamphibolite facies, calc-silicates, marbles and volcanoclastics. The rocks have been intruded by granites, pegmatites and (quartz-porphyry dykes) aplite and have also been deformed into a series of alternating dome and basin structures. The mineralized zone forms a sheet-like body which plunges at an angle of approximately 20 degree to the north-west. The mineralization is predominantly hosted in a sheeted vein set ( $\pm 60$  percent) and a replacement skarn body ( $\pm 40$  percent).

The gold is very fine-grained and associated with pyrrhotite, and minor to trace amounts of pyrite, chalcopyrite, maldonite and bismuthinite. Approximately 80 percent of the gold is free milling.

#### **Navachab – Summary of metallurgical operations**

##### **Gold plants**

Capacity (000 tonnes/month)

110

Technology

crushing,  
SAG milling,  
cyanide leach,

CIP,

elution,

electro-winning

##### **Operating and production data for Navachab**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
Pay limit (oz/t)	0.05	0.04	0.03
Pay limit (g/t)	1.46	1.38	1.02
Recovered grade (oz/t)	0.046		
	0.051		
	0.056		
Recovered grade (g/t)	1.59		
	1.75		
	1.93		
Gold production (000 oz) 100 %	67		
	73		
	85		
Total cash costs (\$/oz)	(1)		



348	274	147
Total production costs (\$/oz)		
(1)		
418	329	153
Capital expenditure (\$ million) 100 %		
21		
2		
2		
Employees		
(2)(3)		
251	180	171
Outside contractors		
(2)(3)		
–	209	182

(1) *Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see “Item 5A.: Operating results – Total cash costs and total production costs”.*

(2)

*Average for the year.*

(3)

*No mining labor, contract or otherwise, was on site during the first half of 2004.*

**Operating performance:** Milled tonnages and recovered grade dropped in the first half of the year as no ore was mined while

the operation made the transition to owner-mining, although stockpiles were treated during this period. Tonnage throughput

increased in the second half of the year and ended 1 percent down on 2003 despite an unscheduled shutdown for crusher

repairs. Gold production for the year amounted to 67,000 ounces, down by 8 percent on 2003 of 73,000 ounces, while the yield

fell by 9 percent to 1.59g/t.

Total cash costs in 2004, at \$348 per ounce, were 27 percent higher than 2003 at \$274 per ounce, largely due to the weaker

dollar, higher diesel prices and lower grades. Good progress was made in improving volumes, grades and efficiencies in the

second half of the year. Capital expenditure of \$21 million was significantly higher than the previous year owing to the transition

to owner-mining.

67

During 2003, gold production at Navachab was 14 percent lower than in 2002, at 73,000 ounces from 85,000 ounces, due to a 10 percent decrease in recovered grade and a 4 percent decrease in tonnage throughput. Tonnage throughput was adversely affected by a mill motor and power transformer failure and breakdown of a mill girth gear during the year. Total cash costs increased by 86 percent to \$274 per ounce in 2003 from \$147 per ounce in 2002. The increase in unit cash cost is due to an increased stripping ratio associated with the Eastern Pushback project, the lower recovered grade and the impact of the weaker US dollar on expenditure expressed in dollar terms.

**Growth prospects:** In the short term, mining of shallow ore adjacent to the EZ3 pit will enhance growth, in the longer term a potential pit expansion to fetch footwall mineralization is being considered. Several brownfields prospects are located within a trucking distance to the pit and are currently under investigation.

**Outlook:** Gold production is expected to rise to 80,000 ounces in 2005, at a total cash cost of \$277 per ounce. Capital expenditure should decline by 96 percent to \$1 million.

#### **TANZANIA**

The Geita mine is AngloGold Ashanti's only operation in Tanzania.

**Description:** Prior to April 2004, Ashanti and AngloGold each held a 50 percent share in Geita, which was managed under the joint venture agreement entered into between the companies. As a result of the Business Combination, Geita is now a wholly-owned subsidiary. Geita is a multi-pit operation, with a 6 million tpa CIL plant.

**Location:** The Geita mine is located 80 kilometers south-west of the town of Mwanza.

68

**Geology:** Geita is an Archaean mesothermal mainly BIF-hosted deposit. Mineralization is located where auriferous fluids, which moved along shears often on BIF-diorite contacts, reacted with the BIF. Some lower-grade mineralization can occur in the diorite as well (usually in association with BIF-hosted mineralization), and approximately 20 percent of the gold is hosted in the diorite.

### **Geita – Summary of metallurgical operations**

#### **Gold plants**

Capacity (000 tonnes/month)

490

Technology

crushing,

SAG milling,

ball mill,

gravity concentration,

cyanide leach,

CIP,

elution,

electro-winning

#### **Operating and production data for Geita**

##### **2004**

(1)

##### **2003**

(1)

##### **2002**

(1)

Pay limit (oz/t)

0.09                      0.06                      0.07

Pay limit (g/t)

2.81                      2.16                      2.13

Recovered grade (oz/t)

0.109

0.105

0.106

Recovered grade (g/t)

3.74

3.60

3.62

Gold production (000 oz) 100 %

692

661

579

Gold production (000 oz) 100 % attributable from May 2004

570

331

290

Total cash costs (\$/oz)

(2)

250  
 183  
 175  
 Total production costs (\$/oz)  
 (2)  
 335  
 224  
 224  
 Capital expenditure (\$ million) 100 %  
 14  
 20  
 17  
 Capital expenditure (\$ million) 100 % attributable from May 2004  
 13  
 10  
 9

Employees

(3)  
 661                      643                      580

Outside contractors

(3)  
 1,595  
 1,437  
 1,157

(1)

*Prior to April 26, 2004, AngloGold held a 50 percent stake.*

(2)

*Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see "Item 5A.: Operating results – Total cash costs and total production costs".*

(3)

*Average for the year.*

**Operating performance:** At Geita, attributable production increased by 72 percent to 570,000 ounces, largely as a result of the acquisition of the remaining 50 percent of Geita on April 26, 2004. A year-on-year comparison of Geita on a 100 percent basis shows an increase in gold production of 5 percent to 692,000 ounces (equivalent 2003: 661,000 ounces) as a result of a 4 percent increase in recovered grade to 3.74g/t. Total cash costs increased by 37 percent from \$183 per ounce in 2003 to \$250 per ounce in 2004 due to significant increases in mining contractor and diesel costs. Capital expenditure of \$13 million for the year was spent mainly on brownfields exploration, sterilization drilling, dewatering projects and plant improvements.

In 2003, production at Geita increased by 14 percent to 331,000 attributable ounces from 290,000 attributable ounces in 2002, due to a 15 percent increase in tonnage throughput, which was the result of the successful implementation of the plant expansion project which increased plant capacity to 5.6 million tonnes per annum. The grade improved from 2.70g/t in the first half of the year to 4.53g/t during the second half. Total cash costs increased by 5 percent from \$175 per ounce in 2002 to

\$183 per ounce in 2003, as a result of increased diesel fuel prices and mining contractor rates. During 2003 Geita process plant phase 1 upgrade throughput was 5.7 million tonnes. Mining volume increased to 59.9 million tonnes in 2003.

69

**Growth prospects:** Exploration from 2005 will focus on the identification and generation of resources to the inferred category, from largely regional targets developed in 2004. The life-of-mine production schedule will dictate as and when these inferred resources are converted into reserves. The underground potential of the Geita Trend will be investigated once the optimization of the open-pit/underground interface has been completed.

**Outlook:** Gold production is set to decrease by 9 percent in 2005 to 628,000 ounces, at a total cash cost of \$253 per ounce. Capital expenditure should increase by 107 percent to \$29 million from \$14 million, with the main capital expenditure items being exploration, the purchase of an ore haulage fleet and tailings dam upgrades. The feasibility of owner-mining will be examined during 2005.

## UNITED STATES OF AMERICA

AngloGold Ashanti acquired its operations in the United States of America from Minorco, effective March 31, 1999 and comprise the wholly-owned AngloGold Ashanti (Colorado) Corp., which holds a 67 percent interest in the Cripple Creek & Victor Gold Mining Company (CC&V) in Colorado with a 100 percent interest in gold produced. AngloGold Ashanti's stake in the Jerritt Canyon Joint Venture was sold to Queenstake Resources USA Inc., with effect from June 30, 2003. AngloGold Ashanti owns 100 percent of Big Springs in Nevada, which is currently in the final stages of rehabilitation and closure.

### **Cripple Creek & Victor – Summary of metallurgical operations**

#### **Gold plants**

Capacity (000 tonnes/month)

-

crushed ore production

1,512

-

total ore production

1,512

- solution processed

2,235

Technology

crushers,

valley heap-leach,

gold adsorption by carbon in solution,

elution,

electro-winning

70

**Cripple Creek & Victor (attributable 67 percent with 100 percent interest in production)**

**Description:** AngloGold Ashanti holds a 67 percent stake in CC&V, with the remaining 33 percent held by Golden Cycle Gold Corporation (Golden Cycle). AngloGold Ashanti is the manager of the operation and is entitled to receive 100 percent of the cash flow from the operation until loans extended to the joint venture are repaid. CC&V is a low-cost, low-grade open-pit operation.

**Location:** CC&V is located south-west of Colorado Springs in the state of Colorado in the USA.

**Geology:** The Cripple Creek District is centered on a Tertiary-aged diatreme-intrusive complex, approximately circular in shape covering 18.4 square kilometers, surrounded by older Precambrian rocks. The Precambrian rocks consist of biotite gneiss and granodiorite which occur within a larger quartz monzonite intrusion which is in turn intruded by granite. The intersection of these four units and major faults formed an area of weakness which subsequently facilitated the formation of the Tertiary complex. The Tertiary intrusives range from syenite to phonolite/ phonotephrite to lamprophyre. Fault structures are generally near vertical and strike north-north-west to north-east. These structures are commonly intruded by phonolite dykes and appear to have acted as primary conduits for the mineralizing solutions. The north-east structures are more subtle, but appear to control the locations of higher-grade pods of mineralization which occur at their intersection with the north-north-west system. High-grade gold mineralization is primarily associated with potassic and pyritic alteration and occurs adjacent to the major structural zones. The broader zones of disseminated mineralization occur primarily as halos around the stronger alteration in permeable wall rocks. The average depth of oxidation is 120 meters and is best developed along major structural zones. Individual orebodies can be tabular, irregular or massive. Individual gold particles are generally less than 20 microns in size and occur as native gold with pyrite or hydrous iron and manganese oxides and as gold-silver tellurides, often in quartz-fluorite veins. Silver is present but is economically unimportant.

**Operating and production data for Cripple Creek & Victor operations**

<b>2004</b>	<b>2003</b>	<b>2002</b>
Pay limit (oz/t)		
0.01	0.01	0.01
Pay limit (g/t)		
0.34	0.34	0.34
Recovered grade (oz/t)		
0.018		
0.020		
0.024		

Recovered grade (g/t)

0.61

0.67

0.82

Gold production (000 oz)

329

283

225

Total cash costs (\$/oz)

(1)

220

199

187

Total production costs (\$/oz)

(1)

365

389

391

Capital expenditure (\$ million)

16

24

66

Employees

(2)

313	326	314
-----	-----	-----

Outside contractors

(2)

74	121	258
----	-----	-----

(1)

*Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see "Item 5A.: Operating results – Total cash costs and total production costs".*

(2)

*Average for the year.*

**Operating performance:** Production increased by 16 percent from 283,000 ounces in 2003 to 329,000 ounces in 2004 due to improved mine and crusher performance, which resulted in more ounces placed and improved leach pad performance. The mine and crusher reached and exceeded design capacity during the year. This was despite the fact that the gyratory crusher lost 10 operating days in December for major repairs.

Total cash costs rose in 2004 to \$220 per ounce (2003: \$199 per ounce), due to higher fuel and mine maintenance (hydraulic shovel and haul truck) costs. Phase 4C of the leach pad construction was completed in the fourth quarter of 2004, bringing to conclusion the expansion project, while capital expenditure at \$16 million fell by 33 percent when compared to the previous year.

Production at CC&V improved towards the year-end to reach 283,000 ounces for 2003, compared with 225,000 ounces in



2002. Leach solution chemistry problems and lower irrigation flows (caused by drought) improved during the second half of

2003. Total cash costs rose to \$199 per ounce (2002: \$187 per ounce) due to higher reagent consumption to correct leach

pad chemistry. Processing facility and haulage fleet production achieved budgeted levels by year-end, while Phase 4B of the

leach pad construction was completed ahead of schedule with stacking having commenced in the second quarter of 2003.

71

**Growth prospects:** The recently completed expansion project has increased average annual gold production by 40 percent and extended the life-of-mine from 2008 to at least 2013, thereby yielding an additional 2.8 million ounces of production over the life-of-mine.

**Outlook:** Gold production in 2005 is forecast to mirror 2004 levels at about 330,000 ounces, at expected average total cash costs of \$219 per ounce. Decreased levels of capital expenditure are planned at \$10 million for 2005.

• **Jerritt Canyon Joint Venture**

Description: AngloGold Ashanti (Nevada) Corp, formerly known as AngloGold (Jerritt Canyon) Corp., and its partner Meridian Gold, sold its stake in the Jerritt Canyon operation to Queenstake Resources with effect from June 30, 2003. Under this agreement, Queenstake paid the Jerritt Canyon Joint Venture partners \$1.5 million in cash and 32 million shares issued by a subsidiary, Queenstake Resources Limited, with \$6 million in deferred payments and \$4 million in future royalties. Queenstake accepted full closure and rehabilitation and other liabilities. Ore production was drawn from four underground mines, Murray, SSX, Smith and MCE.

In 2004, Queenstake approached the Jerritt Canyon joint venture partners about the possibility of monetizing all or the majority of the \$6 million in deferred payments and \$4 million in future royalty payments. On August 25, 2004 and based on an agreement reached between the parties, AngloGold Ashanti was paid approximately \$7 million for its portion of the deferred payments and future royalties, thereby monetizing all outstanding obligations, except for minor potential royalties interest that AngloGold Ashanti retained.

**Location:** The Jerritt Canyon district is located in the north central Independence Mountains, north-west of Elko, Nevada in the USA.

**Operating and production data for Jerritt Canyon operations**

<b>2004</b>	<b>2003</b>
-------------	-------------

(1)

**2002**

Pay limit (oz/t) (open-pit)

–

Depleted

Depleted

Pay limit (g/t) (open-pit)

–

Depleted

Depleted

Pay limit (oz/t) (underground) average

–		
0.22		
0.22		
Pay limit (g/t) (underground) average		
–		
7.55		
7.55		
Recovered grade (oz/t) milled		
–		
0.209		
0.231		
Recovered grade (g/t) milled		
–		
7.15		
7.91		
Gold production (000 oz) – 100%		
–		
153		
338		
Gold production (000 oz) -70%		
–		
107		
237		
Total cash costs (\$/oz)		
(2)		
–	270	249
Total production costs (\$/oz)		
(2)		
–	364	346
Capital expenditure (\$ million) – 100%		
–		
4		
11		
Capital expenditure (\$ million) – 70%		
–		
2		
8		
Employees		
(3)		
–	291	291
Outside contractors		
(3)		
–	4	6
(1)		

*The operation was sold with effect from June 30, 2003.*

(2)

*Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see “Item 5A.: Operating results – Total cash costs and total production costs”.*

(3)

*Average for the year.*

**Operating performance and outlook:** The operation was sold with effect from June 30, 2003.

72

**ZIMBABWE**

Following the Business Combination with Ashanti which was effective on April 26, 2004, the operation in Zimbabwe, forms part

of the AngloGold Ashanti group. This operation was sold effective September 1, 2004 and therefore the effective reporting

period for this former Ashanti operation is the four months from May 2004 to August 2004.

**Description:** AngloGold Ashanti had a 100 percent interest in the Freda-Rebecca underground mine, which it sold to South

Africa-based Mwana Africa Holdings for a consideration of \$2 million with effect from September 1, 2004.

**Location:** The mine is located at Bindura, north of Harare, in Zimbabwe.

**Operating and production data for Freda-Rebecca****2004**

(1)

**2003**                      **2002**

Pay limit (oz/t)

—                      —

Pay limit (g/t)

—                      —

Recovered grade (oz/t)

0.048

—                      —

Recovered grade (g/t)

1.66

—                      —

Gold production (000 oz)

9

—                      —

Total cash costs (\$/oz)

(2)

417

—                      —

Total production costs (\$/oz)

(2)

556

—                      —

Capital expenditure (\$ million)

1

—                      —

Employees

(3)

687

—

—

Outside contractors

(3)

58

–

–

(1)

*For the four months from May 2004 through August 2004. The mine was sold effective September 1, 2004.*

(2)

*Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see “Item 5A.: Operating results – Total cash costs and total production costs”.*

(3)

*Average for the period.*

**Operating performance:** Gold production for the period was 9,000 ounces, at a total cash cost of \$417 per ounce.

Mining

operations were severely hampered by the unavailability of trackless mining equipment and material resources.

Capital

expenditure was \$1 million.

**Outlook:** The mine was sold effective September 1, 2004.

73

### **Rights to mine and title to properties**

Rights to mine and title to properties AngloGold Ashanti's rights to own and exploit mineral reserves and deposits are governed by the laws and regulations of the jurisdictions in which the mineral properties are located. In a number of countries in which AngloGold Ashanti operates there are, in some cases, certain restrictions in terms of the company's ability to independently move assets out of that country and/or transfer the assets within the group, without the prior consent of the local government or minority shareholders involved.

#### **Argentina**

According to Argentinean mining legislation, mines are the private property of the nation or a province, depending on where they are located. Individuals are empowered to explore for, exploit and dispose of mines as owners by means of a legal license granted by competent authority under the provisions of the Argentine Mining Code. The legal licenses granted for the exploitation of mines are valid for an undetermined period, provided that the mining title holder complies with the obligations settled in the Argentine Mining Code. In Argentina, the usual ways of transferring rights over mining licenses are: to sell the license; to lease it; or to assign the rights under such a license by a beneficial interest or Usufruct Agreement. In the case of Cerro Vanguardia – AngloGold Ashanti's operation in Argentina – the mining title holder is its partner, Fomicruz, and due to the Usufruct Agreement signed between them and Cerro Vanguardia SA on December 27, 1996, the latter has the irrevocable right to the exploitation of the deposit for a period of 40 years. This agreement expires on December 27, 2036.

#### **Australia**

In Australia, with few exceptions, all onshore mineral rights are reserved by the government of the relevant State or Territory. Exploration for, and mining of, minerals is regulated by the general mining legislation and controlled by the mining ministry of each respective State or Territory.

Where native title has not been extinguished, native title legislation may apply to the grant of tenure and some subsequent administrative processes. Federal and State Aboriginal heritage legislation also operates to protect special sites and areas from disturbance although to date there has not been any adverse impact on any of AngloGold Ashanti's operating properties.

AngloGold Ashanti's operating properties are located in the State of Western Australia. The most common forms of tenure are exploration and prospecting licenses, mining leases and general purpose leases. In most Australian states, if the holder of an exploration license establishes indications of an economic mineral deposit and complies with the conditions of the grant, the

holder of the exploration license has a priority right against all others to apply for a mining lease which gives the holder exclusive mining rights with respect to minerals on the property.

It is possible for an individual or entity person to own the surface of the property and for another to own the mineral rights. Typically the maximum initial term of a mining lease is 21 years, and the holder has the right to renew the lease for a further period of 21 years. Subsequent renewals are subject to the discretion of the respective State or Territory's minister responsible for mining rights. Mining leases can only be assigned with the consent of the relevant minister.

Government royalties are payable as specified in the relevant legislation in each State or Territory. A general purpose lease may also be granted for one or more of a number of permitted purposes. These purposes include erecting, placing and operating machinery and plant in connection with mining operations, depositing or treating minerals or tailings and using the land for any other specified purpose directly connected with mining operations.

AngloGold Ashanti owns the mineral rights and has 21-year term mining leases with rights of renewal to all of its mining areas in Australia, including its proportionate share of joint venture operations, and both it and its joint venture partners are fully authorized to conduct operations in accordance with relevant laws and regulations. The mining leases cover the current life-of-mine at AngloGold Ashanti's operations in Australia.



74

### **Brazil**

In Brazil, Mine Manifests (mining titles granted in 1936) and Mining concessions (mining titles presently granted via an order signed by the Secretary of Mines of the Ministry of Mines and Energy) are valid for an undetermined period – until depletion of reserves – provided that the mining title holder complies with current Brazilian mining legislation, as well as with those requirements set out by the DNPM who acts as inspecting entity for mining activities.

The difference between a Mine Manifest and a Mining Concession lies in the legal nature of these two mining titles, since it is much more difficult and complicated for the public administration to withdraw a Mine Manifest than a Mining Concession, although, in practice, it is possible for a manifest to be cancelled or to become extinct if the abandonment of the mining operation is formally proven. All of AngloGold Ashanti's operations in Brazil have indefinite mining licenses.

### **Ghana**

Mining activities in Ghana are primarily regulated by the Minerals and Mining Law 1986 (PNDCL 153) or the Mining Law. Under the Constitution and the Mining Law, all minerals in Ghana in their natural state are the property of the state and title to them is vested in the President on behalf of and in trust for the people of Ghana, with rights of prospecting, recovery and associated land usage being granted under license or lease.

A license is required for the export or disposal of such minerals and the government has a right of pre-emption over all such minerals. The government of Ghana shall acquire, without payment, a 10 percent interest in the rights and obligations of the mineral operations in relation to a mineral right to reconnaissance, prospecting or mining, and shall have the option to acquire a further 20 percent interest where any mineral is discovered in commercial quantities, on terms agreed between the government and the holder of the mining lease subject to arbitration if the parties fail to agree.

A license or lease granting a mineral right is required to prospect for or mine a mineral in Ghana and the Minister of Energy and Mines has the power to negotiate, grant, revoke, suspend or renew any mineral right, subject to a power of disallowance exercisable within 30 days of such grant, revocation, suspension or renewal by the Cabinet. The powers of the Minister of Mines are to be exercised on the advice of the Minerals Commission, which is responsible for regulating and managing the utilization of natural resources and coordinating policies relating to them.

The grant of a mining lease by the Minister of Mines is normally subject to parliamentary ratification unless the mining lease falls into a class of transactions exempted by parliament. A mineral right is deemed a requisite and sufficient authority over the land in respect of which the right is granted, although a separate license is required for some other activities, including the

diversion of water, and additional consents may be required for certain developments. A mineral right or interest therein may not be transferred, assigned or otherwise dealt with in any other manner without the Minister of Mines' prior written approval.

**Control of mining companies:** The Minister of Mines has the power to object to a person becoming or remaining a "shareholder controller", a "majority shareholder controller" or an "indirect controller" of a company which has been granted a mining lease if he considers that the public interest would be prejudiced by the person concerned becoming or remaining such a controller. In this context:

- shareholder controller means a person who, either alone or with certain others, is entitled to exercise or control the exercise of 20 percent or more of the voting power at any general meeting of a mining company or of any other company of which it is a subsidiary;
- majority shareholder controller means a shareholder controller in whose case the percentage referred to above also exceeds 50 percent; and
- indirect controller means a person in accordance with whose directions or instructions the director of a mining company, or of another company of which it is a subsidiary, or the shareholder controllers of that mining company, are accustomed to act.

A person may not become a shareholder controller, a majority shareholder controller or an indirect controller of a mining company unless he has served written notice on the Minister of Mines of his intention to that effect and the Minister of Mines consents to his becoming such a controller or does not object within a period of six months.

75

Where a person becomes or continues to be a controller of the relevant description after a notice of objection has been served on him, or is otherwise in contravention of the procedures prescribed by the Mining Law, the Minister of Mines may notify the controller that, until further notice, any specified shares are subject to restrictions. The relevant restrictions include restrictions on transfer, voting rights, receipt of further shares and distributions. The Minister of Mines may apply to the High Court to order the sale of any shares which are the subject of such a restriction. There is no legal restriction on the foreign ownership of a mining company.

Where a person, either alone or with others, acquires an interest in 5 percent or more of the voting power of a mining company he is required to notify the Minister of Mines. A person who is a controller of a mining company must give notice of his ceasing to be such a controller before he disposes of his interest. In addition, the mining company itself has to give notice to the Minister of Mines of the fact that any person has become or ceased to be a controller.

Violation of these provisions of the Mining Law is a criminal offence. The law also gives the Minister of Mines power to investigate and report on the ownership and control of any mining company.

The Mining Law also gives the government the right to acquire a special share (Golden Share) in a mining company in order to protect the assets of the relevant company and to reflect and further the intentions of the provisions of the Mining Law relating to control of a mining company. The government has retained its Golden Share in relation to the assets and operations in Ghana.

Prior to the Business Combination between AngloGold and Ashanti, AngloGold and the government of Ghana agreed the terms of a Stability Agreement to govern certain aspects of the fiscal and regulatory framework under which AngloGold Ashanti will operate in Ghana following the implementation of the Business Combination. For details of the Stability Agreement as well as AngloGold Ashanti's commitments, see "Item 4A.: History and development of the company – Business Combination between AngloGold and Ashanti".

**Payments and allowances:** The Mining Law provides that royalties are payable by the holder of a mining lease to the State at rates of between 3 percent and 12 percent of total minerals revenue, depending on a formula set out in mineral royalty regulations. The formula is determined by calculating the ratio of revenue minus operating costs, interest and capital allowances to total revenue. A ratio of 30 percent or lower will attract a royalty of 3 percent. For every 1 percent that the ratio exceeds 30 percent, the amount of the royalty will increase by 0.0225 percent up to a maximum of 12 percent. The laws of Ghana currently provide for income tax at a rate of 30 percent. The Mining Law provides for an entitlement to certain

specified

capital allowances and various additional fiscal and other benefits. However, AngloGold Ashanti and the government of Ghana

have entered into the Stability Agreement with respect to the payment of royalties and taxes as detailed previously.

In 2002, the Ghanaian tax legislation was changed so that unutilized losses and capital allowances existing at January 1, 2001

can only be carried forwards for five years. If not used by that time they will be lost. Losses and capital allowances incurred

after 1 January 2001 can be carried forward without limit.

***Retention of foreign earnings:*** Holders of mining leases have certain limited rights to retain foreign exchange earnings

overseas and to use such earnings for the acquisition of machinery and equipment as well as for certain other payments such

as debt service payments and dividends.

Where the net earnings of a holder of a mining lease are in foreign currency, the holder is permitted to retain not less than

25 percent of foreign exchange earnings in an external account for acquiring machinery and equipment, spare parts and raw

materials as well as for certain other payments, such as dividend and debt service payments.

AngloGold Ashanti's operations in Ghana are permitted to retain 80 percent of its foreign exchange earnings in such an account. In addition, the company has permission from the Bank of Ghana to retain and use outside Ghana dollars required to

meet payments to our hedge counterparties which cannot be met from the cash resources of our treasury company.





76

**Leases:** Mining leases may be applied for either by a prospecting license holder who has established the existence of minerals in commercial quantities or by others who do not hold such licenses, who establish the same to the satisfaction of the Minister of Mines. Mining leases are normally granted for a period not exceeding 30 years and the holder may apply to the Minister of Mines for renewal, on such conditions as the Minister of Mines may determine, for up to another 30 years. This period has been extended in terms of the Stability Agreement. They are to have a maximum size (subject to derogation by the President where it is considered to be in the national interest) of 50 square kilometers for any grant and 150 square kilometers in aggregate.

A holder may apply for an enlargement of the mining area, which, subject to the Mining Law, the Minister of Mines may grant if satisfied that such approval is in the national interest. The rights conferred by mining leases include those to take all reasonable measures on or under the surface to mine the mineral to which the mining lease relates, to erect necessary equipment, plant and buildings, to prospect within the mining area and to stack or dump mineral waste in an approved manner.

Reconnaissance and prospecting licenses are normally granted for up to 12 months and three years respectively, subject to renewal. A detailed program must be submitted for the recruitment and training of Ghanaians with a view to achieving 'localization', being the replacement of expatriate personnel by Ghanaian personnel. In addition, the holder must give preference to Ghanaian products and personnel, to the maximum extent possible, consistent with safety, efficiency and economy.

Prior notification to the Minister of Mines is required for ceasing, suspending or curtailing production. Approval to such actions may be given, subject to conditions determined on the advice of the Minerals Commission.

There are also provisions relating to surrender, suspension and cancellation of mineral rights in certain circumstances. The

Minister of Mines may suspend or cancel a mineral right if, among other things, the holder:

- fails to make payments under the Mining Law when due;
- is in breach of any provisions of the Mining Law or the conditions of the mineral right or the provisions of any other enactment relating to mines and minerals;
- becomes insolvent or bankrupt;
- makes a statement to the Minister of Mines in relation to the mineral right which he knows, or ought to have known to be false; or
- for any reason becomes ineligible to apply for a mineral right under the provision of the Mining Law.

Except as otherwise provided in a specific mining lease, all immovable assets of the holder under the mining lease vest in the

State on termination, as does all moveable property that is fully depreciated for tax purposes. Moveable property that is not

fully depreciated is to be offered to the State at the depreciated cost. The holder must exercise his rights subject to such

limitations relating to surface rights as the Minister of Mines may prescribe. Subject to the proper conduct of the

mining

operations, the holder must affect as little as possible the interest of any lawful occupier, whose grazing rights are retained but

who is precluded from erecting any building without the consent of the holder (or, if such consent is unreasonably withheld,

without the consent of the Minister).

An owner or occupier of any land subject to a mineral right may apply to the holder of the mineral right for compensation and

the amount of the compensation shall, subject to the approval of the land valuation board, be determined by agreement between the parties concerned (or, if they are unable to reach agreement, by the Minister of Mines in consultation with the land

valuation board). The Land Valuation Board has in the past increased amounts of compensation payable to owners and

occupiers. The holder, in the exercise of his rights, is required to have due regard to the effect of the mineral operations on the

environment and is to take such steps as may be necessary to prevent pollution of the environment as a result of such operations.

A range of activities and breaches of the Mining Law, including obstructing the government from exercising its pre-emption

right and conducting mining, prospecting or related activities otherwise than in accordance with the Mining Law, constitute

offences punishable by fine or imprisonment. The maximum fine is 500,000 cedis (at the current exchange rate, equivalent to

approximately \$50) and the maximum term of imprisonment is two years.







77

**Mining properties:** The current mining lease for the Obuasi area was granted by the government of Ghana on March 5, 1994.

It grants mining rights to land with an area of approximately 334 square kilometers in the Amansie East and Adansi West districts of the Ashanti region for a term of 30 years from the date of the agreement. In addition, the application for a mining lease over the adjacent 140 square kilometers has also been granted resulting in the total area under mining lease conditions increasing to 474 square kilometers, the Lease Area. The company is required to pay to the government of Ghana rent (subject to review every five years, when the rent may be increased by up to 20 percent) at a rate of approximately \$5 per square kilometers and such royalties as are prescribed by legislation, including royalties on timber felled within the Lease Area.

Bibiani had title to a 50 square kilometers mining lease for a period of 30 years to May 18, 2027. The terms and conditions of the lease are consistent with similar leases granted in respect of Obuasi. With effect from October 1, 2001, the Bibiani mining lease was transferred to Ashanti Goldfields Company Limited from Ashanti Goldfields (Bibiani) Limited.

Iduapriem Mining Lease: The company has title to the 33 square kilometers Iduapriem mining lease granted on April 19, 1989 for a period of 30 years. The terms and conditions of the lease are consistent with similar leases granted in respect of the Obuasi mining lease.

Teberebie has two leases, one granted in February 1998 for a term of 30 years, and another granted in June 1992 for a term of 26 years. The terms and conditions of these leases are consistent with similar leases granted in respect of the Obuasi mining lease.

**Proposed amendment to mining law:** A bill has been drafted which, if enacted, will replace and repeal the existing Minerals and Mining Law 1986 and all other regulations under it. The bill may never be enacted or, if enacted, might be enacted with substantial modifications. For the most part the bill consolidates with modifications the existing law.

The key material modifications to the current regime proposed in the current draft are:

- the right of the government to acquire a 10 percent 'free-carried' interest in a mining company is to be amended so that in future it will be acquired on terms prescribed or on terms to be agreed; the bill does not currently prescribe any terms. In addition, the right of the government to acquire a further 20 percent interest in the rights and obligations of the mineral operations in relation to mineral rights is to be deleted;
- provisions for stability agreements to be entered into by the Minister of Mines, on behalf of the Republic, with approval of parliament to ensure that the holders of mining rights are not adversely affected by changes in law for a period of 15 years

and for development agreements to be entered into, with the approval of parliament between the Minister of Mines, on behalf of the Republic, and a mining company where the proposed investment is greater than \$500 million to deal with, in

addition to matters relating to environmental liabilities the exercise of discretion and settlement of disputes;

- compensation principles for disturbance of an owner's surface rights;
- proposals that royalties are payable by the holder of a mining lease at a rate of 4 percent to replace the existing sliding scale of 3-12 percent for gold produced from its mining operations; and
- although the right of the government to be issued with a special share in a mining company still exists, the consent of the special shareholder will only be required for the disposal of a mining lease and/or material assets, which are situated in

Ghana.

### **Guinea**

In Guinea, all mineral substances are the property of the state. Mining activities are primarily regulated by the Mining Code,

1995. The right to undertake mining operations can only be acquired by virtue of one of the following mining titles: surveying

permit, small-scale mining license, mining prospecting license, mining license or mining concession.

The holders of mining titles are guaranteed the right to dispose freely of their assets and to organize their enterprises as they

wish, the freedom to engage and discharge staff in accordance with the regulations in force, free movement of their staff and

their products throughout Guinea and freedom to dispose of their products in international markets.

The group's Guinea subsidiary, Société Ashanti Goldfields de Guinée (SAG), has title to the Siguiri mining concession area

which was granted on November 11, 1993 for a period of 25 years. The agreement provides for an eventual extension/renegotiation after 23 years for such periods as may be required to exhaust economic ore reserves.

78

The original area granted encompassed 8,384 square kilometers which the subsidiary was required to reduce to five or fewer single blocks of not less than 250 square kilometers per block totaling not more than 1,500 square kilometers by November 11, 1996. The retrocession reduced the Siguiiri concession area to four blocks totaling 1,495 square kilometers.

SAG has the exclusive right to explore and mine in the remaining Siguiiri concession area for a further 22-year period from November 11, 1996 under conditions detailed in a Convention de Base predating the new Guinea Mining Code.

Key elements of the Convention de Base are:

- the government of Guinea holds a 15 percent free-carried or non-contributory interest; a royalty of 3 percent is payable on the value of gold exported; a local development tax of 0.4 percent is payable on the gross sales revenues; salaries of expatriate employees are subject to a 10 percent income tax; mining goods imported into Guinea are exempt from all import taxes and duties for the first two years of commercial production; and
- SAG is committed to adopt and progressively implement a plan for the effective rehabilitation of the mining areas disturbed or affected by operations.

The Convention de Base is subject to early termination if both parties formally and expressly agree to do so, if all project activities are voluntarily suspended for a continuous period of eight months or are permanently abandoned by our subsidiary or if SAG goes into voluntary liquidation or is placed into liquidation by a court of competent jurisdiction.

In addition to the export tax payable to the government of Guinea, a royalty on production may be payable to the International Finance Corporation (IFC) and to Umicore SA, formerly Union Miniere (UM). Pursuant to the option agreement between the UM and Golden Shamrock Mines Limited (GSM), a royalty on production may be payable to UM by Chevaning Mining Company Limited (CMC) or GSM, which payment obligation has been assigned to AngloGold Ashanti (Ghana) Limited, on a sliding scale between 2.5 percent and 7.5 percent, based on the spot gold price per ounce between \$350 and \$475, subject to indexation from January 1, 1995, to a cumulative maximum of \$60 million. In addition, under the terms of the restructuring agreement with the IFC, a sliding scale royalty on production may be payable to the IFC calculated on the same basis but at half the rate payable to UM, to a maximum of \$7.8 million.

### **Mali**

Mineral rights in Mali are governed by the Mining Act and Regulations promulgated in 1991. Exploration is carried out under permits granted by Ministerial Decree following application to the National Director of Geology and Mines from the Ministry of Mines, Energy and Water conveying exclusive title to conduct exploration. The permit is valid for a three-year period and is renewable twice. A company applying (in an area it selected) for such a permit must provide proof of technical and financial

capabilities.

An exploitation permit is required to mine a deposit located within the exploration area. This permit grants exclusive title to mine for a maximum period of 30 years (inclusive of renewals) and is granted by the council of ministers following application to the national director of mines.

Both permits referred to above include a Mining Convention (convention d'établissement) covering exploration, mining, treatment and marketing in a comprehensive document. This outlines the general conditions with regard to exploration (work program, fiscal and customs regime) and exploitation (formation of a local limited liability company and mining company, State shareholdings, the fiscal and customs regime during construction and exploitation phases, exchange controls, marketing of the product, accounting regime, training programs for local labor, protection of the environment, reclamation, safety, hygiene, and settlement of disputes).

Application for an exploration permit is submitted to the national director of mines based on various documents, including applicant identification, locations, receipts for payment of fixed rights and surface fees, and articles of association, together with a draft mining convention. An inter-ministerial committee examines the applications and one company is retained to do the exploration. This company then negotiates a draft of the Mining Convention and the Minister of Mines grants the exploration permit by an in-house decree published in the Malian Gazette.

79

Once an economically viable deposit has been identified, an application for an exploitation permit is submitted to the national director of mines. This application must be made prior to the expiry of the exploration permit. The application document must contain a map and coordinates, a receipt for payment of fixed rights and surface fees and a summary of technical and financial capabilities. The exploitation title is granted following a thorough investigation.

AngloGold Ashanti has complied with all applicable requirements and the relevant permits have been issued. Morila, Sadiola and Yatela have 30-year permits which expire in 2029, 2024 and 2030, respectively.

### **Namibia**

Mineral rights in Namibia vest in the State. In order to prospect or mine, the Ministry of Mines and Energy initially grants a prospecting license and on presentation of a feasibility study, a mining license is then granted taking into account the abilities

of the company, including mining, financial and technical capabilities, rehabilitation programs and payment of royalties. The

relevant license has been granted to AngloGold Namibia (Pty) Ltd in respect of its mining and prospecting activities in Namibia.

The current 15-year license which was to expire in 2003 has been renewed and extended for another 15 years to 2018.

### **South Africa**

*The Mineral and Petroleum Resources Development Act:* In October 2002, the president of South Africa assented to the

Mineral and Petroleum Resources Development Act (MPRDA), which was passed by the parliament of South Africa in June

2002 and came into effect on May 1, 2004. The MPRDA vests custodianship of South Africa's mineral rights in the State, which

will issue prospecting rights or mining rights to applicants in the future. Additionally, for details relating to the MPRDA and

associated broad-based socio-economic empowerment charter and related scorecard, as well as AngloGold Ashanti's progress in converting existing rights in terms of the new legislation, see "Item 3D.: Risk Factors".

### **Tanzania**

Mineral rights in the United Republic of Tanzania are governed by the Mining Act of 1998, and property and control over

minerals are vested in the United Republic of Tanzania. Prospecting for the mining of minerals, except petroleum, may only be

conducted under authority of a mineral right granted by the Ministry of Energy and Minerals under this Act.

The three types of mineral rights most often encountered, which are also those applicable to AngloGold Ashanti, are:

- prospecting licenses;
- retention licenses; and
- mining licenses.

A prospecting license grants the holder thereof the exclusive right to prospect in the area covered by the license for all minerals, other than building and gemstones, for a period of three years. Thereafter, the license is renewable for two further

periods of two years each. On each renewal of a prospecting license, 50 percent of the area covered by the license must be relinquished. Before applying for a prospecting license a prospecting reconnaissance with a maximum of 5,000 square kilometers is issued for a period of two years after which a three-year prospecting license is applied for. A company applying for a prospecting license must, inter alia, state the financial and technical resources available to it. A retention license can also be requested from the Minister, after the expiration of the 3-2-2 year prospecting license period, for reasons ranging from funds to technical.

Mining is carried out through either a mining license or a special mining license, both of which confer on the holder thereof the exclusive right to conduct mining operations in or on the area covered by the license. A mining license is granted for a period of 10 years and is renewable for a further period of 10 years. A special mining license is granted for a period of 25 years and is renewable for a further period of 25 years. If the holder of a prospecting license has identified a mineral deposit within the prospecting area which is potentially of commercial significance, but it cannot be developed immediately by reason of technical constraints, adverse market conditions or other economic factors of a temporary character, it can apply for a retention license which will entitle the holder thereof to apply for a special mining license when it sees fit to proceed with mining operations.

A retention license is valid for a period of five years and is thereafter renewable for a single period of five years. A mineral right may be freely assigned by the holder thereof to another person, except for a mining license, which must have the approval of the Ministry to be assigned.



80

However, this approval requirement for the assignment of a mining license will not apply if the mining license is assigned to an affiliate company of the holder or to a financial institution or bank as security for any loan or guarantee in respect of mining operations.

A holder of a mineral right may enter into a development agreement with the Ministry to guarantee the fiscal stability of a long-term mining project and make special provision for the payment of royalties, taxes, fees and other fiscal imposts.

AngloGold Ashanti has complied with all applicable requirements and the relevant licenses have been issued for 25 years and expire in 2024.

### **United States of America**

Mineral rights, as well as surface rights, in the United States of America are owned by private parties, state governments and the federal government. Most land prospective for precious metals exploration, development and mining are owned by the federal government and are obtained through a system of self-initiated mining claim location pursuant to the General Mining Law of 1872, as amended.

Individual states typically follow a lease system for state-owned minerals. Private parties have the right to sell, lease or enter into other agreements, such as joint ventures, with respect to minerals that they own or control. All mining activities, regardless of whether they are situated on privately- or publicly-owned lands, are regulated by a myriad of federal, state and local laws, regulations, rules and ordinances, which address various matters including environmental protection, mitigation and rehabilitation.

Authorizations and permits setting forth the activities and restrictions pertaining thereto are issued by the responsible governmental agencies at all phases of mining activities.

The Cripple Creek & Victor Gold Mining Company joint venture is almost entirely comprised of owned patented mining claims from public lands, with a small percentage of private and state lands being leased. The total area of control is approximately 7,100 acres. Patented claims vest ownership in the holder, including the right to mine for an indefinite tenure. All life-of-mine reserves are within these property controls. The mining and rehabilitation permits issued by the State of Colorado are life-of-mine permits.

An agreement was announced on February 27, 2003 wherein AngloGold entered into a purchase and sale agreement with Queenstake for its interest in the Jerritt Canyon Joint Venture. The agreement included, inter alia that Queenstake accept full closure and rehabilitation and other liabilities. The transaction was concluded effective June 30, 2003. When held

prior to this date, the Jerritt Canyon Joint Venture property control consisted of owned or leased unpatented mining claims covering 58,000 acres of public lands, and owned or leased property covering 21,000 acres of private lands. Ownership of unpatented mining claims for public lands and ownership of private lands provided the joint venture with the right to mine for an indefinite tenure. Leases of public or private property rights to the joint venture also conveyed full mining rights and included terms, which were indefinitely extended so long as operations continued. All life-of-mine reserves were within those property controls. The mining and rehabilitation permits issued by the State of Nevada and the US Forest Service were life-of-mine permits.

### **Ore Reserves**

The tables below set out the group's proven and probable ore reserves as of December 31, 2004 and 2003, in both imperial and metric units.

Ore reserve estimates in this annual report on Form 20-F are reported in accordance with the requirements of the SEC's Industry Guide 7. Accordingly, as of the date of reporting, all reserves are planned to be mined out under the life-of-mine plans within the period of AngloGold Ashanti's existing rights to mine, or within the time period of assured renewal periods of AngloGold Ashanti's rights to mine. In addition, as of the date of reporting, all reserves are covered by required permits and governmental approvals. See "Item 4B.: Business overview — Rights to mine and title to properties", "— Safety and Health", and "Item 4D.: Property, plant and equipment".

81

AngloGold Ashanti has standard procedures for the estimation of ore reserves. These standard procedures are performed by technical personnel at the mining operations and reviewed by regional and corporate competent persons. In the case of its underground mines, the procedure is as follows: Firstly, gold content and tonnage are estimated for in-situ mineralized material at a mining operation. This mineralized material is not necessarily economically viable. Exclusions on the grounds of safety (for example, stability pillars, shaft pillars) are then defined. Grade and tonnage curves specific for each of the deposits, in conjunction with the cost structure, yield, mine call factor and ore reserves of the operation and gold price estimates are used to determine an optimal mining mix. This process facilitates the determination of the average grade to be mined by each operation. This grade is then applied to the grade-tonnage curves, which in turn facilitates the determination of the cut-off grade and ore reserve tonnage for the operation. A full mine design is carried out on the blocks of mineralized material, excluding large mining areas that do not meet the cut-off grade criterion. This mining plan is reviewed to ensure that it satisfies the economic criterion and practical limitations of access and timing. If the review process is positive then the mineralized material (with dilution) included in the mining plan is declared and published as the ore reserve for that operation.

In the case of open-pit mines the procedure is as follows: revenue and costs are calculated for each mining block within a three-dimensional model of the orebody using assumed values for gold price, operating costs, metallurgical recoveries and slope angles. An optimization process is then applied to determine all the blocks combined within the model that makes a positive contribution under these assumptions. Within this process, a cut-off grade is applied which determines the ore blocks to be treated and included in the ore reserves. These blocks are scheduled with consideration being given to practical mining considerations and limitations. Scheduled ore blocks that are classified as proven or probable constitute the ore reserve.

For 2004, ore reserves (with the exception of Boddington), were determined assuming a gold price of \$375 per ounce and exchange rates of ZAR7.86 = \$1 and A\$1.43 = \$1.

This compares with the 2003 prices used as follows:

- AngloGold Ashanti's South African assets, ore reserves were determined assuming a gold price of \$350 per ounce and an exchange rate of ZAR7.00 = \$1.
- in respect of assets in Mali, Namibia and Tanzania, ore reserves were determined assuming a gold price of \$350 per ounce.
- in respect of assets in Argentina and Brazil, ore reserves were determined assuming a gold price of \$350 per ounce, with the exceptions of Cerro Vanguardia, as well as certain parts of Morro Velho, namely Engenho D'Agua and Córrego do Sítio. The ore reserves for Cerro Vanguardia, Engenho D'Agua and Córrego do Sítio were determined at \$325 per ounce.
- ore reserves for Cripple Creek & Victor in the USA were determined assuming a gold price of \$325 per ounce.

- Ore reserves for the Australian assets were determined assuming a gold price of \$234 per ounce and at an exchange rate of A\$1 = \$0.55 for Boddington (based upon the gold price and exchange rate assumed for the 2000 feasibility study) and at \$350 per ounce and an exchange rate of A\$1 = \$0.63 for Sunrise Dam. Sensitivities, conducted using the three-year historical average gold price in local currencies, where applicable, indicate that there is no material difference to the ore reserves as stated below. These prices are ZAR90,000 per kilogram in South Africa, A\$550 per ounce in Australia and \$325 per ounce elsewhere.

The ore reserve estimates in this document include ore reserves below current infrastructure in the case of certain South African mines.

However, these ore reserves have been determined based upon completed pre-feasibility studies.

It should be noted that in Australia and South Africa, AngloGold Ashanti is legally required to publicly report Ore Reserves and Mineral

Resources according to the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC 2004) and the South

African Code for Reporting of Mineral Resources and Ore Reserves (SAMREC 2000). The SEC's Industry Guide 7 does not recognize

Mineral Resources. Accordingly, AngloGold does not report estimates of Mineral Resources in this annual report on Form 20-F.

As with the 2003 report, tonnage and grades are reflected on a delivered-to-mill basis. The gold content estimate will be

affected by losses (and gains) in three main areas: differences arising out of statistical and sampling variation; dilution in the

mining and transport processes and metallurgical recovery process losses. These factors operate independently of one another.

82

AngloGold Ashanti's ore reserves as at December 31, 2004 were 78.9 million ounces. Depletion during the year totaled 7.6 million ounces. The ore reserves in respect of the AngloGold assets alone decreased from 63.1 million ounces as at December 31, 2003 to 60.9 million ounces as at December 31, 2004. The effect of the Business Combination of AngloGold with Ashanti was therefore to increase ore reserves by 20.3 million ounces.

Ore reserves have been determined at a gold price of \$375 per ounce, with sensitivities at \$350 per ounce and \$400 per ounce. In determining the economic parameters to be used, AngloGold Ashanti has been guided by the preferred position of the SEC, whereby the economic parameters used are based on a three-year historical average. In respect of AngloGold Ashanti's South African and Australian assets, exchange rates of ZAR7.86 = \$1 and A\$1.43 = \$1 respectively have been assumed. The ore reserves are relatively insensitive to changes in gold price and exchange rates of up to 10 percent, positive or negative.

The principal changes in AngloGold Ashanti's ore reserves as at December 31, 2004 compared with those published as at

December 31, 2003, for reasons other than depletion, are as follows:

- an increase of 1.2 million ounces at Kopanang with Edom now being included;
- an increase of 1.1 million ounces at Geita due to extensions to the Nyankanga, Lone Cone and Geita Hill orebodies resulting from additional drilling. A planned relocation of the Nyankanga storm water diversion channel has allowed for an additional cutback;
- an increase of 0.9 million ounces at AngloGold Ashanti Mineração due to new drilling information which resulted in the reclassification of the ore reserves at Cuiabá down to 15 level;
- an increase of 0.8 million ounces at Great Nologwa due to the inclusion of the SV2 pillars;
- an increase of 0.6 million ounces at Moab Khotsong due to increased area to be mined and values;
- an increase of 0.4 million ounces at CC&V due to the inclusion of the Wildhorse Extension;
- an increase of 0.2 million ounces at Siguiri due to additions of the Kami North and Eureka North pits, and the planned treatment of low grade stockpiles;
- an increase of 0.2 million ounces at Savuka due to ground being transferred from TauTona;
- a decrease of 1.2 million ounces at Obuasi due to the removal of remnant blocks, the Anyankyriem surface reserves and additional drilling information;
- a decrease of 0.6 million ounces at Tau Lekoa due to the exclusion of the Above 800 Project;
- a decrease of 0.6 million ounces at Iduapriem/Teberebie due to the removal of the A Zone;
- a decrease of 0.4 million ounces at TauTona due to reserves transferred to Savuka and a lower Mine Call Factor;
- and
- a decrease of 0.3 million ounces due to the sale of Freda-Rebecca.

AngloGold Ashanti will continue to pursue a strategy of increasing value-adding reserves through expansion projects, brownfields and greenfields exploration and acquisition of new assets.

#### **Audit of 2003 mineral resource and ore reserve statement**

During the course of the year, the AngloGold Ashanti 2003 mineral resource and ore reserve statement were submitted

to independent consultants for review. The mineral resources and ore reserves from eight of AngloGold Ashanti's global operations were randomly selected and subjected to review. The company has been informed that the audit identified no material shortcomings in the process by which AngloGold Ashanti's reserves and resources were evaluated. It is the company's intention to repeat this process so that all its operations will be audited over a three-year period. The audit of those operations selected for review during 2005 is currently in progress.

AngloGold Ashanti's ore reserve statements have been prepared by the competent persons who manage AngloGold Ashanti's ore reserves. See "Item 6.: Directors, senior management and employees".

83

**Ore Reserves: Imperial**

**At December 31, 2004**

**Proven Ore Reserves**

(1)

**Probable Ore Reserves**

(1)

**Metallurgical**

**Gold**

**Gold**

**Recovery**

**Tons      Grade**

**Content**

(1)

**Tons      Grade**

**content**

(1)

**Factor**

(mill)

(oz/ton)

(mill oz)

(mill)

(oz/ton)

(mill oz)

%

**South Africa**

*West Wits*

Mponeng

(2)

2.8

0.267

0.8

22.8

0.262

6.0

98.5

Savuka

0.1

0.191

0.0

1.9

0.214

0.4

97.6

TauTona

(2)

1.1

0.353

0.4

16.5

0.318

5.2

97.8

***Vaal River***

Great Noligwa

9.9

0.245

2.4

12.0

0.262

3.1

97.2

Kopanang

(6)

3.2

0.212

0.7

25.3

0.210

5.3

97.9

Moab Khotsong

(2) (3)

0.1

0.198

0.0

21.9

0.412

9.0

97.8

Tau Lekoa

5.8

0.128

0.7

19.4

0.112

2.2

96.7

***Surface***

Surface sources

6.1

0.018

0.1

163.5

0.017

2.8

74.3

Ergo

5.0

0.011

0.1

—



—  
—  
55.5

**Argentina**

Cerro Vanguardia (92.5%)

(4)  
0.7  
0.291  
0.2  
6.9  
0.200  
1.4  
95.2

**Australia**

Boddington (33.33%)

(4)  
45.7  
0.027  
1.3  
97.5  
0.024  
2.4  
83-92

(5)  
Sunrise Dam

4.8  
0.112  
0.5  
15.6  
0.127  
2.0  
82-90

(5)

**Brazil**

AngloGold Ashanti Mineração  
(formerly Morro Velho)

2.1	0.202			
0.4	8.8	0.222	1.9	87-92.9

Serra Grande (50%)

(4)  
1.5  
0.179  
0.3  
0.8  
0.211  
0.2  
92.9-96.1

(5)

**Ghana**

Bibiani

6.2

0.036

0.2

2.4

0.100

0.2

85-95

Iduapriem (85%)

(4)

27.8

0.053

1.5

5.9

0.054

0.3

94.5

Obuasi

15.7

0.086

1.3

40.0

0.206

8.2

75-85

**Guinea**

Siguiri (85%)

(4)

23.9

0.022

0.5

36.0

0.032

1.2

77-93

**Mali**

Morila (40%)

(4)

5.3

0.099

0.5

6.1

0.084

0.5

91

Sadiola (38%)

(4)

2.7

0.052

0.1

7.9

0.098

0.8

76-95

(5)

Yatela (40%)

(4)

0.9

0.054

0.0

2.5

0.122

0.3

75-85

(5)

**Namibia**

Navachab

1.0

0.032

0.0

7.6

0.060

0.5

81-95

(5)

**Tanzania**

Geita

26.9

0.088

2.4

50.9

0.131

6.7

47-95

(5)

**United States of America**

Cripple Creek & Victor

52.8

0.031

1.6

81.5

0.027

2.2

61

**Total**

**252.0**

**0.064**

**16.2**

**653.4**

**0.096**

**62.7**

(1)

*Ore reserves include marginally economic and diluting materials delivered for treatment and allow for losses that may occur during mining.*

(2)

*Probable ore reserves include reserves below infrastructure. See table below.*

(3)

*Negligible proven ore reserves as the mine is still in the development stage.*

(4)

*Ore reserves attributable to AngloGold Ashanti's percentage interest shown.*

(5)

*Recovery factor varies according to ore type.*

(6)

*Edom has been included, pending approval of a mining license.*

The 2004 probable ore reserves include reserves below infrastructure in the case of the following South African mines:

**Mine**

**Tons (millions)**

**Grade (ounces/ton)**

**Gold (million ounces)**

Mponeng	5.5
0.265	
1.5	
TauTona	4.8
0.309	
1.5	
Moab Khotsong	
11.2	
0.362	
4.1	
Total	21.5
0.325	
7.1	

The ore reserves in respect of the remaining AngloGold Ashanti mines do not include any undeveloped ore reserves.





84

**Ore Reserves: Imperial  
At December 31, 2003**

**Proven Ore Reserves**

(1)

**Probable Ore Reserves**

(1)

**Metallurgical**

**Gold**

**Gold**

**Recovery**

**Tons**

**Grade**

**Content**

(1)

**Tons            Grade  
content**

(1)

**Factor**

**(mill)    (oz/ton)    (mill**

**oz)    (mill)**

**(oz/ton)    (mill**

**oz)**

**%**

**South Africa**

*West Wits*

Mponeng

(2)

3.1

0.255

0.8

25.1

0.263

6.6

98.2%

Savuka

0.4

0.198

0.1

1.2

0.197

0.3

97.7%

TauTona

(2)

1.8

0.382

0.7

18.0

0.327

5.9

97.8%

**Vaal River**

Great Nologwa

4.4

0.276

1.2

16.4

0.267

4.4

96.5%

Kopanang

(7)

3.7

0.202

0.8

21.8

0.210

4.6

96.9%

Moab Khotsong

(2) (3)

—

0.455

—

17.2

0.438

7.5

97.7%

Tau Lekoa

8.2

0.147

1.2

22.7

0.116

2.6

96.4%

**Surface**

Surface sources (including Ergo)

38.7

0.012

0.5

169.3

0.016

2.8

53.2-74.3%

(5)

**Argentina**

Cerro Vanguardia (92.5%)

(4)

7.4

0.214



1.6  
0.6  
0.296  
0.2  
95.8%

**Australia**

Boddington (33.33%)

(4)  
45.7  
0.027  
1.3  
97.4  
0.024  
2.4  
83-92%

(6)  
Sunrise Dam

6.0  
0.121  
0.7  
18.6  
0.126  
2.3  
80 - 85%

(6)

**Brazil**

AngloGold Ashanti Mineração

(formerly Morro Velho)

2.5  
0.229  
0.6  
5.7  
0.205  
1.2  
92.8%

Serra Grande (50%)

(4)  
1.8  
0.180  
0.3  
0.7  
0.221  
0.1  
93.2 – 96.6%

(6)

**Mali**

Morila (40%)

(4)  
4.9  
0.104  
0.5

6.5  
0.113  
0.7  
92%  
Sadiola (38%)  
(4)  
2.8  
0.056  
0.2  
8.5  
0.103  
0.9  
82 - 95%  
(6)  
Yatela (40%)  
(4)  
1.0  
0.033  
—  
3.7  
0.112  
0.4  
75-85%  
(6)  
**Namibia**  
Navachab  
1.4  
0.040  
0.1  
11.1  
0.053  
0.6  
87-92%  
(6)  
**Tanzania**  
Geita (50%)  
(4)  
15.7  
0.096  
1.5  
23.3  
0.122  
2.8  
47.1–95.3%  
(6)  
**United States of America**  
Cripple Creek & Victor  
59.4  
0.037  
2.2  
71.3

0.025

1.8

64%

**Total**

**208.9**

**0.067**

**14.1**

**542.8**

**0.090**

**49.0**

(1)

*Ore reserves include marginally economic and diluting materials delivered for treatment and allow for losses that may occur during mining.*

(2)

*Probable ore reserves include reserves below infrastructure. See table below.*

(3)

*Negligible proven ore reserves as the mine is still in the development stage.*

(4)

*Ore reserves attributable to AngloGold's percentage interest shown.*

(5)

*Varies between Ergo (53 percent) and other surface sources (74 percent).*

(6)

*Recovery factor varies according to ore type.*

(7)

*Edom has been included, pending approval of a mining license.*

The 2003 probable ore reserves include reserves below infrastructure in the case of the following South African mines:

**Mine**

**Tons (millions)**

**Grade (ounces/ton)**

**Gold (million ounces)**

Mponeng

8.0

0.275

2.2

TauTona

4.9

0.306

1.5

Moab Khotsong

8.8

0.394

3.5

Total

21.7

0.328

7.2

The ore reserves in respect of the remaining AngloGold mines do not include any undeveloped ore reserves.





85

**Ore Reserves: Metric  
At December 31, 2004**

**Proven Ore Reserves**

(1)

**Probable Ore Reserves**

(1)

**Metallurgical**

**Gold**

**Gold**

**Recovery**

**Tonnes      Grade      Content**

**Tonnes**

**Grade**

**Content**

**Factor**

**(mill)**

**(g/t)**

**(tonnes)**

**(mill)**

**(g/t)**

**(tonnes)**

**%**

**South Africa**

*West Wits*

Mponeng

(2)

2.6

9.16

23.4

20.7

8.98

185.4

98.5

Savuka

0.1

6.56

0.6

1.7

7.35

12.3

97.6

TauTona

(2)

1.0

12.10

12.0

14.9

10.89

162.6

97.8

***Vaal River***

Great Noligwa

9.0

8.39

75.2

10.8

8.97

97.3

97.2

Kopanang

(6)

2.9

7.27

21.0

22.9

7.21

165.6

97.9

Moab Khotsong

(2) (3)

0.1

6.80

0.6

19.8

14.13

280.1

97.8

Tau Lekoa

5.2

4.40

23.0

17.6

3.86

67.9

96.7

***Surface***

Surface sources

5.6

0.61

3.4

148.3

0.58

85.6

74.3

Ergo

4.5

0.36

1.6

—

—

—

55.5

**Argentina**

Cerro Vanguardia (92.5%)

(4)

0.6

9.99

6.0

6.2

6.87

42.9

95.2

**Australia**

Boddington (33.33%)

(4)

41.5

0.94

39.0

88.4

0.84

74.3

83-92

(5)

Sunrise Dam

4.3

3.83

16.6

14.1

4.36

61.6

82-90

(5)

**Brazil**

AngloGold Ashanti Mineração

(formerly Morro Velho)

1.9

6.92

12.9

8.0

7.62

60.6

87-92.9

Serra Grande (50%)

(4)

1.4

6.13

8.5

0.7

7.22

4.9

92.9-96.1

(5)



**Ghana**

Bibiani

5.6

1.23

6.9

2.2

3.43

7.5

85-95

Iduapriem (85%)

(4)

25.2

1.81

45.5

5.4

1.85

9.9

94.5

Obuasi

14.2

2.95

41.9

36.3

7.05

255.6

75-85

**Guinea**

Siguiri (85%)

(4)

21.6

0.77

16.6

32.7

1.10

35.9

77-93

**Mali**

Morila (40%)

(4)

4.8

3.39

16.1

5.5

2.87

15.9

91

Sadiola (38%)

(4)

2.5

1.80

4.5

7.2  
 3.37  
 24.2  
 76-95  
 (5)  
 Yatela (40%)  
 (4)  
 0.8  
 1.86  
 1.5  
 2.3  
 4.18  
 9.6  
 75-85  
 (5)  
**Namibia**  
 Navachab  
 0.9  
 1.09  
 1.0  
 6.9  
 2.06  
 14.2  
 81-95  
 (5)  
**Tanzania**  
 Geita  
 24.4  
 3.01  
 73.7  
 46.2  
 4.49  
 207.4  
 47-95  
 (5)  
**United States of America**  
 Cripple Creek & Victor  
 47.9  
 1.07  
 51.2  
 73.9  
 0.94  
 69.4  
 61  
**Total** **228.6**  
**2.20**  
**502.7**  
**592.8**  
**3.29**  
**1,950.8**  
 (1)

*Ore reserves include marginally economic and diluting materials delivered for treatment and allow for losses that may occur during mining.*

(2)

*Probable ore reserves include reserves below infrastructure. See table below.*

(3)

*Negligible proven ore reserves as the mine is still in the development stage.*

(4)

*Ore reserves attributable to AngloGold Ashanti's percentage interest shown.*

(5)

*Recovery factor varies according to ore type.*

(6)

*Edom has been included, pending approval of a mining license.*

The 2004 probable ore reserves include reserves below infrastructure in the case of the following South African mines:

**Mine**

**Tons (millions)**

**Grade (ounces/ton)**

**Gold (million ounces)**

Mponeng	5.0
9.09	
45.6	
TauTona	4.4
10.61	
46.6	
Moab Khotsong	
10.2	
12.40	
126.6	
Total	19.6
11.15	
218.8	

The ore reserves in respect of the remaining AngloGold Ashanti mines do not include any undeveloped ore reserves.

86

**Ore Reserves: Metric**

**At December 31, 2003**

**Proven Ore Reserves**

(1)

**Probable Ore Reserves**

(1)

**Metallurgical**

**Gold**

**Gold**

**Recovery**

**Tonnes**

**Grade**

**Content**

**Tonnes**

**Grade**

**Content**

**Factor**

**(mill)**

**(g/t)**

**(tonnes)**

**(mill)**

**(g/t)**

**(tonnes)**

**%**

**South African operations**

**South Africa**

**West Wits**

Mponeng

(2)

2.8

8.74

24.5

22.8

9.01

205.3

98.2%

Savuka

0.4

6.79

2.7

1.1

6.76

7.8

97.7%

TauTona

(2)

1.6

13.11

21.3

16.3

11.21

182.3

97.8%

**Vaal River**

Great Noligwa

4.0

9.46

37.6

14.9

9.16

136.1

96.5%

Kopanang

(7)

3.4

6.94

23.8

19.8

7.19

142.3

96.9%

Moab Khotsong

(2) (3)

—

15.59

0.4

15.6

15.03

234.5

97.7%

Tau Lekoa

7.4

5.05

37.2

20.6

3.99

82.2

96.4%

**Surface**

Surface sources (including Ergo)

35.1

0.41

14.5

153.6

0.56

86.0

53.2-74.3%

(5)

**Argentina**

Cerro Vanguardia (92.5%)

(4)

6.7  
7.34  
49.1  
0.5  
10.16  
5.6  
95.8%

**Australia**

Boddington (33.33%)

(4)  
41.5  
0.94  
39.0  
88.4  
0.84  
74.3  
83-92%

(6)

Sunrise Dam

5.4  
4.16  
22.3  
16.9  
4.33  
72.9  
80-85%

(6)

**Brazil**

AngloGold Ashanti Mineração  
(formerly Morro Velho)

2.3  
7.84  
18.1  
5.2  
7.01  
36.2  
87-92.8%

Serra Grande (50%)

(4)  
1.6  
6.17  
10.2  
0.6  
7.59  
4.6  
93.2-96.6%

(6)

**Mali**

Morila (40%)

(4)  
4.4

3.55  
15.6  
5.9  
3.88  
22.9  
92%  
Sadiola (38%)

(4)  
2.5  
1.93  
4.8  
7.7  
3.53  
27.3  
82-95%

(6)  
Yatela (40%)  
(4)  
0.9  
1.12  
1.0  
3.4  
3.84  
12.9  
75-85%

(6)  
**Namibia**  
Navachab  
1.3  
1.38  
1.8  
10.1  
1.81  
18.2  
87-92%

(6)  
**Tanzania**  
Geita (50%)  
(4)  
14.2  
3.30  
46.8  
21.1  
4.17  
88.1  
47.1-95.3%

(6)  
**United States of America**  
Cripple Creek & Victor  
53.9  
1.26

67.7  
 64.7  
 0.87  
 56.1  
 64%  
**Total**  
**189.5**  
**2.31**  
**438.5**  
**492.4**  
**3.09**  
**1,523.5**

(1)  
*Ore reserves include marginally economic and diluting materials delivered for treatment and allow for losses that may occur during mining.*

(2)  
*Probable ore reserves include reserves below infrastructure. See table below.*

(3)  
*Negligible proven ore reserves as the mine is still in the development stage.*

(4)  
*Ore reserves attributable to AngloGold's percentage interest shown.*

(5)  
*Varies between Ergo (53 percent) and other surface sources (74 percent).*

(6)  
*Recovery factor varies according to ore type.*

(7)  
*Edom has been included, pending approval of a mining license.*

The 2003 probable ore reserves include reserves below infrastructure in the case of the following South African mines:

**Mine**  
**Tonnes (millions)**  
**Grade (grams/tonne)**  
**Gold content (tonnes million)**

Mponeng	
7.3	
9.21	
67.2	
TauTona	
4.4	
10.61	
46.7	
Moab Khotsong	
8.0	
13.50	
107.4	
Total	19.7
11.25	
221.3	

The reserves in respect of the remaining AngloGold mines do not include any undeveloped reserves.



87

**Stockpiles: Imperial**

Stockpiles are previously mined ore scheduled for future process plant feed. The proven and probable ore reserves include the following stockpile material:

**Stockpiles****(1)****At December 31, 2004****Tons (million)****Grade (ounces/ton)****Gold content (million ounces)****South Africa****West Wits**

Mponeng

0.000

– 0.000

Savuka

0.000

– 0.000

TauTona

0.000

– 0.000

Surface

**(2)**

0.000

– 0.000

**Vaal River**

Great Noligwa

0.000

– 0.000

Kopanang

0.000

– 0.000

Moab Khotsong

0.000

– 0.000

Tau Lekoa

0.000

– 0.000

**Surface**

Surface sources

**(2)**

169.634

0.017 2.861

Ergo

**(2)**

4.973

0.011 0.053

**Argentina**

Cerro Vanguardia (92.5%)

0.023	
0.490	0.011
<b>Australia</b>	
Boddington (33.33%)	
0.180	
0.024	0.004
Sunrise Dam	
1.706	
0.100	0.171
<b>Brazil</b>	
AngloGold Ashanti Mineração (formerly Morro Velho)	
0.048	
0.235	0.011
Serra Grande (50%)	
0.029	
0.273	0.008
<b>Ghana</b>	
Bibiani	
1.379	
0.052	0.071
Iduapriem (85%)	
0.546	
0.046	0.025
Obuasi	
0.000	
–	0.000
<b>Guinea</b>	
Siguiiri (85%)	
17.514	
0.017	0.296
<b>Mali</b>	
Morila (40%)	
3.340	
0.061	0.203
Sadiola (38%)	
2.748	
0.052	0.144
Yatela (40%)	
0.882	
0.054	0.048
<b>Namibia</b>	
Navachab	
1.045	
0.032	0.033
<b>Tanzania</b>	
Geita	
1.371	
0.036	0.050
<b>United States of America</b>	
Cripple Creek & Victor	

0.000

–

0.000

*Note: The rounding of figures and converting from metric to imperial units may result in minor computational discrepancies.*

- (1)  
*Attributable to AngloGold Ashanti.*
- (2)  
*Centralized operations treating material on surface that was previously generated by several underground operations.*

88

**Stockpiles: Imperial**

Stockpiles are previously mined ore scheduled for future process plant feed. The proven and probable ore reserves include the following stockpile material:

**Stockpiles****(1)****At December 31, 2003****Tons (million)****Grade (ounces/ton)****Gold content (million ounces)****South Africa*****West Wits***

Mponeng

0.000

-

0.000

Savuka

0.000

-

0.000

TauTona

0.000

-

0.000

Surface

**(2)**

0.000

-

0.000

***Vaal River***

Great Nologwa

0.000

-

0.000

Kopanang

0.000

-

0.000

Moab Khotsong

0.000

-

0.000

Tau Lekoa

0.000

-

0.000

***Surface***

Surface sources

**(2)**

175.641	
0.016	2.875
Ergo	
(2)	
32.384	
0.011	0.358
<b>Argentina</b>	
Cerro Vanguardia (92.5%)	
0.054	
0.167	0.009
<b>Australia</b>	
Boddington (33.33%)	
—	
—	
—	
Sunrise Dam	
0.667	
0.056	0.038
<b>Brazil</b>	
AngloGold Ashanti Mineração (formerly Morro Velho)	
0.000	
—	0.000
Serra Grande (50%)	
0.025	
0.284	0.007
<b>Mali</b>	
Morila (40%)	
1.182	
0.059	0.070
Sadiola (38%)	
2.728	
0.056	0.153
Yatela (40%)	
1.014	
0.033	0.033
<b>Namibia</b>	
Navachab	
1.450	
0.040	0.058
<b>Tanzania</b>	
Geita	
0.600	
0.060	0.036
<b>United States of America</b>	
Cripple Creek & Victor	
0.000	
—	0.000

*Note: The rounding of figures and converting from metric to imperial units may result in minor computational discrepancies.*

(1)

*Attributable to AngloGold.*

(2)  
*Centralized operations treating material on surface that was previously generated by several underground operations.*

89

**Stockpiles: Metric**

Stockpiles are previously mined ore scheduled for future process plant feed. The proven and probable ore reserves include the following stockpile material:

**Stockpiles****(1)****At December 31, 2004****Tonnes (million)****Grade (grams/tonne) Gold content (tonnes)****South Africa****West Wits**

Mponeng

0.000

– 0.000

Savuka

0.000

– 0.000

TauTona

0.000

– 0.000

Surface

**(2)**

0.000

– 0.000

**Vaal River**

Great Noligwa

0.000

– 0.000

Kopanang

0.000

– 0.000

Moab Khotsong

0.000

– 0.000

Tau Lekoa

0.000

– 0.000

**Surface**

Surface sources

**(2)**

153.889

0.580 88.983

Ergo

**(2)**

4.511

0.360 1.644

**Argentina**

Cerro Vanguardia (92.5%)

0.021

16.81 0.351

**Australia**

Boddington (33.33%)

0.000

– 0.000

Sunrise Dam

1.548

3.44 5.326

**Brazil**AngloGold Ashanti Mineração  
(formerly Morro Velho)

0.044

8.07 0.351

Serra Grande (50%)

0.027

9.37 0.249

**Ghana**

Bibiani

1.251

1.77 2.216

Iduapriem (85%)

0.496

1.57 0.778

Obuasi

0.000

– 0.000

**Guinea**

Siguiri (85%)

15.888

0.58 9.217

**Mali**

Morila (40%)

3.030

2.08 6.315

Sadiola (38%)

2.493

1.80 4.483

Yatela (40%)

0.800

1.86 1.485

**Namibia**

Navachab

0.948

1.09 1.029

**Tanzania**

Geita

1.244

1.25 1.549

**United States of America**

Cripple Creek &amp; Victor

0.000

– 0.000



- (1)  
*Attributable to AngloGold.*
- (2)  
*Centralized operations treating material on surface that was previously generated by several underground operations.*

90

**Stockpiles: Metric**

Stockpiles are previously mined ore scheduled for future process plant feed. The proven and probable ore reserves include the following stockpile material:

**Stockpiles****(1)****At December 31, 2003****Tonnes (million)****Grade (grams/tonne) Gold content (tonnes)****South Africa****West Wits**

Mponeng

0.000

– 0.000

Savuka

0.000

– 0.000

TauTona

0.000

– 0.000

Surface

**(2)**

0.000

– 0.000

**Vaal River**

Great Noligwa

0.000

– 0.000

Kopanang

0.000

– 0.000

Moab Khotsong

0.000

– 0.000

Tau Lekoa

0.000

– 0.000

**Surface**

Surface sources

**(2)**

159.339

0.56 89.423

Ergo

**(2)**

29.378

0.38 11.134

**Argentina**

Cerro Vanguardia (92.5%)

0.049

5.73

0.281

**Australia**

Boddington (33.33%)

0.000

– 0.000

Sunrise Dam

0.605

1.93

1.170

**Brazil**

AngloGold Ashanti Mineração

(formerly Morro Velho)

0.000

– 0.000

Serra Grande (50%)

0.023

9.75

0.224

**Mali**

Morila (40%)

1.072

2.03

2.175

Sadiola (38%)

2.475

1.93

4.773

Yatela (40%)

0.920

1.12

1.026

**Namibia**

Navachab

1.315

1.38

1.810

**Tanzania**

Geita

0.544

2.06

1.121

**United States of America**

Cripple Creek & Victor

0.000

– 0.000

(1)

*Attributable to AngloGold.*

(2)

*Centralized operations treating material on surface that was previously generated by several underground operations.*

91

**Drill hole spacing: Imperial**

In determining the proven and probable ore reserves, AngloGold Ashanti applied the following drill hole spacings:

**Drill Hole Spacings**

**Proven Ore Reserves**

**Probable Ore Reserves**

**South Africa**

Underground sources

Ore body opened up, developed and sampled on a 7 – 10 feet spacing on raise lines and on a 16 x 16 grid thereafter

From a 130 x 130 foot spacing up to 3200 x 3200 feet spacing

Surface sources

Variable sampling strategies: Belt samplers, cross stream residue samplers and bulk sampling campaigns

Variable sampling strategies: Belt samplers, cross stream residue samplers

**Argentina**

Cerro Vanguardia

16 x 41 feet

33 x 82 feet

**Australia**

Boddington

Must lie within the A\$425 shell and have a borehole within 56 feet of block centroid

Must lie within the A\$425 shell and have a borehole within 110 feet of block centroid

Sunrise Dam

82 x 82 feet

131 x 131 feet

**Brazil**

AngloGold Ashanti

Mineração

(formerly Morro Velho)

Two adjacent levels of ore body opened up, developed and sampled on a 217 x 7 feet interval. Drilling pattern of 196 x 65 feet for Cuiaba Expansion Project.

Two adjacent levels of ore body opened up, developed and sampled on a 217 x 7 feet interval. Drilling pattern of 196 x 65 feet for Cuiaba Expansion Project.

Serra Grande (50%)

49 x 98 feet

164 x 328 feet

**Ghana**

Bibiani

98 x 98 feet

197 x 197 feet

Iduapriem

164 x 164 feet

164 x 246 feet

Obuasi - Surface

66 x 66 feet

98 x 98 feet

Obuasi - Underground

66 x 66 feet

197 x 197 feet

**Guinea**

Siguiri

82 x 82 feet

82 x 82 feet

**Mali**

Morila

66 x 66 feet

131 x 131 feet

Sadiola

82 x 82 feet

82 x 164 feet

Yatela

82 x 82 feet

115 x 148 feet

**Namibia**

Navachab

41 x 41 feet

82 x 82 feet

**Tanzania**

Geita

66 x 66 feet

131 x 131 feet

**USA**

Cripple Creek & Victor

100 x 150 feet

100 x 100 feet

92

**Drill hole spacing: Metric**

In determining the proven and probable ore reserves, AngloGold Ashanti applied the following drill hole spacings:

**Drill Hole Spacings**

**Proven Ore Reserves**

**Probable Ore Reserves**

**South Africa**

Underground sources

Ore body opened up, developed and sampled on a 2 – 3 meter spacing on raise lines and on a 5 x 5 grid thereafter

From a 40 x 40 meter spacing up to 1000 x 1000 meter spacing

Surface sources

Variable sampling strategies: Belt samplers, cross stream residue samplers and bulk sampling campaigns

Variable sampling strategies: Belt samplers, cross stream residue samplers

**Argentina**

Cerro Vanguardia

5 x 12.5 meter

10 x 25 meter

**Australia**

Boddington

Must lie within the A\$425 shell and have a borehole within 17 meter of block centroid

Must lie within the A\$425 shell and have a borehole within 34 meter of block centroid

Sunrise Dam

25 x 25 meter

40 x 40 meter

**Brazil**

AngloGold Ashanti

Mineração

(formerly Morro Velho)

Two adjacent levels of ore body opened up, developed and sampled on a 66 x 2 meter interval. Drilling pattern of 60 x 20 for Cuiaba Expansion Project.

Two adjacent levels of ore body opened up, developed and sampled on a 66 x 2 meter interval

Serra Grande (50%)

15 x 30 meter

50 x 100 meter

**Ghana**

Bibiani

30 X 30 meter

60 x 60 meter

Iduapriem

50 x 50 meter

50 x 75 meter

Obuasi – Surface

20 x 20 meter

30 x 30 meter

Obuasi - Underground

20 x 20 meter

60 x 60 meter

**Guinea**

Siguiri

25 x 25 meter

25 x 25 meter

**Mali**

Morila

20 x 20 meter

40 x 40 meter

Sadiola

25 x 25 meter

25 x 50 meter

Yatela

25 x 25 meter

35 x 45 meter

**Namibia**

Navachab

12.5 x 12.5 meter

25 x 25 meter

**Tanzania**

Geita

20 x 20 meter

40 x 40 meter

**USA**

Cripple Creek & Victor

30.5 x 30.5 meter

30.5 x 30.5 meter

93

### Research and development

AngloGold Ashanti's approach to research and development is a combination of external private and collaborative research and in-house research based at the operations.

The prime external collaborative research programs include:

- electric drilling: progress was made towards the end of the final quarter of 2004 in several key performance areas.

As

drilling and blasting is the fundamental rock-breaking process in deep-level, narrow vein hard-rock mining, the overall objective of a more energy-efficient stope will need to rely on moving away from compressed air as the primary energy

source for this and several other in-stope activities;

- the AMIRA projects:

–

P9N which is essentially research into increasing efficiency comminution;

- P420c which is essentially research into the gravity and leaching characteristics of gold extraction from both free milling ores and refractory ores; and

–

P266d which is essentially research into improving the performance of thickeners.

- a University of British Columbia Canada project researching the use of thiosulphate as an alternative lixiviant to cyanide;

and

- the Mintek, Johannesburg, research project AuTEK, commissioned to develop new industrial uses for gold. The principal fields being catalysts, medical, biological and nanoparticle.

The primary in-house research programs being carried out in conjunction with private external technology suppliers are:

- open-pit wall stability design aspects (including risk analysis design) and continuous slope stability measurement;
- use of GPS systems for drill blast hole location, truck monitoring and management of ore placement on heaps;
- the engineering design enhancement to the New Era Loco, an operational energy modeling system;
- a chiller performance software program is being completed as the final outstanding research project within the FutureMine

Program;

- AngloGold Ashanti's wholly-owned subsidiary, ISS International Ltd, (ISSI), remains a world leader in seismic monitoring of mines, engineering structures and earthquakes. The company initiates and undertakes both broad-based and focused research and development in a continuing quest to enhance the safety of those working in mining by developing effective monitoring and warning technology systems. ISSI functions on the international stage and its involvement in seismic matters extends well beyond the mining environment;

- the mine-to-mill and variations of that theme to improve blasting efficiencies and effectiveness, monitor fragmentation and

improve energy efficiencies in process comminution practices. The objective is to reduce energy and costs and improve material-handling efficiencies; and

improve

- expert control systems in both the comminution circuits and leaching/gold recovery circuits.

A company-wide decision has been taken to comply with the International Cyanide Code. To this end, extensive cyanide

speciation studies have been conducted at the various plants in the South Africa region in conjunction with Mintek (a South



African metallurgical research centre) to determine, on both a macro- and a micro-scale, the environmental impacts of cyanide in the residue material. This has facilitated a clearer understanding of the environmental impacts of cyanide and has led to the implementation of a strategy to ensure compliance with the requirements of the International Cyanide Code. Cyanide management covers the areas of:

- consumption by installation of continuous cyanide and cyanide WAD measuring devices with process control base on a forward control loop;
- cyanide recovery using the Hannah process system;
- cyanide destruction using a number of proprietary processes; and
- cyanide destruction based on bacteria destruction of cyanide compound.

94

**Global exploration**

In 2004, AngloGold Ashanti's exploration activities continued to support the group's growth strategy, primarily to extend and replace existing production ounces by sustaining or growing existing operations (through brownfields exploration) and to discover new mines in new areas (through greenfields exploration). Activities are focused on finding long-life, economic orebodies by utilizing multi-disciplinary teams and appropriate state-of-the-art technology.

Exploration continued to focus around the group's operations in Argentina, Australia, Brazil, Ghana, Guinea, Tanzania, Mali, Namibia, South Africa and the USA. In the more mature exploration areas in Africa, Australia and Canada, the group's exploration activities were rationalized, however, there was increased emphasis on the group's new frontiers exploration strategy with exploration teams active in the Democratic Republic of Congo (DRC), Colombia, Alaska, South East Asia, China and Russia. During the year, efforts were also focused on the rationalization of the Ashanti and AngloGold exploration portfolios in Africa.

The outcome is a more balanced exploration portfolio consisting of mature and established areas and new prospective areas in underexplored regions. In line with this strategy, the following initiatives were concluded during the year:

- an equity investment in Trans-Siberian Gold in Russia;
- an equity investment and conclusion of a strategic alliance in the Philippines with Red 5 Ltd; and
- the conclusion of an exploration alliance with Oxiana Ltd in Laos.

These initiatives demonstrate the group's commitment to engaging junior exploration companies and are aimed at unlocking the gold potential by combining AngloGold Ashanti's technical expertise with the partner's in-depth country knowledge and operating experience.

During the year, \$37 million of exploration expenditure was incurred in greenfields exploration in Colombia, Peru, Alaska, Mongolia, Ghana and the DRC. Total exploration expenditure amounted to \$81 million, of which \$44 million was spent on brownfields exploration. Exploration expenditure for 2005 is expected to reach some \$90 million.

**Argentina**

At Cerro Vanguardia in Argentina exploration continued to focus on the delineation of additional mineralized zones. Drilling of the Zorro, Gabriela and Liliana veins highlighted continued upside in under-explored veins within the greater license area.

A number of properties held by Cerro Vanguardia in Patagonia were farmed out to Exeter Resources. The properties cover a total area of 1,047 square kilometers in 39 individual tenements.

## **Australia**

Drilling at Sunrise Dam focused on underground targets that are accessible from the Daniel decline. Near-mine activities concentrated on delineating oxide mineralization to the north of the pit. The Jasper Hills tenements situated 60 kilometers east of Sunrise Dam were acquired from Crescent Gold Limited, formerly Apollo Gold. Strike extensions to the Lord Byron deposit were drill tested with moderate results. Further regional targets were also drill tested and require further follow-up.

At the Yamarna greenfields project in Western Australia (a joint venture with Terra Gold Mining, formerly Aurex), diamond drilling tested various targets in the southern area, intersecting extensive alteration with low gold values. Aircore drilling in the northern area defined a large geochemical anomaly requiring further testing.

At the Tropicana East project (a joint venture with Independence Group NL) diamond drilling was in progress at the end of 2004 testing the depth potential of previously identified mineralization. Wide-spaced geochemical sampling identified further targets that require follow up. In the Northern Territory, AngloGold Ashanti and Newmont Australia have agreed that AngloGold Ashanti will exit the Tanami Mine JV and the Central Desert JV, which includes the Tanami Mill and associated infrastructure and tenements.

A number of projects in Western Australia were divested in 2004 as they did not meet AngloGold Ashanti's target criteria.

95

### **Brazil**

Brownfields activities in Brazil focused on properties in the Iron Quadrangle. At Córrego do Sítio underground exploration access development and surface and underground drilling at Cachorro Bravo has identified a target with sample grades averaging 9g/t. Drilling two kilometers to the north of Cachorro Bravo at Carvoronia/Velha Bocaina confirmed the extension of previously identified oxide mineralization below the base of weathering, over a down-plunge length of approximately 900 meters.

At the Lamego project near the Cuiabá mine, an exploration ramp is being developed to access and explore the Carruagem (PA zone), which is situated at the northern extremity of the Lamego fold structure. Drilling confirmed multiple mineralized horizons at the southern extremity of the Lamego structure at Cabecá da Pedra. Potential ore from Lamego is planned to be added to the Cuiabá expansion project, which was approved by the board in January 2005.

Three surface boreholes drilled in the Gandarela Project (joint venture with IAMGOLD) in the Iron Quadrangle for conglomerate hosted gold mineralization failed to intersect the target horizon.

At the Tocantins project (a joint venture with IAMGOLD), situated approximately 500 kilometers north-east of Crixás, follow up reverse circulation (RC) and diamond drilling of three targets failed to generate economic drill intercepts. AngloGold Ashanti is negotiating with IAMGOLD to withdraw from the Gandarela joint venture and dilute its participation at Tocantins.

At the Crixás mine (a joint venture with Kinross), surface drilling focused on the delineation of potential open-pit table Mineral Resources within the lease area. Mineralization within the Forquilha Sul (Corpo IV) ore shoot was established over a down-plunge length of over 1,100 meters at grades of up to 7g/t.

### **Canada**

Limited exploration was conducted at the West End project within the Red Lake area of Canada and the project will be farmed out.

### **China**

A representative office has been established in Beijing to seek exploration and business opportunities in China.

### **Colombia**

Greenfields exploration in Colombia focused on several regional reconnaissance programs and has thus far generated a number of targets for detailed follow-up and drilling in 2005.

### **Democratic Republic of Congo (DRC)**

A field camp was established at Mongbwalu in the eastern DRC. However, due to logistical issues the planned drilling program at the Kilo project was delayed, with drilling commencing in early 2005.

**Ghana**

In Ghana at Obuasi, underground exploration focused on the below 50 Level Deeps project where results from drilling remain encouraging. Drilling of the West Lode sulphide orebody on the 32 Level project also yielded positive results. A drilling contractor was selected to drill two 3,000 meter-deep surface holes in the Deeps project, with a further six holes planned to complete the initial phase. Drilling is planned to commence in the third quarter of 2005.

At Bibiani, exploration focused on locating additional underground targets along the main Bibiani structure. Results appear to be encouraging on the northern extension of the deposit.

Limited greenfields work was completed in Ghana in the Hebron, Subriso and Sefwi project areas, each within 60 kilometers of the Bibiani mine. No exploration work was undertaken at Iduapriem.

Limited greenfields work was completed in Ghana in the Hebron, Subriso and Sefwi project areas, each within 60 kilometers of the Bibiani mine.

96

### **Guinea**

At Siguiri, exploration focused on the delineation of additional surface targets at Kosise South and Kozan South. In 2005, target generation will be directed both locally around the mine site and regionally within the four blocks that make up the 1,500 square kilometers concession.

### **Laos**

An exploration alliance was established with Oxiana Limited targeting new mineralization in Laos.

### **Mali**

Phase VII of the deep sulphide infill drilling program at Sadiola was completed. A pre-feasibility study to assess the economic potential of the deep sulphides is planned to be completed by the end of 2005.

Satellite oxide exploration continued to produce positive results from extension drilling between the FE3 and FE4 pits. At FE3 resource modeling is in progress on the southern extension. Further target generation within the Sadiola lease area has identified additional oxide targets that require follow-up drilling in 2005.

At Yatela, satellite oxide drilling on two geophysical targets situated to the south of the pit produced negative results. Infill drilling at KW18, situated 2 kilometers to the south-west of the pit identified some additional targets.

At Morila, a target has been identified at Domba, situated 8 kilometers north of the pit. Pit contiguous drilling of the Morila Shear zone extension identified some additional targets. Drilling of the Samacline target to the north-west of the pit intersected encouraging gold grades at depths between 300 and 500 meters below surface which will be followed up by drilling. Drill testing of stratigraphic targets generated from regional target generation in the lease area yielded negative results.

Follow-up rotary airblast and reverse circulation drilling was completed in southern Mali at the Garalo, Kola and Kalaka properties, with further follow-up drilling required at Kalaka in 2005. Initial soil sampling programs were completed on new permits situated 120 kilometers north of Sadiola and at Bassala in southern Mali, immediately west of the Kordieran and Kalana properties.

### **Mongolia**

Two projects in the southern Gobi were drill tested with negative results on the porphyry target at Ikh Shank, however, initial reverse circulation and diamond drill hole results from Altan Uul are promising and will require further testing. At the Tsagaan Tolgoi prospect in north western Mongolia, reverse circulation drilling was conducted on a mesothermal quartz vein system with results pending. Further target generation and third party property appraisals are continuing.

### **Namibia**

Drilling commenced at Anomaly 16, situated 5 kilometers southwest from the Navachab pit. Further drilling is required to delineate the strike and down dip potential. Drilling of the previously identified mineralization at Grid A, situated 5 kilometers north of the pit, yielded positive results.

### **Peru**

Three prospects were drilled in Peru in 2004 and exploration continued on further multi-disciplinary target generation, ground truthing and third party property-scale investigations in several parts of the country. Metallurgical studies and a scoping study were completed at the La Rescatada project in southern Peru. A 50 percent operational interest in La Rescatada was divested to a local mining company Minera Aruntani. AngloGold Ashanti signed a letter of intent with Absolut Resources, whereby Absolut acquired all the rights to AngloGold Ashanti's exploration projects and a geochemical database in Northern Peru. Under the agreement, AngloGold Ashanti was issued shares and share warrants in the company. The Pichacani property in southern Peru was optioned to Bear Creek, which also acquired the Ninobamba silver project from AngloGold Ashanti in 2003.

### **Philippines**

In the Philippines, AngloGold Ashanti has taken an investment in Red 5 Limited and formed a strategic alliance to explore their ground holdings in the vicinity of the Siana project.

97

### **Russia**

In Russia AngloGold Ashanti provided Trans-Siberian Gold plc with geological input at both the Veduga and Asacha projects.

Drilling is in progress at both these projects in an effort to increase the Mineral Resource.

### **South Africa**

A scoping study of the Goedgenoeg project contiguous to Tau Lekoa has indicated that the project will not be viable.

Surface

drilling at Moab Khotsong intersected encouraging grades, confirming the existing geological model. Further surface drilling is

in progress to evaluate the Vaal Reef to the south-west of Kopanang.

### **Tanzania**

Diamond drilling of the Geita Hill down dip extension mineralization continued in order to optimize the open-pit and potential

underground interphase. Step-out drilling continued to the northeast at Geita Hill, tracing gold mineralization along strike and

down dip to define areas for infill drilling.

An exploration alliance was established with Tan Range Exploration at the Kigosi North prospect located 150 kilometers south-west of Geita.

### **United States**

In the United States at CC&V in Colorado, drilling focused on brownfields expansion at the Wild Horse Extension (WHEX)

project. Drill testing of a new exploration target in the Hosier Pass area has identified a sheeted-vein system which will be

followed up in 2005.

After the cessation of Nevada greenfields activities in 2003, the exploration office in the USA was relocated to Denver,

Colorado. Greenfield activities have expanded in the Alaska frontier region with a major increase in land holdings and the

drilling of three new district-scale targets. Activities are focused in the Tintina Gold Belt with an integrated target generation and

evaluation program. 2004 drill projects included the ER and Eagle targets (JV with Rimfire Minerals) and the Livengood target

areas. The ER and Eagle results however, did not meet the initial AngloGold Ashanti economic hurdle rates and will be farmed

out to third parties with claw-back options. Reconnaissance work identified three new gold targets in the Pogo Region which

will be drill tested in 2005.

Drilling at Livengood defined a large sub-economic gold system which requires follow-up drilling in 2005.

### **Gold market development**

The challenge for marketing gold is significant. This is especially so given the fall in recent years in physical demand for gold,



in part a result of the rise in price and market volatility. Demand for gold jewellery in many markets has declined materially in the past four years, with gold jewellery sales losing ground against other luxury consumer goods, particularly in developed markets.

AngloGold Ashanti is committed to developing the market for gold. The group's marketing program aims to increase the desirability of its product, to sustain and grow demand, and to support the deregulation of the market in key economies.

During 2004, AngloGold Ashanti spent some \$15 million on gold marketing initiatives, of which 66 percent was spent through the World Gold Council (WGC). Gold marketing expenditure by AngloGold Ashanti in 2003 and 2002 amounted to \$19 million and \$17 million, respectively.

Independently of its support for the WGC, AngloGold Ashanti is active in a number of other marketing projects that support gold. It remains the only gold group in the world to have committed this level of resources to the marketing of the metal it produces.

Downstream initiatives have included GoldAvenue, an internet venture, established between AngloGold Ashanti, JP Morgan Chase and Pamp MKS of Geneva in 2000. This venture continued to sell gold jewellery by catalogue and website until early 2004, after which it was wound up.

98

AngloGold Ashanti holds a 26.6 percent stake in OroAfrica, the largest manufacturer of gold jewellery in South Africa, as an investment in the downstream beneficiation of gold in South Africa. AngloGold Ashanti and OroAfrica have co-operated in a number of projects, including OroAfrica's development and launch of an African gold jewellery brand.

An important strategic step has been the establishment of a Jewellery Design Centre at OroAfrica at a cost of \$250,000. The purpose of the centre is to generate new gold jewellery designs, and to improve product standards through technology, design and innovation. The centre has been used during the past year to develop a new range of gold jewellery with an African theme.

The Design Centre was commissioned by the South African Parliament in 2003 to manage the fabrication of the new Parliamentary mace to celebrate the tenth year of democracy in South Africa. The mace was successfully completed and presented to Parliament in 2003.

Also in the area of design innovation, AngloGold Ashanti's Riches of Africa Gold Jewellery Design Competition was established in 1998 to showcase South African jewellery designers, to enhance jewellery manufacturing technical skills in South Africa and to support the local gold jewellery industry. Training workshops for competition entrants are held each year, while the award-winning works are exhibited and used in fashion shows and other events both locally and abroad. The 2004 competition attracted a record total of 459 entrants and a record number of student and professional jewellers attended training workshops held by AngloGold Ashanti in Johannesburg, Cape Town and Durban.

A bi-annual gold jewellery design competition in Brazil, the Designers Forum, was launched by the group in South America in 2002. It was the first such competition in that country. The competition generated unprecedented interest in 2004, with a high quality of design and craftsmanship and some 650 projects involved. From these, 33 pieces were selected for the collection.

The Gold of Africa Museum was inaugurated in 2001 in Cape Town with the permanent endowment of the Barbier Mueller collection of West African gold objects purchased by the company in 1998. The Museum also serves as a training facility in the jewellery industry in Cape Town. The Museum continues to attract a growing number of visitors, and to provide special visits for school groups in the Cape Town area.

AngloGold Ashanti and Mintek, South Africa's national metallurgical research organization, launched Project AuTEK in 2002 to research and develop industrial applications for gold. Project AuTEK has developed a gold-based catalyst for the oxidation of carbon monoxide at ambient temperature. Mintek has carried out pilot-scale catalyst production tests. Negotiations for the

commercial production of the catalyst have commenced.

An important feature in many of AngloGold Ashanti's marketing projects has been the beneficiation of gold, particularly in South Africa. AngloGold Ashanti's commitment to adding value to gold extends beyond mining and aims to contribute towards the upliftment of people and the sustainability of communities. AngloGold Ashanti remains a sponsor of the Atteridgeville Jewellery Project, established in 2000 by the Vukani-Ubuntu Community Development Project to create opportunities in the jewellery industry in South Africa for the previously disadvantaged through training and development. In 2004, the company also sponsored the expansion of the Soweto Jewellery School to enable it to double its intake of students from 2005.

### **Marketing channels**

Gold produced by AngloGold Ashanti's mining operations is processed to saleable form at various precious metals refineries. Once refined to a saleable product – either a large bar weighing approximately 12.5 kilograms and containing 99.5 percent gold, or smaller bars weighing 1.0 kilograms or less with a gold content of 99.5 percent and above – the metal is sold directly by the refineries to bullion banks and the proceeds are paid to the company.

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

99

Where forward sales contracts exist against which AngloGold Ashanti elects to deliver physical product, the same channel of the refinery is used, with the variation that the refinery does not sell the metal on its behalf, but instead delivers the finished gold bars to the bullion bank with which the group's forward contract is held. The physical delivery to the counterparty bank of the appropriate amount of gold fulfills.

AngloGold Ashanti's obligations under the forward contract and AngloGold Ashanti is paid by the relevant bullion bank with the price fixed under the forward contract, rather than at the spot price of the day.

### **Competition**

As gold mining is a mature and regulated industry, and very significant volumes of gold and gold derivatives trade in the world markets independent of gold mine supply, AngloGold Ashanti does not consider that competition for sales plays any role in its operations as a gold producer. However, gold producers do compete against each other for acquisition and exploration opportunities.

### **Intellectual property**

AngloGold Ashanti and its subsidiary companies hold the right to use certain proprietary technology and intellectual property, including patented technology and other forms of protected intellectual property. These rights relate to various aspects of the company's business, from routine software and related computer technology in support of office operations, to intellectual property contained and/or used in the mining and mineral processing operations. AngloGold Ashanti, as a group, is not dependent on these various forms of intellectual property for the conduct of its business as a whole.

### **Sustainable Development: Safety, health, environmental and social development**

AngloGold Ashanti published its Report to Society 2004, a copy of which was filed with the SEC on March 30, 2005 under Form 6-K. A fully-interactive web-based report can be accessed at the company's website at [www.anglogoldashanti.com](http://www.anglogoldashanti.com).

This report covers issues pertaining to social development in line with AngloGold Ashanti's values and business principles and the Global Reporting Initiative Guidelines prepared on a country and operational basis. The information provided below under the heading "Country / operation report", has mainly been extracted from this report and provides, where applicable, some examples of AngloGold Ashanti's commitment to and involvement in these regions.

- **Corporate Governance**

The Safety, Health and Sustainable Development Committee of the board has as its brief, the evaluation of social, economic,

environmental and health impacts of the company's operations on both local and global communities and to achieve a sustainable balance between economic and social development with due regard to:

- the safety of its employees, which remains fundamental to the sustainability of AngloGold Ashanti's business;
- the health of its employees, and
- the impact of its operations on the environment.

One of the stated primary objectives of this committee is to strive towards the elimination of all work-related accidents and diseases, and the committee conducts on-site inspections on matters of serious concern. For details of the Safety, Health and Sustainable Development Committee, see "Item 6C.: Board practices – Board sub-committees".

The management of safety and health issues at an operational level falls under the auspices of the chief operating officer, who is supported by line management. Responsibility for safety and health has been devolved to operational line management, down to the level of first line supervisor. The actual operational structure varies from operation to operation, however, at each of the operations, workforce appointed representatives play an essential role in addressing issues of safety and health with management.

AngloGold Ashanti is committed to complying with all relevant laws, regulations and standards applicable to the countries in which its operations are located. In the absence of appropriate laws, regulations or standards, or where these are perceived to be inadequate, the company will adopt standards reflecting best practice. Considerable resources and effort are dedicated to identifying and implementing best practice across the company, as well as addressing specific problem areas as they arise.

100

- **Safety**

Regrettably, 32 employees lost their lives in work-related accidents during 2004\* (2003: 43); 31 of these employees were

employed at the South African operations where the majority of AngloGold Ashanti's workforce is employed. The single non-

South African fatal accident was at the Morila mine in Mali. The primary cause of fatal accidents was falls of ground (60 percent), with seismically-induced falls of ground accounting for 58 percent of these. Other primary causes were: machinery (13 percent), trucks and tramming (6 percent) and vertical transport (6 percent).

\*

*Subsequent to year-end, the South African Department of Minerals and Energy (DME) confirmed that one of the fatal accidents which was recorded at the TauTona mine in South Africa, had been reclassified as not having been a mine accident. As a result, the total number of mine related fatal accidents for the 2004 year reduces to 31 employees.*

2004 was AngloGold Ashanti's best ever safety performance, with all major safety parameters indicating an improving trend.

The group's Fatal Injury Frequency Rate ("FIFR") for 2004 was 0.19 per million man hours worked – a 34 percent improvement

on 2003's rate of 0.29 per million man hours worked. The lost time injury frequency rate ("LTIFR") showed a 26 percent improvement year-on-year, from 8.83 per million man hours worked in 2003 to 6.56 per million man hours worked in 2004.

#### Safety Statistics

- **Fatal injury frequency rate (FIFR) (per million man hours)**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>South Africa</b>			
Mponeng	0.37	0.33	0.47
TauTona*	0.86	1.10	0.08
Savuka	0.73	0.47	1.06
Great Noligwa	0.26	0.32	0.47
Kopanang	0.06	0.41	0.22
Tau Lekoa	0.19	0.09	0.51

Moab Khotsong

0.22

0.00

0.19

Ergo

0.00

0.00

0.00

**Argentina**

Cerro Vanguardia

0.00

0.00

0.93

**Australia**

Sunrise Dam

0.00

0.00

0.00

**Brazil**

AngloGold Ashanti Mineração

0.00

0.20

0.00

Serra Grande

0.00

0.00

0.00

**Ghana**

Obuasi

0.00

—

—

Bibiani

0.00

—

—

Iduapriem

0.00

—

—

**Guinea**

Siguiri

0.00

—

—

**Mali**

Sadiola

0.00

0.31

0.00

Yatela

0.00

0.00

0.00

Morila

0.32

0.31

0.33

**Namibia**

Navachab

0.00

0.00

0.00

**Tanzania**

Geita

0.00

0.00

0.49

**United States of America**

Cripple Creek & Victor

0.00

0.00

0.00

**Group**

**0.19**

**0.29**

**0.31**

AngloGold Ashanti has a policy of investigating all fatal accidents independently of mine-based and statutory investigations

using a team convened by the corporate office. The group believes that this methodology not only indicates the seriousness

with which the board and executive view fatal accidents, but reveals important risk issues and lessons learnt.



101

- **Lost time injury frequency rate (LTIFR) (per million man hours)**

**2004****2003****2002****South Africa**

Mponeng

9.50

9.81

10.91

TauTona

11.40

8.24

7.67

Savuka

12.92

17.57

17.12

Great Noligwa

10.04

9.83

11.06

Kopanang

12.96

14.08

12.91

Tau Lekoa

15.43

25.96

17.84

Moab Khotsong

6.70

7.11

6.82

Ergo

1.90

1.75

1.53

**Argentina**

Cerro Vanguardia

6.66

7.95

3.72

**Australia**

Sunrise Dam

3.73

6.05

11.00

**Brazil**

AngloGold Ashanti Mineração

1.56

4.04

5.73

Serra Grande

1.21

1.94

0.70

**Ghana**

Obuasi

2.53

—

—

Bibiani

0.00

—

—

Iduapriem

0.00

—

—

**Guinea**

Siguiri

0.94

—

—

**Mali**

Sadiola

1.13

0.31

1.54

Yatela

0.76

2.92

2.07

Morila

1.94

3.78

6.27

**Namibia**

Navachab

0.90

3.60

3.05

**Tanzania**

Geita

1.00

0.79

2.11

**United States of America**

Cripple Creek & Victor

0.00

3.22

4.36

**Group**

**6.56**

**8.83**

**8.86**

- ***Audits***

Both internal and external audits are conducted on a regional and operational basis. Many of the operations outside of South

Africa have adopted the National Occupational Safety Association (NOSA) systems and were audited during the year. It has

been AngloGold Ashanti's practice to engage the services of recognized safety experts to undertake high-level safety audits

and make recommendations to the board committee.

- ***Health***

AngloGold Ashanti continues to provide comprehensive health care services to employees either through its subsidiary,

AngloGold Health Service ("AHS"), in South Africa or overseen by AHS elsewhere in Africa or through mine-based and

external health care service providers elsewhere in the world. The two South African Occupational Health Centers were

audited during 2004 by external auditors with achievements at both centers being more than 95 percent in all audit elements.

Aurum Health Research, previously a wholly-owned subsidiary of AHS, was granted \$14 million (over a five year period) by the

Bill and Melinda Gates Foundation, for a major HIV-TB research project. The grant is part of a larger award to the International

Consortium to Respond Effectively to the AIDS/TB Epidemic (CREATE) to research strategies for TB control. On February 1,

2005, Aurum Health converted to an association not for gain and accordingly, ceased to be a subsidiary.

Noise Induced Hearing Loss (NIHL) and Occupational Lung Disease (OLD), as well as TB in South Africa and Malaria at the

African operations, are the most significant occupational health threats faced by employees in the gold mining industry and the

various operations have programs in place to address these. In addition, deep-level mining is often accompanied by exposure

to heat; the deeper the mine, the hotter the rock temperatures. AngloGold Ashanti employs a heat stress management program to promote the health and well-being of its employees and to meet the requirements of legislation.

102

- **Environment**

AngloGold Ashanti recognizes that the long-term sustainability of its business is dependent upon good stewardship in both the protection of the environment and the efficient management of the exploration and extraction of mineral resources. The company's operations are subject to the applicable environmental laws, rules and regulations of the various countries and jurisdictions within which they are conducted. Except as set out elsewhere herein, AngloGold Ashanti believes its operations are in substantial compliance with all material environmental laws, rules and regulations which are applicable to it. In some of the jurisdictions within which AngloGold Ashanti operates, it is required to provide financial assurance in a form prescribed by law to cover the cost of some or all of the anticipated closure and final rehabilitation costs for its operations. The form, amount and other requirements associated with this financial assurance for each of the jurisdictions is prescribed in each of the applicable laws, rules and regulations. The International Cyanide Code has been adopted as the standard for cyanide management within AngloGold Ashanti and substantial progress has been made with its implementation across the group. The assessment of the group's adherence to the International Cyanide Code Protocol uses a novel approach of creating expert teams drawn from different regions to work with a local team in undertaking what is essentially a detailed risk assessment and audit. During 2004, internal audits of compliance were completed in Mali, Tanzania, Namibia, South Africa and in the USA, Brazil and Argentina. The audit of the Australian operations was completed at the end of January 2005 while Ghana and Guinea were audited in April 2005. The board of directors has determined in the company's Environmental Policy that AngloGold Ashanti will, at a minimum, comply with all applicable legal requirements. In addition, the policy commits AngloGold Ashanti to operating in an environmentally responsible manner through effective communications, establishment of management systems, provision of adequate financial resources, training and awareness programs for employees and contractors, public participation processes, conducting environmental audits, and continually improving its environmental performance. Environmental management systems (EMSs) form the backbone of environmental management at an operational level. Each of the operations has an audit process in place, both internal and external. These audits are generally conducted on an annual or bi-annual basis. The company is considering the merits of obtaining the certification of its operations group-wide to the ISO14001 standard – standards which focus specifically on environmental management systems. As part of these deliberations, each operation has carried out a gap analysis to determine the degree of compliance with the standard. A decision will be taken during the course of 2005 after internal debate about the merits of the proposal. Currently a number of operations are either ISO14001 certified, or comply with these standards. In all 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 costs of the anticipated closure and rehabilitation costs for the operations. These

amounts

are derived from the mine closure plans, which are also regulated by law. Closure plans are devised prior to the commencement of operations and are regularly updated based on the life of mine projections. Although the final cost that will

be incurred at closure is not definite, provision is made during mine life. Total estimated environmental liability (rehabilitation

and mine closure costs) at December 31, 2004 amounted to \$350.1 million compared with the 2003 estimation of \$248.6 million. The increase principally relates to the Business Combination with Ashanti and additional assessed liabilities in

South Africa.

The total undiscounted estimated environmental liability attributable to AngloGold Ashanti as at December 31, 2004 is made up

as follows:

**Country**

**Total estimated**

**liability**

**(\$ millions)**

**Form of financial assurance**

South Africa

(1)

133.2

Trust Fund – Balance at December 31, 2004 was \$78.7 million

(2)

.

Argentina

14.2

Obligations funded from existing cash resources and future cash flows.

Australia

(3)

38.3

Unconditional guarantee from a bank or financial institution.

Brazil

(3)

24.7

Obligations funded from existing cash resources and future cash flows.

Ghana

31.8

10 percent cash deposit

(5)

or such other amount as agreed with regulators.

Guinea

7.7

10 percent cash deposit

(5)

or such other amount as agreed with regulators.

Mali

(3)

14.7

Obligations funded from existing cash resources and future cash flows.

Namibia

(3)

2.7

Obligations funded from existing cash resources and future cash flows.

Tanzania

(3)

27.8

Obligations funded from existing cash resources and future cash flows.

United States of America

(4)

55.0

Reclamation bonds lodged, or ultimate amount agreed, with regulators.

**Total**

**350.1**







103

(1)

*All calculations are based on the 2005 business plan. Under South African law, AngloGold Ashanti is required to estimate its environmental closure and final rehabilitation costs and to use this estimate to make periodic cash contributions to an environmental trust fund, created in accordance with rehabilitation obligations of those operations.*

(2)

*Includes growth in the Trust Fund of \$11.24 million.*

(3)

*For operations in Argentina, Australia, Brazil, Mali, Namibia and Tanzania, the obligations are based upon the company's net interest. The obligations will be funded from existing cash resources and future cash flows.*

(4)

*The total estimated liability is based on the amounts agreed with various federal and state governmental agencies, and AngloGold Ashanti North America Inc. has posted reclamation bonds and letters of credit aggregating approximately \$49 million to cover these potential rehabilitation obligations. As allowed under State of Colorado law, amounts posted are based on rehabilitation obligations incurred to date and will be increased as additional rehabilitation obligations are incurred until full build-out of Amendment No. 8, as approved, is achieved. AngloGold Ashanti has provided a guarantee for these obligations.*

(5)

*The cash deposit is calculated on the anticipated closure and rehabilitation costs.*

Major environmental incidents are reported to regional management, as well as the corporate environmental office, within

24 hours of the time that the operational management becomes aware of the incident. An environmental incident is defined as

“an event, action or non-conformance with a procedure that results, or has the potential to result, in an adverse impact on the surrounding environment; or any event action or occurrence which is contrary to the AngloGold Ashanti business principles”.

Different regions may have slightly different definitions for these levels of reporting. However what they have in common is that

a “major” incident is one which is likely to attract public (or media) attention; or result in a cost to the company exceeding

\$500,000, including fines, compensation, clean-up, loss of production, anticipated litigation costs, etc.

In line with this, 16 high-level incidents were reported to the board committee during 2004. These reported environmental high-

level or major incidents are:

**Country**

**Operation**

**Nature of incident**

**Date of incident**

Brazil

Serra Grande

Community complaints drew attention to contamination of groundwater at Crixas by drilling fluids

November 12

Ghana

Obuasi

Arsenic trioxide contamination of the Nyam River. A 10,000 tons arsenic trioxide store is being moved from the PTP Plant to a lined storage facility at the old heap leach site at the south end of the mine. .

June 3

Ghana

Obuasi

The containment wall of the Kokotesua south sump failed, resulting in spillage of slurry materials downstream of the dam and the inundation of several residential houses.

October 12

Ghana

Obuasi

A rupture in the Sansu STP pipeline to the Dokyiwa Tailings Dam resulted in a slimes spill affecting vegetation and water bodies. It was suspected that this was caused by illegal miners.

December 20

Mali

Morila

An imbalance in the plant water following industrial action and high rainfall led to overflow of cyanide-bearing water from the Morila pollution control dam.

June 25

Mali

Sadiola

About 100 bird fatalities recorded in the return water dam area were attributed to high sodium levels in the water. Sodium metabisulphate is used to detoxify cyanide.

May 23

Mali

Sadiola

Small tailings spill (containing cyanide) due to pipeline leak.

November 17

Mali

Yatela

Two dead birds found adjacent to water pond on heap-leach pads.

November 20

South Africa

TauTona

Refrigerant gasses were released into the atmosphere during pump maintenance.

April 28

South Africa

TauTona

Oil and waste spilled into stream just off the boundary of TauTona.

April 30

South Africa

Metallurgy

Bokkamp return water dam overflowed its containment.

March 12 - 21

South Africa

Vaal River

Tailings spillage due to pipeline failure.

October 10

South Africa

Ergo

A pipeline burst resulted in 1,800m

3

of slurry spilling into Elsburgspruit.

March 9

South Africa

Ergo

A pipeline burst resulted in the spillage of 300m

3

of slurry, with about

50m

3

flowing into the Cinderella Dam.

August 13

South Africa

Ergo

Complaint received about excessive dust from rehabilitation work at

7L15 tailings dam.

October 7

South Africa

Ergo

Pipeline burst resulted in spillage of slurry next to N17 highway.

November 26

All the above incidents were investigated and remedial actions taken where necessary.

104

- ***Community and social development***

AngloGold Ashanti's aim is to have a positive impact on the people, cultures and communities in which it operates. Formal

social investment/community development programs are in place at all operations. AngloGold Ashanti has adopted the

International Finance Corporation (IFC) Resettlement Policies, Guidelines and Standards for implementation at all managed

operations and joint ventures. It is the company's aim to avoid involuntary resettlement to the extent feasible, or to minimize

and mitigate its adverse social and economic impacts, where no other options exist. The objective of the policy is to provide

good practice operational guidance with regard to the resettlement of involuntary displaced communities in line with existing

business principles. Social investment is focused on three areas: education, health, and sustainable livelihoods. During 2004,

social investment and community expenditure amounted to \$7.429 million. Since social investment and community initiatives

often also form part of the operating budgets, expenditure may be under-reported. Expenditure on social investment is made

up as follows:

**Country**

\$ 000

South Africa

Corporate office

1,143

AngloGold Ashanti Fund

2,519

Operational expenditure

146

Argentina and Brazil

727

Australia

128

Ghana

635

Guinea

199

Mali

622

Namibia

257

Tanzania

808

United States of America

245

**Total**

**7,429**

- ***Country / operation report***

**South Africa**

**Laws, regulations and standards:** The mines in South Africa, which employs 66 percent of the workforce, are governed by numerous laws, regulations and standards applicable to safety and health, including the Mine Health and Safety Act 26 of 1999 and regulations and the Occupational Health & Safety Act No. 85 of 1993.

**Safety:** The FIFR at 0.29 per million man hours, reflects a 16 percent improvement on 2003 while the LTIFR reduced by 16 percent to 9.11 in 2004. Safety achievements during 2004 for the region include:

- the shaft mine overseer section at Tau Lekoa mine achieved one million fatality-free shifts on June 21, 2004. It took the section, comprising about 250 people, 12 years and 10 months of safe operations to reach this milestone.

- Great Nologwa reached one million fatality-free shifts on March 31, 2004, after 5.5 months.

- Savuka mine won the South African Safety Shield Competition for 2004. The mine showed an 8.34 percent improvement in its Serious Injury Frequency Rate, compared to its best performance over the previous four years.

- on July 10, 2004, Kopanang mine achieved one million fatality-free shifts. It took 4,900 employees 8.5 months to attain this.

**Health:** Medical surveillance at the South African operations is conducted in line with the Mine Health and Safety Act.

The primary areas of focus in respect of occupational health within AngloGold Ashanti's South African operations are noise-induced hearing loss (NIHL), occupational lung diseases (OLD) and tuberculosis (TB). AngloGold Ashanti provides occupational health services to its employees at two fully-equipped regional occupational health centers that conduct risk-based medical surveillance programs. These are staffed by occupational medical practitioners, professional nurses, audiologists and other support staff. In addition, each mine has an occupational health nurse on site.

105

During 2004:

- 51,084 occupational medical surveillance examinations (initial, periodical, transfer and exit), were performed in the South Africa region in accordance with the requirements of the Mine Health and Safety Act. Medical surveillance is also undertaken at other operations.

- 285 new cases of NIHL were compensated in the South Africa region, which equates to 7 per 1,000 employees. This is a decrease of 61 percent on the 2003 rate of 18 per 1,000 employees.

- in South Africa, 319 cases of OLD were compensated which is a rate of 8 per 1,000 employees, double the rate of 4 per 1,000 employees reported in 2003. HIV, silica exposure, TB and an ageing workforce all play a role in OLD.

- 1,386 new cases of TB were detected and treated, which is a rate of 35 per 1,000 employees, up from the 2003 rate of 33 per 1,000 employees. These rates are increasing despite intensive efforts to both detect and treat TB. The increasing incidence of HIV and AIDS is amongst a silica-exposed workforce. It is estimated that over 80 percent of individuals detected with pulmonary TB are HIV-positive. TB in silica-exposed employees, who do not have concomitant silicosis, is not classified as an occupational disease outside of South Africa and is therefore not reported.

- dust (silica) control on the South African mines has improved. No Homogenous Exposure Group (HEG) above the Occupational Exposure Limit (OEL) of 0.1mg/m

3  
was recorded in 2004.

- 100 percent of underground rockdrills and 98 percent of all critical fans have now been silenced.

**Environment:** All operations have approved Environmental Management Programs (EMPs) in place and, in line with this, applications for conversion to new order mining rights in line with the Mineral and Petroleum Resources Development Act have been submitted. Ergo ceased operations during March 2005 and closure plans were implemented. In its efforts to conserve energy, the South African operations have implemented means of ensuring the efficient use of energy and on developing and implementing renewable energy sources. At Tau Lekoa, hydro-power is used to generate sufficient energy for rockdrills and other equipment. This is one of the few gold mines in the country to operate on this system. Moab Khotsong is participating in the National Electricity Regulator's demand side management program, with significant cost savings expected.

**Community and social development:** Social investment initiatives are undertaken in the areas of need, where the group can make a practical and meaningful contribution at two levels: first, the AngloGold Ashanti Fund and Trust distributed funds to about 100 projects across southern Africa. The fund which is managed by Tshikululu Social Investments, studies and makes recommendations to a board of Trustees on social giving. Second, the various operations have their own social investment budgets to respond to more immediate local community needs that are spent independently of the Fund. The Small and Medium Enterprise Initiative has facilitated the creation of 172 businesses and some 3,000 jobs since its inception in 1998. In addition to funding a number of initiatives and organizations by the corporate office, the "Hearts of Gold" scheme was launched whereby corporate office employees are encouraged to donate money or volunteer their time for the benefit of non-profit, charitable organizations.

## Argentina

**Laws, regulations and standards:** Argentinean Constitution, Law 19587/72 – National Conditions of Hygiene and Safety for Organizations and Mining, Law 24557/95 – Work Risk Law.

**Safety:** Annual Hazard Identification and Risk Assessments (HIRAs) are undertaken by company teams, and these

are subject to internal and external audits. The HIRA is conducted for each activity, identifying risk factors, consequences, existing and proposed risk measures. The final result is a matrix indicating a Residual Risk Profile and respective controls, which has brought about a significant reduction in the number of lost-time accidents.

**Health:** During 2004, there were no major health issues to manage.

106

**Environment:** Cerro Vanguardia is ISO14001 certified. AngloGold Ashanti is committed to the prevention of pollution, particularly of the air and water resources. A technical report concerning water management at the Cerro Vanguardia mine was presented to the mining authorities of the Santa Cruz Province. The document includes different alternatives for the final placement of excess water. A final report was issued in mid 2004. A detailed ground magnetometer survey (GMAG) was conducted by the AngloGold Ashanti geophysical team in South America, covering the West side of the Tailings Storage Facility (TSF). The survey was designed to map bedrock structures to facilitate the monitoring of preferential flow paths to groundwater movement.

**Community and social development:** Social investment initiatives are undertaken in the communities surrounding current and past operations and include such initiatives as providing annual scholarships for intermediate level schooling to underprivileged students.

## Australia

**Laws, regulations and standards:** Mines Safety and Inspection Act (WA) 1994 (MSI Act); Mines Safety and Inspection Regulations (WA) 1995 (MSI Regs).

**Safety:** The Sunrise Dam mine won the Mineral Council of Australia's Minex award for excellence in health and safety. In addition, the mine performed well in the Australian Chamber of Minerals and Energy's Surface Mine Emergency Response Competition and took top honors in the vehicle extraction scenario. The competition tests teams with realistic scenarios to evaluate knowledge and skills in fire fighting, first aid, vehicle extraction, hazardous chemicals, rope rescue, breathing apparatus, team skills and theory. The Australian region attained second place in the Western Australian Chamber of Minerals and Energy's Safety and Health Innovation awards for the Hori Board, an innovation designed to reduce hand injuries in core yards. The ACTSAFE program was successfully implemented at Sunrise Dam during the year and has resulted in improved employee acceptance of responsibility for personal health and safety within the workplace.

**Health:** Lifestyle choice is a health challenge and programs are in place to assist employees in improving their personal health. Fatigue education programs are being implemented.

**Environment:** In recognition of significant achievement, best practice and innovation in the Northern Territory Mining and Petroleum Industries and Associated Supply and Service Sectors, Union Reefs Gold mine received the 2003 Minister's Recognition Award in Resource Development for Environmental Management.

**Community and social development:** Sunrise Dam has received numerous certificates of appreciation for its support of fund raising activities. Of note was an award received from the Western Australia Art Gallery for its support of the Laverton Outback Art Gallery. During 2004, Sunrise Dam commenced an indigenous supply initiative, aimed at encouraging indigenous business from the local area to tender for services associated with the mine.

## Brazil

**Laws, regulations and standards:** Constitution and labor legislation, Regulatory Norm 22 – Occupational Health and Safety in Mining; Regulatory Norm 7 – Occupational Health Medical Control Program; Mining Decree 237; October 2001 Regulatory Norm – National Department of Mineral Production (NDMP).

**Safety:** AngloGold Ashanti Mineração was awarded the Dick Fisher Global Safety Award for excellence in safety in 2004 – an AngloGold Ashanti Group award. The award was made in recognition of a 23 percent improvement when compared to the operation's best ever previous performance since 2002. This operation (comprising the Cuiabá



mine, the Queiroz plant and surface infrastructure) recorded only eight lost-time injuries per 1.56 per million man hours worked in 2004. In addition they were awarded the Civil Defense Medal by the governor's office of the Minas Gerais state in recognition of the company's partnership with State's Civil Defense Unit and Fire Department after the company's fire and emergency brigades were called upon to help extinguish forest fires and assist with chemical spillage clean-ups on local roads.

107

**Health:** Brazil had no major health issues to manage.

**Environment:** Both Serra Grande and AngloGold Ashanti Mineração are ISO14001 certified – certification is being sought for the Córrego do Sítio project. The Federal Mining Department issued a partial closure certificate for surface infrastructure and the mining operations at Mina Velha following a technical visit in May 2004. Environmental operating licenses were granted for the Lamego mine in December 2004 and for the Carvoaria mine (part of Córrego do Sítio) in June 2004. The availability of water dictates to a large degree, the use of water and the level of efficiency achieved. At AngloGold Ashanti Mineração, a program to recycle water from the Cocoruto Dam in the Queiroz Plant was approved by the State Water Agency. This initiative will see a reduction in the fresh water intake of 38 percent (some 1.4 million liters of water per annum).

**Community and social development:** In line with AngloGold Ashanti's policy on sustainable development, the Brazilian operations are actively involved in forming partnerships with local municipalities and their communities to diversify developing economies by generating jobs. An employee volunteering program was launched at AngloGold Ashanti Mineração during 2004.

## Ghana

**Laws, regulations and standards:** Mining and Explosives Regulators, 1970 (Legislative Instruments 665 and 666); Radiation Protection Regulations, 1993 (Legislative Instrument 1559); Environmental Protection Agency (EPA) Regulations.

**Safety:** Obuasi mine achieved one million fatality-free shifts on June 17, 2004 and two million fatality-free shifts on October 30, 2004. On September 25, 2004, the Iduapriem mine was recognized by NOSA for achieving four million hours without a disabling injury. Both Bibiani and Iduapriem were acknowledged with NOSA 5 star ratings during 2004.

**Health:** AngloGold Ashanti has budgeted \$1.2 million for facilities and equipment upgrading at the Edwin Cade Memorial Hospital in Obuasi. Malaria remains a major threat.

**Environment:** Bibiani and Iduapriem are ISO14001 certified. Obuasi is in the initial stages of implementing the ISO14001 standards.

**Community and social development:** A four-day workshop was held in Ghana during the fourth quarter of 2004, to review community development activities, to work towards alignment of policy and practice and to establish benchmarks for new initiatives in the region. Social activities and interventions are focused on education, health care/sanitation and sustainable livelihood projects.

## Guinea

**Laws, regulations and standards:** Code Minier of June 1995 (Mining Code); Code des Activités Economiques of December 8, 1992 (Company Code); Code des Assurances of June 12, 1995 (Insurance Code); Codes des Douanes (Customs Code); Code des Impôts of 1991 (Tax Code); Code du Travail of January 28, 1988 (Labour Law); Convention Collective of 1995 (Mining Industrial Award); and Code de l'Environnement of May 28, 1987 (Environment Code).

**Safety:** Despite intensified safety awareness and training programs at Siguiri, substantially all of the LTIs which occurred during 2004 involved contractor employees on the construction site at the CIP project.

**Health:** The major health issues remain Malaria and HIV/AIDS. The company continues its focus of reducing the number of Malaria cases and to combat the spread of HIV/AIDS through education and health support initiatives.

**Environment:** Siguiri has started developing an environmental management system and is committed to maintaining ISO14001 standards.

108

**Community and social development:** In addition to the 0.4 percent of annual revenue payable in terms of its Convention de Base to a community development tax, the company is involved in a number of community initiatives, including the financing of a community FM radio station for the local community which is nearing completion. The station will be used to support the company's drive to create awareness about HIV/AIDS and Malaria control. Contribution toward the Siguiri football stadium construction and several cemetery improvements within Siguiri, as well as providing funds to several important cultural/customary occasions and recognized festivities, were made during 2004.

## **Mali**

**Laws, regulations and standards:** The primary laws governing safety and health are the Code de la Sécurité Sociale du Mali (Social Security Code), Convention Collective (Collective Agreement) and Code du Travail du Mali (Mali Labor Code). The International Finance Corporation (IFC) is a partner in the SEMOS SA (Sadiola mine) joint venture and as a partner, the IFC requires that SEMOS SA adhere to IFC and World Bank guidelines, including those guidelines covering health and safety. Additional applicable IFC guidelines include the Environmental Guidelines for Health Care Facilities, May 2003; IFC Environmental Guidelines for Occupational Health and Safety, June 24, 2003; World Bank Environmental, Health and Safety Guidelines – Mining and Milling – Open Pit, August 1995; and Environmental, Health and Safety Guidelines for Precious Metal Mining, Draft July 2004; IFC Operational Directive 4.30 on Involuntary Resettlement.

**Safety:** The Morila mine's power plant shared the "Best Overseas Operation" award for Rolls Royce Power Ventures Limited with respect to Health, Safety and Environmental management. The \$1,000 prize money was donated to a charity in the local village of Sanso. At the Sadiola and Yatela operations, the further development of full-time safety and health representatives continues.

**Health:** At Sadiola and Yatela, a major epidemiological baseline study has been initiated, along with the yellow fever inoculation program. A program to reduce and manage worker fatigue, along with a vitamin A distribution is underway. Malaria remains a major threat.

**Environment:** A detailed closure plan, including quality surveys, was undertaken for the Alamoutala Pit at Yatela in the first quarter of 2004. Mining of the pit is expected to cease early in 2005 to be followed immediately by the implementation of the plan. Most of the environmental incidents reported at Sadiola are related to animal life. Surrounding the mine, the shallow waters and natural bush are ideal wildlife habitat. However, during the dry summers when temperatures are above 45 degrees centigrade and the natural environment is affected, wildlife and livestock force their way into the mining area in search of water, despite fencing and other deterrents. The autopsies carried out on the birds discovered around the dam adjacent to the tailings storage facility concluded that these deaths were the result of a high concentration of sodium and not caused by cyanide. The mine remains committed to put in place measures that will prevent re-occurrence of these incidents.

**Community and social development:** All operations in Mali are involved in community development initiatives, such as the planting of mangos on more than 8 hectares in 8 villages around the Sadiola Mine, as well as 2 hectares in Diamou, which are showing encouraging results. The HIV/AIDS awareness campaigns organized by Sadiola and Yatela received extensive National Television coverage. Programs have also been put in place to support local procurement as far as this is possible.

## **Namibia**

**Laws, regulations and standards:** Health & Safety Regulations Act 6 of 1992; Hazardous Substance Act 15 of 1973; Mineral and Ordinance Act; Environmental Act 10 of 1998 and Namibia Water Corporation Act 12 of 1997.

**Safety:** The Navachab mine maintained its NOSA four star status, achieving an 84 percent audit result, an improvement on 2003.

109

**Health:** Antiretroviral therapy (ART) roll-out for employees at the Navachab mine commenced in April 2004, to support the Voluntary Counseling and Testing (VCT) and wellness program already in place.

**Environment:** The Navachab mine spent some N\$2.5 million for rock storage facilities and top soil cladding during the decommissioning of the old TSF. Indigenous plants are grown at the mine's nursery and used for rock storage facilities' re-vegetation programs.

**Community and social development:** The Navachab mine strives, where possible, to employ people from the surrounding communities. Job creation as well as business development is encouraged through donations and other initiatives.

## **Tanzania**

**Laws, regulations and standards:** The United Republic of Tanzania Mining Act 1998; The United Republic of Tanzania Mining Regulation 1999; The Industrial and Consumer Chemicals (Management and Control) Act 2003; The Employment and Labor Relations Act 2004 and The National Environmental Management Bill (currently before Parliament).

**Safety:** An annual NOSA audit was conducted at Geita in June 2004, covering all areas of health, safety and environment. The site retained its four-star rating, achieving an increased percentage score of 83.4 percent. The development and training of safety representatives remains a priority.

**Health:** Malaria remains a major threat.

**Environment:** The Geita mine is ISO14001 certified. At Geita, the mine's rehabilitation program was expanded to match the growth in the waste rock storage facilities, to plant 120,000 tree seedlings and rehabilitate 90 hectares of land. Tree seedlings were sourced from the local nurseries, each supplying 40,000 trees. This has given local species an economic value over and above that of charcoal and timber, promoting conservation and creating a viable economic activity for host communities.

**Community and social development:** When the Geita mine was granted its mining license, artisanal miners and their local communities were affected. In 2001, the Nyakabale Agro Project was established to educate and assist members of the local communities with alternative livelihood skills, primarily in agriculture. The project has been very successful and these former miners and the communities sell agricultural products to various markets, including the mine's canteens.

## **United States of America**

**Laws, regulations and standards:** Mine safety and health is administered via the Mine Safety and Health Administration ("MSHA"), under a program, separate of safety and health requirements, that are applicable to other industries in the United States as addressed under Occupational Safety and Health Administration.

**Safety:** At the CC&V mine, the Dupont STOP for Supervisors and Employees programs continue to yield significant improvements in reported injuries and equipment damage incidents. The STOP programs promote safety observations and positive remedial measures for observed unsafe acts and conditions on all levels of the workforce. CC&V went the entire calendar year of 2004 without incurring a lost time injury. An insurance underwriters risk assessment was performed in 2004 by International Mining Insurance Limited ("IMIU") wherein CC&V attained a risk management score of 79 percent, which betters the world average of 73 percent as observed by IMIU.

**Health:** CC&V continued throughout 2004 with no major health issues to manage.

110

**Environment:** The US operations were subject to environmental inspections by major environmental federal and state regulatory authorities during 2004 and were in substantial compliance with permit requirements with the possible exception of a water quality issue at the CC&V operation. CC&V completed construction of Phase 4C of the valley leach facility in a timely and cost effective manner. All construction-related activities were carried out in compliance with the approvals obtained from various governmental agencies in 2000, to expand the Cresson Project operations. In Nevada, final rehabilitation activities continued at the Big Springs mine and mill with the necessary financial assurances being posted with the State of Nevada. The final rehabilitation activities that have been undertaken have progressed to a stage that release of a majority of the posted financial assurance will be pursued in 2005.

Anti-mining activist groups continue to pursue anti-mining legislation in the State of Colorado that would eliminate the use of cyanide heap leaching technologies associated with gold and silver surface mining. There have been previous unsuccessful attempts to change the legislation by activists, and no bill has yet been introduced in 2005, with the legislative session ending on May 11, 2005

Both the Denver office and the CC&V mine received Pollution Prevention awards in February 2004.

**Community and social development:** In the USA, AngloGold Ashanti's operations make a positive contribution to the communities in which they operate, by supporting projects with potential social, economic or environmental benefits. Some examples of such projects include continued support towards the construction of a regional medical center in a community near CC&V, financial assistance for the restoration of the City Hall in another community near CC&V, and voluntary rehabilitation of an abandoned mine site in conjunction with the State of Colorado. The region continues to run one of the most successful employee volunteering programs in the group, with employees donating some 2,500 hours to the community during the year.

#### **4C. Organizational structure**

##### **Head office structure and operations**

AngloGold Ashanti's operations are organized on a country basis, and are controlled from its Johannesburg office.

Management of AngloGold Ashanti is entrusted to the executive committee, comprising the five executive directors and three

executive officers. This executive committee is supported by the executive officers. See "Item 6.: Directors, senior management and employees". Day-to-day management of the operations vests with executive teams based in South Africa

(Johannesburg), United States (Denver), Brazil (Nova Lima), Ghana (Accra) and Australia (Perth).

##### **Corporate activities**

Activities provided in the corporate area fall into three categories. First, support is provided to the executive officers in

managing AngloGold Ashanti as a whole. Second, certain activities are managed centrally, including strategic and business

planning, marketing, corporate finance, treasury, exploration, technology and innovation, corporate secretarial and corporate

affairs. Third, certain specialized services are directed from the center although they are managed by operations.

These

include mining, engineering, metallurgy, mineral resource management, safety and health, the environment and human

resources.



AngloGold Ashanti has investments in numerous principal subsidiaries and joint venture interests, see "Item 19.: Exhibits" for details.

#### **4D. Property, plant and equipment**

For a discussion on AngloGold Ashanti's mining properties, plant and equipment, see "Item 4B.: Business Overview".

111

**Item 5: Operating and financial review and prospects**

The following operating and financial review and prospects are based on the US GAAP financial statements of AngloGold

Ashanti for the years ended and as at December 31, 2004, 2003 and 2002 which are included under Item 18 of this annual report.

**Overview**

For the year ended December 31, 2004, AngloGold Ashanti produced approximately 6.05 million ounces (including joint ventures) of gold. Headquartered in Johannesburg, South Africa, AngloGold Ashanti has a global presence with 22 operations comprising open-pit and underground mines and surface metallurgical plants in ten countries (Argentina, Australia, Brazil, Ghana, Guinea, Mali, Namibia, South Africa, Tanzania and the United States of America) and which are supported by extensive, yet focused, exploration activities. As at December 31, 2004, AngloGold Ashanti had Proven and Probable Ore Reserves of approximately 78.9 million ounces (including joint ventures) on an attributable basis.

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

AngloGold Ashanti's world-wide operations, divided into countries are: South Africa (which comprises eight operations), Argentina (which encompasses one operation), Australia (which encompasses one operation), Brazil (which encompasses two operations), Ghana (which encompasses three operations), Guinea (which encompasses one operation), Mali (which encompasses three operations), Namibia (which encompasses one operation), Tanzania (which encompasses one operation) and the United States of America (which encompasses one operation). The operation in Zimbabwe acquired in April 2004 as part of the AngloGold Ashanti Business Combination, was sold effective September 1, 2004. For more information on AngloGold Ashanti's business and operations, see "Item 4B.: Business overview — Products, operations and geographical locations".

**Restatement of financial statements**

The financial statements contained herein for the two fiscal years ended December 31, 2003 and other financial information contained herein for the four fiscal years ended December 31, 2003 have been restated to correct AngloGold Ashanti's historical accounting practices for certain joint venture arrangements. Historically, interests in certain incorporated mining joint ventures in which AngloGold Ashanti has joint control were reported using the proportionate consolidation method. This accounting treatment represents a departure from US GAAP which requires the equity method of accounting for such joint venture arrangements. These joint venture arrangements consist of operating entities situated in Mali (the Sadiola, Yatela and

Morila Joint Ventures) and Tanzania (the Geita Joint Venture), of which the significant financial operating policies are, by contractual arrangement, jointly controlled.

As a result, AngloGold Ashanti has restated the consolidated balance sheet as of December 31, 2003, and the consolidated statements of income and consolidated statements of cash flows for the years ended December 31, 2003 and 2002 included in this Annual Report on Form 20-F as described in note 2 to the consolidated financial statements and other financial information contained herein for the four fiscal years ended December 31, 2003. The restatement corrects the company's historical accounting for interests in mining joint ventures and has no impact on net income or total stockholders' equity.

## **5A. Operating results**

### **Introduction**

AngloGold Ashanti's revenues are derived primarily from the sale of gold produced at its mines. An insignificant portion of its revenue is derived from the sales of silver, uranium oxide and sulphuric acid. As a result, AngloGold Ashanti's operating results are directly related to the price of gold which can fluctuate widely and are affected by numerous factors beyond its control, including industrial and jewellery demand, expectations with respect to the rate of inflation, the strength of the US dollar (the currency in which the price of gold is generally quoted) and of other currencies, interest rates, actual or expected gold sales by central banks and the IMF, forward sales by producers, global or regional political or economic events, and production and cost levels in major gold-producing regions such as South Africa. In addition, the price of gold sometimes is subject to rapid short-term changes because of speculative activities.

112

The current demand for and supply of gold may affect gold prices, but not necessarily in the same manner as current supply and demand affect the prices of other commodities. The supply of gold consists of a combination of new production from mining and existing stocks of bullion and fabricated gold held by governments, public and private financial institutions, industrial organizations and private individuals.

As the amounts produced in any single year constitute a very small portion of the total potential supply of gold, normal variations in current production do not necessarily have a significant impact on the supply of gold or on its price. If revenue from gold sales falls for a substantial period below AngloGold Ashanti's cost of production at its operations, AngloGold Ashanti could determine that it is not economically feasible to continue commercial production at any or all of its operations or to continue the development of some or all of its projects.

On July 7, 2005, the afternoon fixing price for gold on the London Bullion Market was \$425.20 per ounce.

AngloGold Ashanti's costs and expenses consist primarily of production costs, royalties and depreciation, depletion and amortization. Production costs are incurred on labor, consumable stores which include explosives, timber, other consumables and utilities incurred in the production of gold. Labor is the largest component of production costs as AngloGold Ashanti's mining operations consist mainly of a combination of the use of both deep level underground mining methods as well as open-pit operations, both of which are labor intensive.

With operations in several countries on several continents, AngloGold Ashanti is exposed to a number of factors that could impact on its profitability, including exchange rate fluctuations, inflation and other risks relating to these specific countries. These factors are inherent in conducting mining operations on a global basis, and AngloGold Ashanti applies measures, such as hedging instruments, intended to reduce its exposure to these factors.

In conducting mining operations, AngloGold Ashanti recognizes the inherent risks and uncertainties of the industry, and the wasting nature of assets. The costs and expenses relating to the production of gold are either expensed or capitalized to mining assets. Recoverability of capitalized amounts is reviewed on a regular basis.

### **Effect of exchange rate fluctuations**

Currently, the majority of AngloGold Ashanti's revenues are generated in South Africa, and to a lesser extent in Brazil, Argentina and Australia, and most of its production costs, therefore, are denominated in local currencies, such as the South African rand, the Brazilian real, the Argentinean peso and the Australian dollar. In 2004, AngloGold Ashanti derived

75 percent (68 percent including joint venture arrangements) of its revenues from these countries and incurred 74 percent (68 percent including joint venture arrangements) of its production costs in these local currencies. In 2004, the weakening of the US dollar against these local currencies accounted for nearly \$28 per ounce, or 52 percent of the total increase in total cash costs per ounce from 2003. As the price of gold is denominated in US dollars and AngloGold Ashanti realizes the majority of its revenues in US dollars, devaluation of these local currencies against the US dollar improves AngloGold Ashanti's profitability in the short-term. Mainly as a result of its hedging instruments, a small portion of AngloGold Ashanti's revenues are denominated in South African rand and Australian dollar, which partially offsets the effect of the US dollar's strength or weakness on AngloGold Ashanti's profitability. Based upon average rates during the respective years, the rand and the real strengthened by approximately 15 percent and 5 percent respectively, against the US dollar in 2004 compared to 2003. The Argentinean peso traded freely against the US dollar from January 1, 2002 and had devalued to 2.9:1 against the US dollar by June 30, 2005. The Australian dollar, based on the average rates during the respective years, strengthened by 12 percent against the US dollar in 2004 compared to 2003.

To fund local operations, AngloGold Ashanti holds funds in local currencies. The US dollar value of these currencies may be affected by exchange rate fluctuations and, as a result, AngloGold Ashanti's cash and cash equivalents reported in US dollars could change. At December 31, 2004, approximately 48 percent of AngloGold Ashanti's cash and cash equivalents were held in local currencies.

Certain exchange controls are currently in force in South Africa. Although the exchange rate of the rand is primarily market determined, its value at any time may not be considered a true reflection of the underlying value of the rand while exchange controls exist. The government has indicated its intention to lift exchange controls over time. When this occurs, rand exchange rates will be more closely tied to market forces. It is not possible to predict when this will occur or the future value of the rand. For a detailed discussion of these exchange controls, see "Item 10D.: Exchange controls".

113

**Effect of inflation**

AngloGold Ashanti's operations have not been materially adversely affected by inflation in recent years. However, AngloGold

Ashanti is unable to control the prices at which it sells its gold (except to the limited extent that it utilizes commodity instruments) and it is possible, therefore, that if there is to be significant inflation in South Africa, and to a lesser extent in

Brazil, Argentina and Australia, without a concurrent devaluation of the local currency or an increase in the price of gold, there

could be a material adverse effect upon AngloGold Ashanti's results and financial condition.

The percentage change in the rand/US dollar exchange rate, based upon average rates during the respective years, and the local annual inflation rate, as measured by the South African Producer Price Index (PPI), are set out in the table below:

**Year ended December 31****2004**

%

**2003**

%

**2002**

%

The average South African rand/US\$ exchange rate (strengthened)/weakened by:

(14.7)

(28.0)

21.6

PPI (inflation rate) increase:

0.6

1.7

14.2

**Net effect****(15.3)**

(1)

**(29.7)**

(1)

**7.4**

(1)

*The decrease in the inflation rate is outweighed by the impact of the strengthening of the rand relative to the US dollar.*

**Effect of commodity instruments**

AngloGold Ashanti has utilized commodity instruments to protect the selling price of some of its anticipated gold production.

Although the use of these instruments may protect a company against low gold prices, it will only do so for a limited period and

only to the extent the hedge book can be sustained. The use of such instruments may also prevent full participation in subsequent increases in the market price for gold with respect to covered production. During 2003, AngloGold

Ashanti took

the decision to lower its mandate for hedging from 50 percent to 30 percent of the next five years of production spread over ten

years. In addition, AngloGold Ashanti in 2004, restructured its hedge book. The effect of this was to increase the proportion of the company's anticipated 6.5 million ounces of gold production that is exposed to the spot price to 90 percent in 2005 and 83 percent in 2006 and to improve the value of remaining forward sales contracts in future years. For a discussion of AngloGold Ashanti's commodity instruments, see "Item 11.: Quantitative and qualitative disclosures about market risk".

### **Acquisitions and dispositions**

The global gold mining industry has experienced active consolidation and rationalization activities in recent years. Accordingly, AngloGold Ashanti has been, and expects to continue to be, involved in a number of acquisitions and dispositions as part of this global trend and to identify value-adding business combination and acquisition opportunities.

In November 2001, AngloGold announced the sale of its Free State operations in South Africa effective January 1, 2002. The sale closed in April 2002. AngloGold also announced the sale of its Normandy shares in January 2002 after its offer to purchase all of the outstanding share capital of Normandy Mining Limited in Australia expired without it obtaining control of Normandy.

During July 2002, AngloGold acquired an additional 46.25 percent interest in the Cerro Vanguardia mine in Argentina doubling its interest in this operation to 92.5 percent. The transaction was effective from July 1, 2002. With effect from October 1, 2002 AngloGold disposed of its wholly-owned subsidiary, Stone and Allied Industries, to a joint venture of that company's existing management and a group of black entrepreneurs.

On May 23, 2003, AngloGold announced that it had signed an agreement to sell its wholly-owned Amapari Project to Mineração Pedra Branca do Amapari. The effective date of the transaction was May 19, 2003. The Amapari project is located in the State of Amapá, North Brazil. Since acquiring the property as part of the Minorco transaction, the company had sought to prove up additional reserve ounces in order to get it to a size and life that would justify the management resources needed to run it effectively. This was not achieved and AngloGold, on receiving an offer from a purchaser who could constructively turn this orebody to account, agreed to sell.

On June 6, 2003, AngloGold announced that it had finalized the sale of its 49 percent stake in the Gawler Craton Joint Venture, including the Tunkillia project located in South Australia, to Helix Resources Limited. Helix's proposed acquisition of AngloGold's rights to the Tarcoola Project, 60 kilometers to the south, was excluded from the final agreement. This resulted in a restructure of the original agreement terms, as announced on April 8, 2003.

114

On July 2, 2003, AngloGold announced that it had concluded the sale of its interest in the Jerritt Canyon Joint Venture to Queenstake Resources USA Inc. effective June 30, 2003. This followed negotiations originally announced on February 27, 2003. Queenstake accepted full closure and reclamation liabilities. The shares acquired by AngloGold in this transaction were issued by Queenstake Resources Limited, a subsidiary of Queenstake, and represented approximately 9.2 percent of that company's issued share capital. AngloGold disposed of its entire interest in Queenstake during November 2003.

On July 8, 2003 AngloGold disposed of its entire investment of 8,348,600 shares held in East African Gold Mines Limited and in the second half of 2003 AngloGold disposed of 952,481 shares in Randgold Resources Limited.

On September 18, 2003 AngloGold and Gold Fields Limited jointly announced that agreement had been reached on the sale by Gold Fields Limited of a portion of the Driefontein mining area in South Africa to AngloGold.

On January 20, 2004 AngloGold announced that it had received a cash payment of A\$4 million (\$3 million) and 25 million fully paid ordinary shares from Tanami Gold NL in Australia, as consideration for Tanami Gold's purchase of the Western Tanami Project. This follows an initial payment of A\$0.3 million (\$0.2 million) made on November 24, 2003, when the Heads of Agreement was signed by the companies. The Business Combination between AngloGold and Ashanti Goldfields Company Limited which was originally announced on May 16, 2003 was completed with effect from Monday, April 26, 2004, following the confirmation by the High Court in Ghana on Friday, April 23, 2004, of the scheme of arrangement, in terms of which AngloGold acquired the entire issued share capital of Ashanti. AngloGold changed its name to AngloGold Ashanti Limited on April 26, 2004, the effective date of the transaction. For a detailed discussion of the AngloGold Ashanti Business Combination, see "Item 5A.: Operating results – Business Combination between AngloGold and Ashanti".

On July 1, 2004, AngloGold Ashanti announced that it had entered into an agreement with Trans-Siberian Gold plc (TSG) for the acquisition of a 29.9 percent stake in the company through an equity investment of approximately £18 million (\$32 million) in two subscriptions for ordinary shares. The first tranche of ordinary shares of 17.5 percent was acquired during July 2004. TSG is listed on the London Stock Exchange's Alternative Investment Market (AIM). This first move into Russia allows AngloGold Ashanti the opportunity of establishing a meaningful interest in a company with Russian assets and activities, thereby allowing AngloGold Ashanti to gain exposure to, and familiarity with, the operating and business environment in Russia, as well as to being able to establish a business within this prospective New Frontier. On December 23, 2004, it was



announced that the second subscription had been delayed to April 15, 2005 while on April 18, 2005, the second subscription date was extended by a further two weeks to April 29, 2005. On April 28, 2005, the company announced that agreement had been reached with TSG on revised terms for the second subscription of shares in TSG, and a revised subscription price of £1.30 per share, compared to £1.494 per share agreed between the parties on June 30, 2004. The revised terms of the subscription was approved by TSG shareholders on May 27, 2005 and AngloGold Ashanti's 17.5 percent equity interest in TSG increased to 29.9 percent on May 31, 2005, the date on which the second subscription was completed.

On August 5, 2004, AngloGold Ashanti announced the sale of its Union Reefs assets to the Burnside Joint Venture, comprising subsidiaries of Northern Gold NL (50 percent) and Harmony Gold Mining Company Limited (50 percent), for a total consideration of A\$4 million (\$2 million). The Burnside Joint Venture is responsible for all future obligations associated with the assets, including remaining site rehabilitation and reclamation.

In 2004, Queenstake approached the Jerritt Canyon Joint Venture partners, AngloGold and Meridian Gold, about the possibility of monetizing all or at least a majority of the \$6 million in deferred payments and \$4 million in future royalties, payable in the concluded sale of AngloGold's interest in the Jerritt Canyon Joint Venture to Queenstake Resources USA Inc., effective June 30, 2003. Based on an agreement reached between the parties, AngloGold Ashanti was paid on August 25, 2004 approximately \$7 million for its portion of the deferred payments and future royalties, thereby monetizing all outstanding obligations, except for a minor potential royalty interest that AngloGold Ashanti retained.

In a joint announcement made on September 10, 2004, AngloGold Ashanti confirmed its agreement to sell its entire interest in Ashanti Goldfields Zimbabwe Limited to Mwana Africa Holdings (Pty) Limited for a deferred consideration of \$2 million. The sole operating asset of Ashanti Goldfields Zimbabwe Limited is the Freda-Rebecca Gold Mine. The sale was effective on September 1, 2004.

Agreement was reached to sell AngloGold Ashanti's 40 percent equity interest in Tameng Mining and Exploration (Pty) Limited of South Africa (Tameng) to Mahube Mining (Pty) Limited for a cash consideration of R20 million (\$3 million). Tameng owns certain mineral rights to platinum group metals (PGMs) on the farm Locatie Van M'Phatlele KS 457, on the northern limb of the Bushveld Complex in the Limpopo Province in South Africa. The sale was effective on September 1, 2004.

115

In an announcement made on October 11, 2004, AngloGold Ashanti advised that it had signed an agreement with Philippines explorer Red 5 Limited to subscribe for a 12.3 percent stake in the expanded issued capital of Red 5 for a cash consideration of A\$5 million (\$4 million). This placement will be used to fund the exploration activities along strike from current mineral resources at the Siana Project, and to test the nearby porphyry gold-copper targets in the Surigao region of the Republic of the Philippines.

On April 29, 2005, AngloGold Ashanti announced the conditional sale of exploration assets in the Laverton area, comprising the Sickle royalty of \$30 per ounce, the Child Harold prospect, various 100 percent AngloGold Ashanti Australia-owned interests including the Lord Byron and Fish projects as well as its interests in the Jubilee, Black Swan and Jasper Hills Joint Ventures to Crescent Gold Limited. The sale is dependent upon Crescent Gold Limited meeting a staged payments schedule. See note 31 to the consolidated financial statements "Subsequent events". AngloGold Ashanti does not expect that the sale will have a material impact on its earnings and financial position.

Acquisitions have been accounted for as purchase business combinations under US GAAP. The consolidated financial statements reflect the operations and financial condition of AngloGold Ashanti, assuming that acquisitions and dispositions took place on the effective date of these transactions. Therefore, the consolidated financial statements are not necessarily indicative of AngloGold Ashanti's financial condition or results of operations for future periods. For a more detailed discussion of these transactions, see "Item 4A.: History and development of the company".

#### **Business Combination between AngloGold and Ashanti**

On August 4, 2003, AngloGold and Ashanti announced that they had agreed the terms of a recommended Business Combination. The Business Combination was effective by a scheme of arrangement under Ghanaian law and was completed on April 26, 2004.

In connection with the Business Combination, AngloGold and the government of Ghana agreed the terms of a Stability Agreement, approved by the parliament of Ghana, to govern certain aspects of the fiscal and regulatory framework under which AngloGold Ashanti will operate in Ghana following the implementation of the Business Combination.

Under the Stability Agreement, the government of Ghana retained its special rights ("Golden Share") under the provisions of the mining law pertaining to the control of a mining company, in respect of the assets and operations in Ghana.

In terms of the Golden Share, the following requires, and will not be effective without, the written consent of the government of

Ghana as the holder of the Golden Share:

- any disposal by Ashanti (other than any disposal in the ordinary course of business of Ashanti) which, alone or when aggregated with any disposal or disposals forming part of, or connected with, the same or a connected transaction, constitutes a disposal of the whole or a material part of the assets of the Ashanti Group taken as a whole. For this purpose, a part of the Ashanti Group's assets will be considered material if either (a) its book value (calculated by reference to the then latest audited consolidated accounts), or the total consideration to be received on its disposal, is not less than 25 percent of the book value of the net assets of the Ashanti Group or (b) the average profits attributable to it represent at least 25 percent of the average profits of the Ashanti Group for the last three years for which audited accounts are available (before deducting all charges, except taxation and extraordinary items). The Golden Share does not carry any right to vote at any general meeting of Ashanti.

The government of Ghana has also agreed that Ashanti's Ghanaian operations will not be adversely affected by any new enactments or orders or by changes to the level of payments of any customs or other duties relating to mining operations, taxes, fees and other fiscal imports or laws relating to exchange control, transfer of capital and dividend remittance for a period of 15 years after the completion of the Business Combination. In consideration of these agreements and undertakings, AngloGold agreed to issue to the government of Ghana 2,658,000 new AngloGold ordinary shares and to pay to the government of Ghana \$5 million in cash, promptly after the implementation of the Business Combination. AngloGold also agreed to pay to the government of Ghana, on the date of the completion of the Business Combination, an additional \$5 million in cash towards the transaction costs incurred by the government of Ghana in its role as regulator of Ashanti.

116

On April 26, 2004, AngloGold issued 38,400,021 ordinary shares to former Ashanti shareholders and 2,658,000 ordinary shares under the Stability Agreement to the government of Ghana. On June 29, 2004, AngloGold issued a total of 75,731 ordinary shares to former Ashanti warrant holders pursuant to the Business Combination.

The market value of the shares issued for Ashanti was approximately \$1,544 million, net of share issue expenses of \$3 million, based on the average quoted value of the shares of \$37.62 two days before and after October 15, 2003, the date the terms of the transaction were announced. The market value of the issued shares, together with the cash consideration paid to the government of Ghana as part of the Stability Agreement, cash consideration paid for outstanding options over Ashanti ordinary shares and transaction costs and funding of \$227 million, gave rise to a total purchase price of approximately \$1,771 million.

AngloGold Ashanti has performed a preliminary purchase price allocation based on independent appraisals and valuations. The transaction was accounted for as a purchase business combination under US GAAP whereby identifiable assets acquired and liabilities assumed were recorded at their fair market values as of the date of acquisition. The excess of the purchase price over such fair value was recorded as goodwill and as such, the acquisition resulted in goodwill of \$182 million being recorded, relating mainly to the extended life of AngloGold Ashanti by the Obuasi project in Ghana and enlarged negotiation base and presence in Africa by Ashanti operations. In accordance with the provisions of SFAS142, goodwill was assigned to specific reporting units. The company's reporting units are generally consistent with the operating mines underlying the segments identified in note 26 to the consolidated financial statements "Segment and geographical information". Goodwill related to the acquisition is non-deductible for tax purposes.

The combination of AngloGold and Ashanti was designed to combine the two companies into a long-life, low-cost, high-margin investment opportunity, bringing together the best that both had to offer, by way of ore bodies, capital and human resources.

In valuing the acquired mineral rights and reserves, AngloGold Ashanti has considered various aspects of historical, spot and forward prices of gold. AngloGold Ashanti does not believe that the gold price over the last few years is a strong or sole indicator of future gold prices. In valuing the mineral rights and reserves acquired, AngloGold Ashanti estimated future gold prices for the next ten years based on the forward gold price curve at April 26, 2004 having established that this was the best indicator, for periods thereafter the estimated gold price has been based on the ten year forward gold price derived from the

forward curve adjusted upward by 2.25 percent per year for the anticipated life of the mineral rights and reserves acquired.

As a result of this approach, AngloGold Ashanti has utilized a range of gold prices in estimating the value of the acquired mineral rights and reserves, the low end of the estimated price received range is nominal \$402 per ounce in 2005 and the high end of the estimated price received range is nominal \$999 per ounce in 2039 with an overall average estimated received price of \$673 per ounce in nominal terms. In addition, costs for the first six years have been estimated based on operational requirements adjusted by inflation, and escalated by 2.25 percent per year for periods thereafter. Future cash flows have been discounted using compound pre-tax rates adjusted for country and other risks, on a mine by mine basis. In particular, these rates vary between 6.5 – 8.5 percent for Ghana, 9.75 – 11.75 percent for Guinea, and 6.25 – 8.25 percent for Tanzania.

Due to the size and nature of the acquisition and the geographical spread and remote locations of some of the properties acquired and the associated assets, AngloGold Ashanti is in the process of finalizing the purchase price allocation of fixed assets. However, the final purchase price allocation is not expected to vary significantly from the preliminary allocation.

The operations and financial condition of the companies and assets acquired are included in the financial statements from April 26, 2004, the effective date of the Business Combination.

For a detailed discussion of AngloGold's Business Combination with Ashanti, including a description of the contractual arrangements in connection with the Business Combination and an overview of Ashanti's business, see "Item 4A.: History and development of the company—Ashanti Goldfields Company Limited and—Business Combination between AngloGold and Ashanti".

### **Projects and growth opportunities**

In addition to continuously monitoring and evaluating prospective acquisitions including the Business Combination, AngloGold Ashanti's management has identified a number of medium- to long-term organic growth opportunities for the company. For a discussion of these projects and opportunities, see "Item 5D.: Trend information – Growth opportunities".

117

**South African political, economic and other factors**

AngloGold Ashanti is a company domiciled in South Africa, with a number of operations in South Africa. As a result, AngloGold

Ashanti is subject to various economic, fiscal, monetary and political factors that affect South African companies generally.

South African companies are subject to exchange control regulations. Governmental officials have from time to time stated their intentions to lift South Africa's exchange control regulations when economic conditions permit such action. From 1998, certain aspects of exchange controls for financial institutions and individuals have been incrementally relaxed. It is, however, impossible to predict when the South African government will remove exchange controls in their entirety. South African companies remain subject to restrictions on their ability to export and deploy capital outside of the Southern African Common Monetary Area, unless dispensation has been granted by the South African Reserve Bank. For a detailed discussion of exchange controls, see "Item 10D.: Exchange controls".

In October 2002, the President of South Africa assented to the Mineral and Petroleum Resources Development Act, Act 28 of 2002 (MPRDA), which was passed by the parliament of South Africa in June 2002. On May 1, 2004, the MPRDA came into effect and operation. The MPRDA vests custodianship of South Africa's mineral rights in the State. The State issues prospecting rights or mining rights to applicants. The former common law prospecting, mining and mineral rights are now known as old order rights and the transitional arrangements provided in the MPRDA give holders of such old order rights the opportunity to convert their old order rights into new order rights. Applicants have five years from May 1, 2004, in which to apply to convert old order mining rights into new order mining rights. The South Africa government has announced that it is giving consideration to new legislation, in terms of which the new rights will be subject to a State royalty. The extent and basis of that royalty is unknown at present. The draft Mineral and Petroleum Royalty Bill, 2003, was released in March 2003 for comment and proposed a royalty payment of three percent of gross revenue per annum, payable quarterly, in the case of gold. Had the proposal become law, royalty payments would have commenced upon the conversion and granting of a new mining right. The introduction of the proposed royalty would, all else being equal, have an adverse impact upon AngloGold Ashanti's profitability, as currently no royalty is payable to the State. However, the Finance Minister announced also that due to the new regulatory system for the mining rights in terms of the MPRDA and accompanying royalty dispensation under the draft Mineral and Petroleum Royalty Bill, it has become imperative to holistically reassess the current fiscal regime as applicable to the mining and petroleum industries in South Africa, including tax, depreciation, rate differentiation for mining sectors,

allowable

deductions and exemptions from secondary tax on companies in terms of South Africa's income tax laws. Also due for review

is the gold mining tax formula, which provides income tax exemption and relief from secondary tax on companies for gold

mines, despite the existence of profit. The impact of these proposed reviews is unknown at this stage but may have an adverse

effect on AngloGold Ashanti's financial condition or results of operations. For a detailed discussion of the MPRDA see

"Item 4B.: Business Overview – Rights to mine and titles to properties – Mineral and Petroleum Resources Development Act".

#### **Gold market in 2004**

In 2004, the spot price of gold opened at \$415 per ounce in January and closed at \$435 per ounce in December 2004, an

increase of 5 percent, compared with \$346 per ounce in January 2003 and \$415 per ounce in December 2003. The average

spot price of gold was \$409 per ounce during 2004, \$46 per ounce, or 13 percent, higher than \$363 per ounce, the average

spot price of gold in 2003. During 2004, the highest spot price of gold was \$457 per ounce compared to a high of \$417 per

ounce for 2003. The lowest spot price of gold was \$371 per ounce during 2004, 16 percent higher than \$319 per ounce, the

lowest spot price of gold for 2003.

The driving influence on investor sentiment was the weakening dollar, particularly against the euro, but also against the

Japanese yen. This has been the case also for the past three and a half years and the correlation between the rising dollar

spot price of gold and the weakening dollar against the euro reached 97 percent over the three months to December 2004.

While this does not mean that other factors do not influence the gold market and the price of gold from time to time, it does

underline the primary influence of the health of the US currency on the gold price in the current market cycle.

In this respect, the gold market differs from the parallel cycle of rising base metal and commodity prices, which has also been

influenced to some extent by investor buying on the back of a weakening US currency. However, prices of industrial metals are

being driven mainly by Chinese demand at present. The correlation between the gold price and the weak dollar is an important

one for the year ahead.

118

Investment demand remains the instrument through which this influence on the gold price is manifested. The role played by investors and speculators in gold on the New York Comex has been supplemented by the launch in the USA of the gold exchange-traded fund, the streetTRACKS Gold Shares. The fund was created by the World Gold Council in partnership with State Street Global Markets and by early 2005 this fund had purchased on behalf of its investors over 140 tons of physical gold in the market. This level of investment is equal to over 25 percent of the net long position in gold on the New York Comex. On the Comex itself, during the year the total open position in gold reached a record high of over 22 million ounces, or 685 tons. The net long position remained consistently strong throughout the final quarter of 2004, although it failed to reach the record high levels seen in early April 2004.

### Comparison of operating performance in 2004, 2003 and 2002

The following table presents operating data for the AngloGold Ashanti group for the three year period ended December 31, 2004:

<b>Operating data for AngloGold Ashanti</b>		
<b>Year ended December 31</b>		
<b>2004</b>	<b>2003</b>	<b>2002</b>
Total gold production (thousand ounces)		
6,052		
5,616		
5,939		
Total cash costs (\$/oz)		
268		
229		
161		
Total production costs (\$/oz)		
356		
288		
218		
Production costs (million US dollars)		
(1)		
1,436		
1,068		
792		
Capital expenditure (million US dollars)		
583		
363		
271		
- Consolidated entities		
571		
339		
246		
- Equity accounted joint ventures		



12  
24  
25  
(1)

*Production costs for 2003 and 2002 have been restated for the equity method of accounting of joint ventures. See note 2 to the consolidated financial statements.*

**Gold production**

For the year ended December 31, 2004, AngloGold Ashanti's total gold production increased by 436,000 ounces, or 8 percent, to 6.05 million ounces from 5.62 million ounces produced in 2003. Gold production from the Geita mine in Tanzania increased from 331,000 ounces in 2003 to 570,000 ounces in 2004 mainly due to the impact of the additional 50 percent interest acquired in the mine, as part of the completed AngloGold Ashanti Business Combination during April 2004, on production of 2004 when compared with 2003. Similarly, former Ashanti operations acquired as part of the completed AngloGold Ashanti Business Combination situated in Ghana, Guinea and Zimbabwe contributed 577,000 ounces of gold produced in 2004.

Marginal increases in gold production were recorded from operations located in Argentina and Brazil where gold production rose from 209,000 ounces and 323,000 ounces, respectively, in 2003 to 211,000 ounces and 334,000 ounces, respectively, in 2004.

Gold production from operations situated in South Africa decreased by 6 percent from 3,281,000 ounces produced in 2003 to

3,079,000 ounces in 2004 mainly due to both lower mining volumes and grade. Gold production from operations situated in the

USA decreased from 390,000 ounces produced in 2003 to 329,000 ounces in 2004 mainly due to the impact of the sale of the

Jerritt Canyon Joint Venture of North America effective June 30, 2003 on production of 2004. The Australian operations

produced 410,000 ounces of gold during 2004, compared with 432,000 ounces in 2003, as a result of the impact on 2004 production of the closure of Union Reefs mine in October 2003. Gold production in Mali decreased by 18 percent from

577,000 ounces in 2003 to 475,000 ounces in 2004, mainly as a result of lower grade mining blocks encountered on the

periphery of the pit at Morila. Navachab, the Namibian operation, produced 67,000 ounces of gold in 2004 compared with

73,000 ounces in 2003, mainly as a result of milled tonnages and recovered grade which dropped in the first half of 2004 as no

ore was mined (only stockpiles were treated), while the operation made the transition to owner-mining.

For the year ended December 31, 2003, AngloGold Ashanti's total gold production decreased by 323,000 ounces or 5 percent,

to 5.62 million ounces from 5.94 million ounces produced in 2002. Gold production from operations located in South Africa

decreased by 4 percent from 3,412,000 ounces produced in 2002 to 3,281,000 ounces in 2003. This was attributable to lower

stopping widths, lower reef development, lower vamping and lower grades at Great Noligwa, lower volumes at Savuka,

and at

Ergo, a dwindling reserve tonnage base. Gold production in Mali decreased by 19 percent from 710,000 ounces in 2002 to

577,000 ounces in 2003, mainly due to the reduction in gold grade primarily at Morila.

119

At Geita, in Tanzania, gold produced increased by 14 percent from 290,000 ounces in 2002 to 331,000 ounces in 2003, mainly due to a 15 percent increase in tonnage throughput as a result of the successful implementation of the plant expansion project.

Gold production in the USA decreased by 16 percent from 462,000 ounces in 2002 to 390,000 ounces in 2003, primarily due to the disposal of AngloGold's 70 percent interest in the Jerritt Canyon Joint Venture with effect from June 30, 2003.

Production

at Cripple Creek & Victor increased by 58,000 ounces in 2003, due to additional product from expanded processing facilities,

as a result of the completion of the expansion project at the Cresson Mine in the third quarter of 2002. Argentina's production

increased from 179,000 ounces in 2002 to 209,000 ounces in 2003, due to the additional 46.25 percent interest acquired by

AngloGold in Cerro Vanguardia in July 2002. Gold production from operations situated in Brazil increased from 299,000 ounces in 2002 to 323,000 ounces in 2003, mainly due to increased production from the Cuiabá mine, at AngloGold

Ashanti Mineração (formerly Morro Velho). The Australian operations produced 432,000 ounces of gold during 2003, compared with 502,000 ounces in 2002, as a result of the closure of Union Reefs and lower production at Sunrise Dam due to

lower grades. Namibia's gold production decreased from 85,000 ounces in 2002 to 73,000 ounces in 2003.

A more detailed review of gold production at each of AngloGold Ashanti's operations is provided under "Item 4B.:

Business

overview".

***Ore Reserve development expenditure***

AngloGold Ashanti has reassessed the useful life of on-reef Ore Reserve development expenditure with effect from January 1,

2004. The impact of the reassessment is that costs are expensed over a longer period than was previously estimated.

This

has been accounted for prospectively as a change in estimate.

The effect of this change in estimate on the results for 2004 is as follows:

**Year ended December 31, 2004**

**(in millions, except per share data)**

**Impact**

**\$**

**Per basic**

**common**

**share**

**(cents)**

**Per diluted**

**common**

**share**

**(1)**

**(cents)**

Income before income tax provision

54

21

21

Deferred income and mining tax

(19)

(8)

(8)

Net income

35

13

13

(1)

The calculation of diluted earnings per common share for 2004 did not assume the effect of 15,384,615 shares issuable upon the exercise of

Convertible Bonds as their effects are anti-dilutive for this period. See note 8 and note 16 to the consolidated financial statements "Earnings per common share" and "Long-term debt".

***Total cash costs and total production costs***

Total cash costs for the year ended December 31, 2004 was \$268 per ounce, \$39 per ounce, or 17 percent, higher than the

cash costs of \$229 per ounce recorded in 2003. This change was mainly due to substantially higher cash costs for the South

African, Australian, Malian and Namibian operations in 2004, which increased by 15 percent, 12 percent, 34 percent and

27 percent respectively, when compared to 2003. The increase in total cash costs at the South African operations was mainly

due to the strengthening of the South African rand relative to the US dollar (based on the average exchange rates of the rand

against the US dollar of R6.44 and R7.55 during the year ended December 31, 2004 and 2003, respectively) being offset by

the impact of the change in estimate of on-reef Ore Reserve development expenditure during 2004. The Australian operations

recorded higher cash costs in 2004, mainly due to the strengthening of the Australian dollar relative to the US dollar (based on

the average exchange rates of the Australian dollar against the US dollar of A\$1.36 and A\$1.54 during the year ended December 31, 2004 and 2003, respectively). Overall, total cash costs for 2004 were increased by nearly \$28 per ounce

(relating to US dollar weakness against all local currencies) and reduced by nearly \$15 per ounce (due to the change in estimate of on-reef Ore Reserve development during 2004), when compared to 2003. The operations in Mali and

Namibia

recorded higher total cash costs per ounce in 2004 mainly due to increased mining costs and lower grades, when compared

with 2003. Overall, lower ore grade increased total cash costs by nearly \$6 per ounce in 2004 when compared to 2003. Former

Ashanti operations acquired as part of the completed AngloGold Ashanti Business Combination situated in Ghana, Guinea,

Zimbabwe and Tanzania (Geita – 50 percent) increased total cash costs by \$9 per ounce in 2004 when compared to 2003.

120

The total cash costs for the year ended December 31, 2003 was \$229 per ounce, \$68 per ounce, or 42 percent higher than cash costs of \$161 per ounce recorded in 2002. This change was mainly due to a combination of stronger local currencies against the US dollar in most operating countries and lower ore grade in several of these countries. Stronger currencies increased total cash costs by \$47 per ounce and lower ore grade by a further \$17 per ounce. Total cash costs for the South African, Australian, Malian and Namibian operations increased by 60 percent, 26 percent, 38 percent and 86 percent, respectively, in 2003, compared to 2002. The increases in total cash costs at the South African and Australian operations were mainly due to the strengthening of the South African rand and the Australian dollar against the US dollar (based on the average exchange rates of the rand against the US dollar of R7.55 and R10.48 and the Australian dollar against the US dollar of A\$1.54 and A\$1.84, during the year ended December 31, 2003 and 2002, respectively). Operations in Mali and Namibia recorded higher total cash costs in 2003 mainly due to lower recovered grades achieved when compared with 2002.

Total production costs per ounce increased from \$288 per ounce to \$356 per ounce over 2004 and from \$218 per ounce to \$288 per ounce over 2003.

A more detailed review of total cash costs and total production costs at each of AngloGold Ashanti's operations is provided under "Item 4B.: Business overview".

***Reconciliation of total cash costs and total production costs to financial statements***

Total cash costs and total production costs are calculated in accordance with the guidelines of the Gold Institute industry standard and are not US GAAP measures. The Gold Institute is a non-profit international association of miners, refiners, bullion suppliers and manufacturers of gold products, which has developed a uniform format for reporting total production costs on a per ounce basis. The standard was first adopted in 1996 and revised in November 1999.

Total cash costs, as defined in the Gold Institute industry standard are production costs as recorded in the statement of operations, less offsite (i.e. central), general and administrative expenses (including head office costs charged to the mines, central training expenses, industry association fees, refinery charges and social development costs) and rehabilitation costs, plus royalties and employee termination costs.

Total cash costs as calculated and reported by AngloGold Ashanti include costs for all mining, processing, administration, royalties and production taxes, as well as contributions from by-products, but exclusive of depreciation, depletion and amortization, rehabilitation, employment severance costs, corporate administration costs, capital costs and exploration costs.

Total cash costs per ounce are calculated by dividing attributable total cash costs by attributable ounces of gold produced.

Total cash costs have been calculated on a consistent basis for all periods presented.

Total production costs, as defined in the Gold Institute industry standard, are total cash costs, as calculated using the Gold Institute industry standard, plus amortization, depreciation and rehabilitation costs.

Total production costs as calculated and reported by AngloGold Ashanti include total cash costs, plus depreciation, depletion and amortization, employee severance costs and rehabilitation and other non-cash costs. Total production costs per ounce are calculated by dividing attributable total production costs by attributable ounces of gold produced. Total production costs have been calculated on a consistent basis for all periods presented.

Total cash costs and total production costs should not be considered by investors in isolation or as alternatives to production costs, net income/(loss) applicable to common stockholders, income/(loss) before income tax provision, net cash provided by operating activities or any other measure of financial performance presented in accordance with US GAAP or as an indicator of the company's performance. While the Gold Institute has provided definitions for the calculation of total cash costs and total production costs, the calculation of total cash costs, total cash costs per ounce, total production costs and total production costs per ounce may vary significantly among gold mining companies, and by themselves do not necessarily provide a basis for comparison with other gold mining companies. However, the company believes that total cash costs and total production costs in total by mine and per ounce by mine are useful indicators to investors and management as they provide:

- an indication of profitability, efficiency and cash flows;
- the trend in costs as the mining operations mature over time on a consistent basis; and
- an internal benchmark of performance to allow for comparison against other mining companies.

A reconciliation of production costs as included in the company's audited financial statements to total cash costs and to total production costs for each of the three years in the period ended December 31, 2004 is presented below. In addition the company has also provided below detail of the attributable ounces of gold produced by mine for each of those periods.

**For the year ended December 31, 2004**

**Operations in South Africa**

(6)

(in \$ millions, except as otherwise noted)

**Production costs**

**138**

<b>133</b>									
<b>71</b>									
<b>180</b>									
<b>134</b>									
<b>107</b>									
<b>93</b>									
<b>28</b>									
-									
<i>Plus:</i>									
Production costs of equity accounted joint ventures									
-									
-									
-									
-									
-									
-									
-									
-									
-									
<i>Less:</i>									
Rehabilitation costs & other non-cash costs									
(2)									
(2)									
(1)									
(4)									
(3)									
(2)									
(10)									
-									
(3)									
<i>Plus:</i>									
Inventory movement									
(1)									
-									
-									
(3)									
(1)									
(1)									
-									
-									
-									
Royalties									
-	-	-	-	-	-	-	-	-	-
Related party transactions									
(1)									
6	8	2	11	7	4	3	2	-	
<i>Adjusted for:</i>									
Minority interests									
(2)									
-	-	-	-	-	-	-	-	-	-
Non-gold producing companies and adjustments									



-									
-									
-									
-									
-									
-									
-									
-									
3									
<b>Total</b>									
<b>cash</b>									
<b>costs</b>									
<b>141</b>	<b>139</b>	<b>72</b>	<b>184</b>	<b>137</b>	<b>108</b>	<b>86</b>	<b>30</b>	<b>-</b>	
<i>Plus:</i>									
Depreciation, depletion and amortization									
29									
39									
26									
22									
17									
20									
27									
2									
10									
Employee severance costs									
-									
1									
2									
3									
1									
-									
2									
-									
-									
Rehabilitation and other non-cash costs									
2									
2									
1									
4									
3									
2									
10									
-									
3									
<i>Adjusted for:</i>									
Minority interests									
(2)									
-	-	-	-	-	-	-	-	-	-
Non-gold producing companies and adjustments									
-									
-									

-								
-								
-								
-								
-								
(4)								
<b>Total</b>								
<b>production</b>								
<b>costs</b>								
<b>172</b>	<b>181</b>	<b>101</b>	<b>213</b>	<b>158</b>	<b>130</b>	<b>125</b>	<b>32</b>	<b>9</b>
<b>Gold produced (000' ounces)</b>								
(3)								
<b>438</b>	<b>568</b>	<b>158</b>	<b>795</b>	<b>486</b>	<b>293</b>	<b>222</b>	<b>119</b>	<b>-</b>
<b>Total cash costs per ounce</b>								
(4)								
<b>322</b>	<b>245</b>	<b>455</b>	<b>231</b>	<b>281</b>	<b>370</b>	<b>389</b>	<b>250</b>	<b>-</b>
<b>Total production costs per ounce</b>								
(4)								
<b>393</b>	<b>319</b>	<b>639</b>	<b>268</b>	<b>325</b>	<b>444</b>	<b>563</b>	<b>269</b>	<b>-</b>
121								

(7)

**For the year ended December 31, 2004**

**Operations in Argentina, Australia, Brazil, Ghana, Guinea, Mali, Namibia, Tanzania, USA and Zimbabwe**  
(in \$ millions, except as otherwise noted)

**a**

**Production costs**

31

87

-

-

31

26

73

27

43

42

-

-

-

23

109

56

-

4

*Plus*

:

Production costs of equity  
accounted joint ventures

-

-

-

-

-

-

-

-

-

38

20

35

-

23

-

-

-

*Less:*

Rehabilitation costs & other non-cash costs

(1)

(1)

-

-

(1)

-

-

-

(1)

(2)

-  
-  
-  
-

(1)

4

-  
-

*Plus:*

Inventory movement

(2)

17

-  
-

2

-  
1

(2)

1

-  
(2)

(2)

-  
-

5

21

-  
-

Royalties

8

4 - - - - 3 1 2

1

4 3 5

-  
7

3 -

-  
-

Related party transactions

(1)

-  
-

- - - - - 1 - 1

-  
2

2 2 -

-  
-

- -

-  
-

*Adjusted for:*

Minority interests

(2)

(3)  
 - - - - (13) - - (8) (4)

-  
 -  
 -  
 -

**Total  
 cash  
 costs**

**33**  
**107 - - 32 13 78 26 38**

**37**  
**42 25 40**

**23**  
**143**

**84 -**  
**4**

*Plus:*

Depreciation, depletion and amortization

28

30

-

-

15

12

35

16

19

10

36

6

15

5

47

40

-

1

Employee severance costs

-

-

-

-

-

-

-

-

-

-

-

-

-								
-								
-								
-								
-								
-								
-								
Rehabilitation and other non-cash costs								
1								
1								
-								
-								
1								
-								
-								
1								
2								
-								
-								
-								
1								
(4)								
-								
-								
<i>Adjusted for:</i>								
Minority interests								
(2)								
(2)								
-	-	-	-	(4)	-	-	(2)	(1)
-	-	-	-					
-								
-								
-								
-								
<b>Total</b>								
<b>production</b>								
<b>costs</b>								
<b>60</b>								
<b>138</b>	-	-	<b>48</b>	<b>21</b>	<b>113</b>	<b>42</b>	<b>56</b>	
<b>48</b>								
<b>78</b>	<b>31</b>	<b>55</b>						
<b>28</b>								
<b>191</b>								
<b>120</b>								
<b>5</b>								
<b>Gold produced (000' ounces)</b>								
<b>(3)</b>								
<b>211</b>								
<b>410</b>	-	-	<b>240</b>	<b>94</b>	<b>255</b>	<b>105</b>	<b>125</b>	
<b>83</b>								

174 97 204

67

570

329 -

9

**Total cash costs per ounce**

(4)

156

260 - - 133 134 305 251 303

443

242 255 196

348

250

220 -

417

**Total production costs per ounce**

(4)

284

337 - - 200 223 443 400 448

578

448 320 270

418

335

365 -

556

122



123

**For the year ended December 31, 2004**

**AngloGold Ashanti operations - Total**

(in \$ millions, except as otherwise noted)

**Total**

**Production costs per financial statements**

**1,436**

*Plus:*

Production costs of equity accounted joint ventures

116

*Less:*

Rehabilitation costs & other non-cash costs

(30)

*Plus:*

Inventory movement

35

Royalties

41

Related party transactions

(1)

49

*Adjusted for:*

Minority interests

(2)

(28)

Non-gold producing companies and adjustments

3

**Total cash costs**

**1,622**

*Plus:*

Depreciation, depletion and amortization

507

Employee severance costs

9

Rehabilitation and other non-cash costs

30

*Adjusted for:*

Minority interests

(2)

(9)

Non-gold producing companies and adjustments

(4)

**Total production costs**

**2,155**

**Gold produced (000' ounces)**

(3)

**6,052**

**Total cash costs per ounce**

(4)

**268**

**Total production costs per ounce**

(4)

**356**

(1)

*Relates solely to production costs as included in the company's consolidated financial statements and has, accordingly, been included in total production costs and total cash costs.*

(2)

*Adjusting for minority interest of items included in calculation, to disclose the attributable portions only.*

(3)

*Attributable production only.*

(4)

*In addition to the operational performances of the mines, total cash costs per ounce and total production costs per ounce are affected by fluctuations in the currency exchange rate. AngloGold Ashanti reports total cash costs per ounce and total production costs per ounce calculated to the nearest US dollar amount and gold produced in ounces.*

(5)

*Corporate includes non-gold producing subsidiaries.*

(6)

*Excludes the Free State mines which were sold effective January 1, 2002.*

(7)

*Total cash costs per ounce calculation includes inventory change.*

(8)

*Jerritt Canyon Joint Venture was sold effective June 30, 2003.*

(9)

*There was no production attributable to AngloGold Ashanti in 2004.*

(10)

*Operations acquired from Ashanti (including 50 percent in Geita). Results are included for the eight months from May 2004 through December 2004.*

(11)

*Freda-Rebecca mine was sold effective September 1, 2004. Results are included for the four months from May 2004 through August 2004.*

**For the year ended December 31, 2003**

**Operations in South Africa**

(6)

(in \$ millions, except as otherwise noted)

**Production costs**

**117**

122

85

168

129

91

73

22

(22)

*Plus:*

Production costs of equity accounted joint ventures

-

-

-

-

-

-

-

-

-

*Less:*

Rehabilitation costs & other non-cash costs

-

(1)

(2)

(2)

(1)

-

(4)

-

-

*Plus:*

Inventory movement

-

(3)

(1)

2

(2)

-

-

-

-

Royalties

-

-

-

-

-

-

-

-

-

Related party transactions

(1)  
 6            7            2            9            6            4            2            1            -

*Adjusted for:*

Minority interests

(2)  
 -  
 -  
 -  
 -  
 -  
 -  
 -  
 -  
 -

Non-gold producing companies and adjustments

-  
 -  
 -  
 -  
 -  
 -  
 -  
 -  
 -  
 28

**Total**

**cash**

**costs**

**123**

**125**

**84**

**177**

**132**

**95**

**71**

**23**

**6**

*Plus:*

Depreciation, depletion and amortization

21

15

5

18

13

15

17

3

4

Employee severance costs

1

-

2

-

-

1

-

-

-

Rehabilitation and other non-cash costs

-

1

2

2

1

-

4

-

-

*Adjusted for:*

Minority interests

(2)

-

-

-

-

-

-

-

-

-

Non-gold producing companies and adjustments

-

-

-

-

-

-

-

-

(2)

**Total**

**production**

**costs**

**145**

**141**

**93**

**197**

**146**

**111**

**92**

**26**

**8**

**Gold produced (000' ounces)**

(3)

499

646

187

812

497

322

203

115

-

**Total cash costs per ounce**

(4)

247

194

448

218

266

294

349

200

-

**Total production costs per ounce**

(4)

291

218

497

243

294

345

453

226

-

124

(7)

**For the year ended December 31, 2003**

**Operations in Argentina, Australia, Brazil, Ghana, Guinea, Mali, Namibia, Tanzania, USA and Zimbabwe**  
(in \$ millions, except as otherwise noted)

**Production costs**

**26**

**81   -   23   33   20   -   -   -**



-		
-	-	-
<b>20</b>		
-		
<b>50</b>	<b>30</b>	
-		
<i>Plus:</i>		
Production costs of equity accounted joint ventures		
-		
-	-	-
-		
29	19	27
-		
59		
-		
-		
-		
<i>Less:</i>		
Rehabilitation costs & other non-cash costs		
(1)		
(1)		
-		
(1)		
(1)		
-		
-		
-		
-		
-		
(1)		
(1)		
(1)		
(1)		
5		
-		
-		
<i>Plus:</i>		
Inventory movement		
2		
(1)		
-		
(2)		
-		
-		
-		
-		
-		
1		

-  
-  
1  
-  
21  
(1)  
-  
Royalties  
6  
3  
-  
-  
-  
-  
-  
-  
-  
-  
4  
2  
7  
-  
3  
2  
-  
-  
Related party transactions  
(1)  
-  
-  
-  
-  
-  
-  
-  
-  
-  
2  
-  
1  
-  
-  
-  
-  
-  
*Adjusted for:*  
Minority interests  
(2)  
(3)  
-

-  
-  
-  
(10)

-  
-  
-  
-  
-  
-  
-  
-  
-  
-  
-  
-

**Total cash costs**

**30**  
**82**  
-  
**20**  
**32**  
**10**  
-  
-  
-  
-  
**36**  
**20**  
**34**  
**20**  
**61**  
**78**  
**29**  
-

*Plus:*

Depreciation, depletion and amortization

28  
24  
-  
6  
14  
14  
-  
-  
-  
-  
33  
8  
21  
3

12

37

10

-

Employee severance costs

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

Rehabilitation and other non-cash costs

1

1

-

1

1

-

-

-

-

-

-

1

1

1

1

(5)

-

-

*Adjusted for:*

Minority interests

(2)

(2)

-

-

-

-

(5)



270

-

**Total production costs per ounce**

(4)

273

299

-

365

206

200

-

-

-

-

401

333

176

329

224

389

364

-

125







126

**For the year ended December 31, 2003**

**AngloGold Ashanti operations - Total**

(in \$ millions, except as otherwise noted)

**Total**

**Production costs per financial statements**

**1,068**

*Plus:*

Production costs of equity accounted joint ventures

134

*Less:*

Rehabilitation costs & other non-cash costs

(13)

*Plus:*

Inventory movement

17

Royalties

27

Related party transactions

(1)

40

*Adjusted for:*

Minority interests

(2)

(13)

Non-gold producing companies and adjustments

28

**Total cash costs**

**1,288**

*Plus:*

Depreciation, depletion and amortization

321

Employee severance costs

4

Rehabilitation and other non-cash costs

13

*Adjusted for:*

Minority interests

(2)

(7)

Non-gold producing companies and adjustments

(2)

**Total production costs**

**1,617**

**Gold produced (000' ounces)**

(3)

**5,616**

**Total cash costs per ounce**

(4)

**229**

**Total production costs per ounce**

(4)

**288**

(1)

*Relates solely to production costs as included in the company's consolidated financial statements and has, accordingly, been included in total production costs and total cash costs.*

(2)

*Adjusting for minority interest of items included in calculation, to disclose the attributable portions only.*

(3)

*Attributable production only.*

(4)

*In addition to the operational performances of the mines, total cash costs per ounce and total production costs per ounce are affected by fluctuations in the currency exchange rate. AngloGold Ashanti reports total cash costs per ounce and total production costs per ounce calculated to the nearest US dollar amount and gold produced in ounces.*

(5)

*Corporate includes non-gold producing subsidiaries.*

(6)

*Excludes the Free State mines which were sold effective January 1, 2002.*

(7)

*Total cash costs per ounce calculation includes inventory change.*

(8)

*Jerritt Canyon Joint Venture was sold effective June 30, 2003. Results are included for the six months ended June 30, 2003.*

(9)

*There was no production attributable to AngloGold in 2003.*

**For the year ended December 31, 2002**

**Operations in South Africa**

(6)

(in \$ millions, except as otherwise noted)

**Production costs**

77

78

56

100

83

57

53

15

13

*Plus:*

Production costs of equity accounted joint ventures

-

-

-

-

-

-

-

-

-

*Less:*

Rehabilitation costs & other non-cash costs

-

(1)

-

(1)

(2)

(1)

(7)

(1)

-

*Plus:*

Inventory movement

1

1

-

2

(1)

1

-

-

-

Royalties

-

-

-

-

-

-

-

-

-

-

Related party transactions

(1)

5

7

2

8

4

3

3

-

-

*Adjusted for:*

Minority interests

(2)

-

-

-

-

-

-

-

-

-

Non-gold producing companies and adjustments

-

-

-

-

-

-

-

-

(12)

**Total**

**cash**

**costs**

**83**

**85**

**58**

**109**

**84**

**60**

**49**

**14**

**1**

*Plus:*

Depreciation, depletion and amortization

29

11

12

15

12

14

16

3

4

Employee severance costs

-

1

-

-

1

1

-

-

-

Rehabilitation and other non-cash costs

-

1

-

1

2

1

7

1

-

*Adjusted for:*

Minority interests

(2)

-

-

-

-

-

-

-

-

-

Non-gold producing companies and adjustments

-

-

-

-

-

-

-

-

(3)

**Total production costs**

**112**

**98**

**70**

125  
99  
76  
72  
18  
2

**Gold produced (000' ounces)**

(3)  
466  
643  
236  
880  
511  
311  
264  
101  
-  
-  
-

**Total cash costs per ounce**

(4)  
178  
132  
245  
12  
165  
192  
184  
139

**Total production costs per ounce**

(4)  
240  
152  
297  
142  
194  
244  
273  
178  
127

**For the year ended December 31, 2002**

**Operations in Argentina, Australia, Brazil, Ghana, Guinea, Mali, Namibia, Tanzania, USA and Zimbabwe**

(in \$ millions, except as otherwise noted)

**Production costs**

**18            65**

-

**29    27    18    -    -    -**



-  
 - - - 12  
 -  
**30 61**

*Plus:*

Production costs of equity accounted joint ventures

- -  
 -  
 -  
 -  
 -  
 - - -  
 -  
 26 17 23

49

*Less:*

Rehabilitation costs & other non-cash costs

(1) (1)  
 -  
 (3)  
 -  
 -  
 - - -  
 -  
 - (1) -  
 -  
 (1)  
 10 (2)  
 -

*Plus:*

Inventory movement

(1) 1  
 -  
 -  
 -  
 (1)  
 - - -  
 -  
 - 1 -  
 -  
 19 -

Royalties

4 3



-  
Depreciation, depletion and amortization

19            19

-  
14

15

15

-        -        -

-  
29        5        29

1

13

37        21

Employee severance costs

-            -

-

-

-

-        -        -

-

-        -        -

-

-        -

-

Rehabilitation and other non-cash costs

1            1

-

3

-

-        -        -

-

-        1        -

-

1

(10)        2

*Adjusted for:*

-

Minority interests

(2)

-            -

-

-

(6)

-        -        -

-

-

-						
-						
-						
-		-				
-		-				
<b>Total production costs</b>						
39		88				
-						
43						
42						
18						
-	-	-				
-						
59	25	60				
13						
65						
88	82					
-						
-	-	-				
-						
-						
<b>Gold produced (000' ounces)</b>						
(3)						
179		382				
2						
118						
205						
94						
-	-	-				
-						
182	107	421				
85						
290						
225	237					
-						
<b>Total cash costs per ounce</b>						
(4)						
104		177				
-	224	131	100	-	-	-
-						
163	175	74				
147						
175						
187	249					
-						
<b>Total production costs per ounce</b>						
(4)						
218		230				
-	364	205	191	-	-	-
-						
324	234	143				

153  
224  
391 346  
-  
128  
(7)

129

**For the year ended December 31, 2002**

**AngloGold Ashanti operations - Total**

(in \$ millions, except as otherwise noted)

**Total**

**Production costs per financial statements**

**792**

*Plus:*

Production costs of equity accounted joint ventures

115

*Less:*

Rehabilitation costs & other non-cash costs

(12)

*Plus:*

Inventory movement

23

Royalties

25

Related party transactions

(1)

33

*Adjusted for:*

Minority interests

(2)

(9)

Non-gold producing companies and adjustments

(12)

**Total cash costs**

**955**

*Plus:*

Depreciation, depletion and amortization

333

Employee severance costs

3

Rehabilitation and other non-cash costs

12

*Adjusted for:*

Minority interests

(2)

(6)

Non-gold producing companies and adjustments

(3)

**Total production costs**

**1,294**

**Gold produced (000' ounces)**

(3)

**5,939**

**Total cash costs per ounce**

(4)

**161**

**Total production costs per ounce**

(4)

**218**

(1)

*Relates solely to production costs as included in the company's consolidated financial statements and has, accordingly, been included in total production costs and total cash costs.*

(2)

*Adjusting for minority interest of items included in calculation, to disclose the attributable portions only.*

(3)

*Attributable production only.*

(4)

*In addition to the operational performances of the mines, total cash costs per ounce and total production costs per ounce are affected by fluctuations in the currency exchange rate. AngloGold Ashanti reports total cash costs per ounce and total production costs per ounce calculated to the nearest US dollar amount and gold produced in ounces.*

(5)

*Corporate includes non-gold producing subsidiaries.*

(6)

*Excludes the Free State mines which were sold effective January 1, 2002.*

(7)

*Total cash costs per ounce calculation includes inventory change.*

130

**Capital expenditure**

Total capital expenditure during the year ended December 31, 2004 was \$583 million, compared to \$363 million in 2003, which represents a \$220 million, or 61 percent, increase in capital expenditure on a group level. In South Africa, capital expenditure increased from \$242 million spent in 2003 to \$333 million in 2004, mainly due to the impact of the strengthening of the South African rand against the US dollar and the impact of the change in estimate of on-reef Ore Reserve development expenditure (\$85 million), during 2004. Capital projects in Ghana and Guinea amounted to \$42 million and \$57 million, respectively, in 2004, as part of AngloGold Ashanti's investment strategy following the AngloGold Ashanti Business Combination completed in April 2004. Capital expenditure in Namibia increased from \$2 million spent in 2003 to \$21 million in 2004, with the conversion of Navachab from contractor mining to owner-mining. In Australia, capital expenditure increased from \$21 million to \$28 million, mainly as a result of the Sunrise Dam underground feasibility study and trial mining project. Capital expenditure in the USA decreased from \$27 million spent in 2003 to \$16 million in 2004 due to the completion of the expansion project at Cripple Creek & Victor during 2004 and the impact of the sale of the Jerritt Canyon Joint Venture, effective June 30, 2003, on spending in 2004.

Total capital expenditure during the year ended December 31, 2003 was \$363 million, compared to \$271 million in 2002, which represents a \$92 million, or 34 percent, increase in capital expenditure on a group level. In South Africa, capital expenditure increased from \$106 million spent in 2002 to \$242 million in 2003, mainly due to the Moab Khotsong and Mponeng shaft deepening projects, the acquisition of a portion of the Driefontein mining area, known as 1C11, from Gold Fields Limited during September 2003 and the strengthening of the South African rand against the US dollar. Capital expenditure in the USA and Australia, decreased from \$74 million and \$31 million, respectively, spent in 2002 to \$27 million and \$21 million, respectively, in 2003. The decrease in the USA was mainly due to the completion of the Cresson Mine expansion at Cripple Creek & Victor in the third quarter of 2002 and Australia recorded lower capital expenditure in 2003 (mainly at Sunrise Dam). A more detailed review of capital expenditure at each of AngloGold Ashanti's operations is provided under "Item 4B.: Business overview".

**Comparison of financial performance on a segment basis for 2004, 2003 and 2002**

AngloGold Ashanti produces gold as its primary product and does not have distinct divisional segments in terms of principal business activity, but manages its business on the basis of different geographic segments. In 2004, AngloGold Ashanti changed its presentation of segment information from a regional basis to operating segments by country. Following the change in the composition of reportable segments and where applicable, AngloGold Ashanti has restated the corresponding items of



segment information for all earlier periods presented. This information is consistent with the information used by AngloGold Ashanti's chief operating decision makers in evaluating operating performance of, and making resource allocation decisions among operations.

131

**Revenues**

**Year ended December 31**

(in millions)

**2004**

\$

%

**2003**

(As restated)

\$

%

**2002**

(As restated)

\$

%

Category of activity

Total revenues

Product sales

2,183

1,714

1,458

Interest, dividends and other

55

29

35

**Total revenues**

**2,238**

**1,743**

**1,493**

Geographical area data

Total revenues

South Africa

1,230

55

1,201

69

966

65

Argentina

100

4

76

4

63

4

Australia

172

8

157

9

155

10  
Brazil  
173  
8  
151  
9  
129  
9  
Ghana  
209  
9  
-  
-  
-  
-  
Guinea  
44  
2  
-  
-  
-  
-  
Mali  
181  
8  
207  
12  
222  
15  
Namibia  
28  
1  
28  
2  
27  
2  
Tanzania  
208  
9  
107  
6  
84  
6  
USA  
106  
5  
129  
7  
153  
10  
Zimbabwe

4

-

-

-

-

-

Other, including Corporate and Non-gold producing subsidiaries

6

-

1

-

-

-

**Total revenues****2,461****2,057****1,799**

Less : Equity method investments included in above

(223)

(9)

(314) (18)

(306) (21)

**Total consolidated****2,238****100****1,743****100****1,493****100**

In 2004, 55 percent of AngloGold Ashanti's total revenues were derived from its operations in South Africa, compared to

69 percent in 2003, mainly as a result of a 6 percent decrease in gold production in 2004 from 2003, as well as the impact of

additional revenues generated arising from the Business Combination with Ashanti. Former Ashanti operations acquired as

part of the completed AngloGold Ashanti Business Combination in Ghana, Guinea and Zimbabwe accounted for 9 percent,

2 percent and nil percent, respectively, of AngloGold Ashanti's total revenue in 2004. Similarly, Tanzania contributed 9 percent

of AngloGold Ashanti's total revenues during 2004 compared to 6 percent in 2003, mainly due to the additional 50 percent

interest acquired in Geita as part of this transaction. Operations in Mali and the USA contributed 8 percent and 5 percent of

AngloGold Ashanti's total revenues during 2004, compared to 12 percent and 7 percent, respectively, in 2003. This decrease in

Malian and USA revenues as a percentage of total revenues was mainly due to lower gold production during 2004 and the

impact of the sale of the Jerritt Canyon Joint Venture of North America with effect from June 30, 2003 on revenue of 2004.

Other operations, including those situated in Argentina, Australia, Brazil and Namibia and corporate, collectively

accounted for approximately 21 percent of AngloGold Ashanti's total revenue in 2004, compared to 24 percent in 2003. In 2003, 69 percent of AngloGold Ashanti's total revenues were derived from its operations in South Africa, compared to 65 percent in 2002, mainly as a result of a higher unit price of gold during 2003. Operations in Mali and the USA contributed 12 percent and 7 percent of AngloGold Ashanti's total revenues during 2003, compared to 15 percent and 10 percent, respectively, in 2002. This decrease in Malian and USA revenues as a percentage of total revenues was mainly due to lower gold production during 2003 and the disposal of AngloGold's 70 percent interest in the Jerritt Canyon Joint Venture in North America with effect from June 30, 2003. Other operations, including those situated in Argentina, Australia, Brazil, Namibia and Tanzania and corporate, collectively accounted for approximately 30 percent of AngloGold Ashanti's total revenue in 2003, compared to 31 percent in 2002.

132

*Assets*

**Year ended December 31**

**(in millions)**

**2004**

\$

%

**2003**

**(As restated)**

\$

%

**2002**

**(As restated)**

\$

%

Geographical area data

Total segment assets

South Africa

3,450

37

3,057

57

2,185

50

Argentina

260

3

264

5

286

7

Australia

711

8

649

12

485

11

Brazil

340

4

286

5

276

6

Ghana

2,126

22

-

-

-

-		
Guinea		
325		
3		
-		
-		
-		
Mali		
344		
(1)		
4	332	
(1)		
6		
343		
(1)		
8		
Namibia		
38		
-		
30		
1		
20		
-		
Tanzania		
1,065		
11		
171		
(1)		
3		
167		
(1)		
4		
USA		
408		
4		
416		
8		
432		
10		
Other, including Corporate and Non-gold producing subsidiaries		
329	4	
138	3	
156		
4		
<b>Total segment assets</b>		
<b>9,396</b>		
<b>100</b>		
<b>5,343</b>		

100

4,350

100

(1)

Investment  
held.

At December 31, 2004, 37 percent of AngloGold Ashanti's total assets were located in South Africa compared with 57 percent at the end of 2003. In addition, operations in Argentina, Australia, Brazil, Mali, Namibia, USA and corporate, collectively accounted for approximately 27 percent of AngloGold Ashanti's total assets at December 31, 2004 compared to 40 percent at the end of the same period in 2003, reflecting the impact of the addition of assets primarily in Ghana and Guinea, arising from the Business Combination with Ashanti. These assets held in Ghana and Guinea accounted for 22 percent and 3 percent, respectively, of AngloGold Ashanti's total assets as at December 31, 2004. Similarly, Tanzanian assets of AngloGold Ashanti represented 11 percent of AngloGold Ashanti's total assets at December 31, 2004 while at the end of the same period in 2003 this share was 3 percent, mainly due to the additional 50 percent interest acquired in Geita as part of this transaction. At December 31, 2003, 57 percent of AngloGold Ashanti's total assets were located in South Africa, compared with 50 percent at the end of 2002. The increase in the value of the South African assets as a percentage of total assets was mainly due to the strengthening of the South African rand relative to the US dollar in 2003 by 22 percent (based on the exchange rates of R8.58 and R6.67 per US dollar on January 1, 2003 and December 31, 2003, respectively). Assets in the USA accounted for 8 percent of total assets at December 31, 2003 compared with 10 percent at December 31, 2002. The decrease in the value of USA assets relative to the total assets was largely due to the disposal of AngloGold's 70 percent interest in the Jerritt Canyon Joint Venture with effect from June 30, 2003. Other operations, including those in Argentina, Australia, Brazil, Mali, Namibia and Tanzania and corporate, collectively accounted for approximately 35 percent of AngloGold Ashanti's total assets at December 31, 2003 compared to 40 percent at the end of the same period in 2002.

#### **Comparison of financial performance in 2004 with 2003**

##### ***Revenues***

Revenues from product sales and other income increased by \$495 million from \$1,743 million in 2003 to \$2,238 million in 2004, representing a 28 percent increase over the period. This increase was primarily due to the increase in the spot price of gold in 2004 as well as the contribution to revenue during 2004, from operations acquired during April 2004 as part of the completed AngloGold Ashanti Business Combination. The average spot price of gold was \$409 per ounce during 2004, \$46 per ounce, or 13 percent, higher than \$363 per ounce, the average spot price of gold in 2003. The majority of product sales consisted of US dollar-denominated gold sales. Total revenues from the South African operations increased by \$29 million to \$1,230 million from \$1,201 million realized in 2003, a 2 percent increase, mainly as a result of the



higher gold price. The increase in revenues was partly offset by reduced gold production at the South African operations (6 percent lower in 2004 compared with 2003).

133

Total revenues generated from operations situated in Ghana, Guinea and Zimbabwe acquired since April 2004 as part of the

AngloGold Ashanti Business Combination amounted to \$257 million in 2004. Tanzania recorded total revenues of \$166 million

in 2004, as a result of the additional 50 percent interest acquired in Geita as part of the AngloGold Ashanti Business Combination.

**Production costs**

Production costs increased from \$1,068 million in 2003 to \$1,436 million in 2004, which represents a \$368 million, or 34 percent increase. In South Africa, production costs increased by \$99 million to \$884 million in 2004 from \$785 million in

2003 primarily due to the strengthening of the South African rand relative to the US dollar. About 62 percent of AngloGold

Ashanti's production costs were denominated in South African rands in 2004. Production costs recorded by operations situated

in Ghana, Guinea and Zimbabwe acquired since April 2004 as part of the AngloGold Ashanti Business Combination amounted

to \$189 million in 2004. As a result of the additional 50 percent interest acquired in Geita as part of the AngloGold Ashanti

Business Combination, Tanzania recorded production costs of \$109 million in 2004.

**Exploration costs**

Exploration costs increased from \$40 million in 2003 to \$44 million in 2004. During 2004, exploration continued to focus

around the operations in the countries in which AngloGold Ashanti has operations namely, Argentina, Australia, Brazil, Ghana,

Guinea, Tanzania, Mali, Namibia, South Africa and the USA. In addition, exploration activities were pursued in areas in the

Democratic Republic of Congo, Colombia, Peru, Alaska, China, Mongolia and Russia. For a discussion of AngloGold Ashanti's

exploration activities in 2004, see "Item 4B.: Business overview – Global exploration".

**Related party transactions**

Related party transactions in 2004 amounted to \$45 million compared with \$37 million in 2003 mainly due to higher contract

work generated by development activities. For a detailed discussion of related party transactions, see "Item 5B.: Liquidity and

capital resources – Related party transactions".

**General and administrative**

General and administrative expenses increased from \$43 million in 2003 to \$58 million in 2004, mainly due to costs associated

with the AngloGold Ashanti launch, integration activities and the strengthening of the South African rand relative to the

US dollar. The incorporation of the former Ashanti corporate offices in total amounted to \$10 million.

**Royalties**

Royalties paid by AngloGold Ashanti increased from \$11 million in 2003 to \$27 million paid in 2004, with royalties in Australia,

Argentina, Tanzania and the USA amounting to \$4 million, \$8 million, \$5 million and \$3 million, respectively, in 2004 compared

with \$3 million, \$6 million, \$nil million and \$2 million, respectively, in 2003. Royalties paid in Ghana and Guinea amounted to

\$7 million in 2004. Australian royalties are payable to the government as specified in the relevant legislation in each State or

Territory based on ounces produced. In Argentina, royalties are payable to Fomicruz, a State owned company in the Santa

Cruz Province, being the minority shareholder of the Cerro Vanguardia operation calculated as a percentage of revenues. In

Tanzania, royalties are payable to the Tanzanian (for Geita) government calculated as a percentage of revenues. In the USA,

royalties are payable to a small number of private claim holders based on ounces produced and percentage ownership of the

specific claim being mined. In Ghana, royalties are payable to the government at a fixed rate of 3 percent per annum based on

revenue, as agreed to under the Stability Agreement entered into with AngloGold as part of the AngloGold Ashanti Business

Combination. In Guinea, royalties are paid to the government calculated as a percentage of revenues.

***Market development costs***

Market development costs decreased from \$19 million in 2003 to \$15 million in 2004. During 2004, approximately 66 percent

(2003: 55 percent) of these costs were spent through the World Gold Council (WGC). For a detailed discussion on market

development see "Item 4B.: Business overview – Gold market development".

134

**Depreciation, depletion and amortization**

Depreciation, depletion and amortization expense increased by \$198 million or 80 percent, to \$445 million in 2004 when compared to \$247 million recorded in 2003. In South Africa, depreciation, depletion and amortization expense increased from \$111 million in 2003 to \$192 million in 2004, mainly due to AngloGold Ashanti's reassessment of the useful life of on-reef Ore Reserve development expenditure with effect from January 1, 2004 and amortization charges included for the full year, relating to the acquisition of a portion of the Driefontein mining area from Gold Fields Limited during September 2003. Depreciation, depletion and amortization expense from operations situated in Ghana, Guinea and Zimbabwe acquired since April 2004 as part of the AngloGold Ashanti Business Combination amounted to \$81 million in 2004. Tanzania recorded depreciation, depletion and amortization expense of \$42 million in 2004, mainly as a result of the additional 50 percent interest acquired in Geita as part of the AngloGold Ashanti Business Combination. In the USA, depreciation, depletion and amortization expense decreased from \$47 million in 2003 to \$40 million in 2004, mainly due to the impact of the disposal of AngloGold's 70 percent interest in the Jerritt Canyon Joint Venture with effect from June 30, 2003.

**Impairment of assets**

In 2004, AngloGold Ashanti recorded an impairment of assets of \$3 million relating mainly to goodwill held in its subsidiary, GoldAvenue and mining assets and mineral rights in Australia. An impairment of assets of \$78 million was recorded in 2003 relating mainly to the Savuka operations in South Africa, mining equipment in Brazil and the abandonment of exploration activities in the Australian region.

**Interest expense**

Interest expense increased by \$39 million from \$28 million recorded in 2003 to \$67 million in 2004. The increase in interest expense from 2003 was mainly due to finance charges paid on the senior unsecured bonds issued in August 2003 (the corporate bond) and finance charges on the issuance of the \$1,000,000,000 2.375 percent convertible bonds in February 2004. All of AngloGold Ashanti's debt (exclusive of the rand denominated corporate bond) was denominated in US dollars in 2004.

**Accretion expense**

Accretion expense of \$8 million was recorded in 2004 compared with \$2 million in 2003, relating to the adoption of SFAS 143 "Accounting for Asset Retirement Obligations (ARO's)", with effect from January 1, 2003. Accretion relates to the unwinding of discounted future reclamation obligations to present values and increases the reclamation obligations to its future estimated payout.

**Employment severance cost**

Employment severance costs increased to \$9 million in 2004 from \$4 million in 2003. The 2004 expense related to retrenchments in the South African region reflecting mainly rationalization of operations at Great Noligwa and TauTona and at

Savuka and Ergo which are both nearing the end of their lives.

***Profit on sale of assets***

The profit on sale of assets of \$14 million recorded in 2004 relates mainly to the sale of the Western Tanami assets, Tanami

Gold Mine and Union Reefs mine in Australia and various mineral rights and exploration properties in South America. The profit

on sale of assets of \$55 million recorded in 2003 related to the sale by AngloGold of its 70 percent interest in the Jerritt Canyon

Joint Venture and Queenstake investment in North America, its wholly owned Amapari Project in North Brazil and shares held

in East African Gold Mines Limited and Randgold Resources Limited.

***Non-hedge derivative loss/gain***

A loss on non-hedge derivatives of \$131 million was recorded in 2004 compared to a gain of \$119 million in 2003 relating to

the use of commodity instruments that are not classified as hedging instruments for financial reporting purposes.

135

***Loss/income before equity income and income tax***

For the foregoing reasons, in 2004, loss before equity income and income tax amounted to \$36 million compared to a profit of \$340 million in 2003.

***Equity income in affiliates***

Equity income in affiliates decreased from \$74 million in 2003 to \$23 million in 2004, mainly as a result of the additional

50 percent interest acquired in Geita as part of the AngloGold Ashanti Business Combination, which resulted in Geita being

accounted for as a subsidiary of AngloGold Ashanti from April 26, 2004.

***Deferred income and mining tax benefit/expense***

Deferred income and mining tax expense decreased by \$279 million from a net tax charge of \$147 million recorded in 2003, to

a net tax benefit of \$132 million in 2004. Charges for current tax in 2004 amounted to \$63 million compared to \$62 million in

2003. Charges for current tax in 2004 included an under provision of \$40 million in estimated tax payable. Charges for deferred

tax in 2004 amounted to a net tax benefit of \$195 million compared to a net tax charge of \$85 million in 2003.

Deferred tax

charges in 2004 include a tax benefit of \$158 million as a result of a change to the estimated deferred tax rate, mainly in South

Africa, reflecting the impact of the South African mining tax formula to the decrease in the earnings of the operations in that

country. In addition, deferred tax charges in 2004 included tax benefits of \$38 million and \$nil million related to non-hedge

derivatives and asset impairments, respectively, compared with tax charges of \$40 million related to non-hedge derivatives and

tax benefits of \$26 million related to asset impairments, respectively, during 2003.

***Cumulative effect of accounting change***

AngloGold Ashanti adopted SFAS 143 "Accounting for Asset Retirement Obligations (ARO's)" with effect from January 1, 2003.

This resulted in a cumulative change in accounting policy effect of \$3 million (net of provision for deferred taxation) reflected in

2003.

***Net income/loss***

As a result of the factors discussed above, net income decreased by \$150 million from \$247 million earned in 2003 to \$97 million in 2004.

**Comparison of financial performance in 2003 with 2002*****Revenues***

Revenues from product sales and other income increased from \$1,493 million in 2002 to \$1,743 million in 2003 representing a

17 percent increase over the period. This increase was mainly the result of a higher unit price of gold during 2003, as the

average spot price of gold was \$363 per ounce, \$53 per ounce, or 17 percent, higher than \$310 per ounce, the average spot

price in 2002. The increase in revenue was partly offset by a 5 percent decrease in gold production from 2002. The majority of

product sales consisted of US dollar-denominated gold sales. Total revenues from the South African operations increased by

\$235 million to \$1,201 million from \$966 million realized in 2002, a 24 percent increase, mainly as a result of the

higher gold price. The increase in revenues was partly offset by reduced gold production at the South African operations (4 percent lower in 2003 compared with 2002). Total revenues from the USA operations decreased by \$24 million or 16 percent from \$153 million in 2002 to \$129 million in 2003, primarily due to the disposal of AngloGold's 70 percent interest in the Jerritt Canyon Joint Venture with effect from June 30, 2003. The Argentinean and Brazilian operations recorded total revenues of \$76 million and \$151 million, respectively, in 2003, compared to \$63 million and \$129 million, respectively, in 2002. The increase in total revenues from Argentina and Brazil over 2002 was mainly due to the impact of the additional 46.25 percent interest acquired during July 2002 in the Cerro Vanguardia mine in Argentina as well as an increase in production at AngloGold Ashanti Mineração (formerly Morro Velho) (11 percent) and Serra Grande (1 percent) in Brazil.

136

**Production costs**

Production costs increased by \$276 million or 35 percent from \$792 million in 2002 to \$1,068 million in 2003. This increase was a result of the strengthening of local currencies against the US dollar in most of the countries in which AngloGold Ashanti operates and lower gold grade ore mined or recovered at certain operations. Production costs in AngloGold Ashanti's South African operations, increased by \$253 million to \$785 million in 2003 from \$532 million in 2002, primarily due to the strengthening of the South African rand relative to the US dollar. About 74 percent of AngloGold Ashanti's total production costs were denominated in South African rands in 2003. Production costs at Ergo in the South African operations were negatively impacted by an increased loss on acid by-products from the lower-than-planned sulphur grades and the impact of lower production (23 percent). Production costs relating to the USA operations decreased from \$91 million in 2002 to \$80 million in 2003, mainly as a result of the disposal of AngloGold's 70 percent interest in the Jerritt Canyon Joint Venture with effect from June 30, 2003.

**Exploration costs**

Exploration costs increased from \$28 million in 2002 to \$40 million in 2003. During 2003, the exploration focus continued in countries in which AngloGold Ashanti already had operations, namely in Argentina, Australia, Brazil, Namibia, South Africa and the United States. In addition, exploration was pursued in highly prospective areas in Alaska, Canada and Peru. Exploration commenced within the "frontier" area of Mongolia, while exploration activities were terminated in Nevada and Tanzania and curtailed within Australia, where further exploration expenditure was considered to have reached the point of diminishing returns. For a discussion of AngloGold Ashanti's exploration activities in 2003, see "Item 4B.: Business overview – Global exploration".

**Related party transactions**

Related party transactions in 2003 amounted to \$37 million compared with \$42 million recorded in 2002. Changes recorded in 2002, included \$10 million related to the settlement by AngloGold of a claim in respect of an alleged breach of contract. For a detailed discussion of related party transactions, see "Item 5B.: Liquidity and capital resources – Related party transactions".

**General and administrative**

General and administrative expenses increased from \$29 million in 2002 to \$43 million in 2003, mainly as a result of the strengthening of the South African rand relative to the US dollar, which negatively impacted on general and administrative expenses as approximately 86 percent of these costs were South African rand denominated.

**Royalties**



Royalties paid by AngloGold Ashanti increased from \$9 million in 2002 to \$11 million paid in 2003, with royalties in Australia, Argentina and the USA amounting to \$3 million, \$6 million and \$2 million, respectively, in 2003 compared with \$3 million, \$4 million and \$2 million, respectively, in 2002. Australian royalties are payable to the government as specified in the relevant legislation in each State or Territory based on ounces produced. In Argentina, royalties are payable to Fomicruz, a State owned company in the Santa Cruz Province, being the minority shareholder of the Cerro Vanguardia operation calculated as a percentage of revenues. In the USA, royalties are payable to a small number of private claim holders based on ounces produced and percentage ownership of the specific claim being mined.

***Market development costs***

Market development costs increased from \$17 million in 2002 to \$19 million in 2003. During 2003, approximately 55 percent (2002: 73 percent) of these costs were spent through the World Gold Council (WGC). For a detailed discussion on market development, see “Item 4B.: Business overview – Gold market development”.

***Research and development***

Research and development decreased from \$1 million in 2002 to \$nil million in 2003. For a detailed discussion on research and development, see “Item 4B.: Business overview – Research and development”.

137

***Depreciation, depletion and amortization***

Depreciation, depletion and amortization expense decreased by 4 percent from \$257 million in 2002 to \$247 million in 2003.

Depreciation, depletion and amortization charges recorded in the South African and Australian operations (\$111 million and \$30 million, respectively, in 2003 compared with \$111 million and \$33 million, respectively, in 2002) were in line with production. In the USA, depreciation, depletion and amortization expense decreased by 19 percent from \$58 million in 2002 to \$47 million in 2003, principally due to the disposal of AngloGold's 70 percent interest in the Jerritt Canyon Joint Venture with effect from June 30, 2003. The Argentinean operations recorded an increase in depreciation, depletion and amortization expense during 2003 to \$28 million compared to \$19 million in 2002. This was mainly due to the full year impact of the additional 46.25 percent interest acquired during July 2002 in the Cerro Vanguardia mine.

***Impairment of assets***

An impairment of assets of \$78 million was recorded in 2003 which consisted of: the Savuka assets in South Africa (\$59 million), various exploration assets in the Australian region (\$9 million), mining equipment in South America (\$1 million) and \$9 million relating to investments. The Savuka assets were impaired as a result of the lower rand gold price achieved by the South African operations during 2003 when compared with 2002. No impairment of assets was recorded in 2002.

***Interest expense***

Interest expense increased by \$6 million or 27 percent from \$22 million in 2002 to \$28 million in 2003. Interest expense in 2003 included finance charges paid on the senior unsecured bonds issued in August 2003 (the corporate bond), partly offset by lower prevailing LIBOR rates to which most of AngloGold Ashanti's debt was pegged. Approximately 99 percent (2002: 99 percent) of AngloGold Ashanti's debt (exclusive of the rand denominated corporate bond) was denominated in US dollars in 2003.

***Accretion expense***

Accretion expense of \$2 million was recorded in 2003 relating to the adoption of SFAS 143 "Accounting for Asset Retirement Obligations (ARO's)", with effect from January 1, 2003. Accretion relates to the unwinding of discounted future reclamation obligations to present values and increases the reclamation obligations to its future estimated payout.

***Employment severance cost***

Employment severance costs increased to \$4 million in 2003 from \$3 million in 2002. The 2003 expense related to retrenchments in the South African region reflecting mainly downsizing at Savuka mine.

***Profit/loss on sale of assets***

The profit on sale of assets of \$55 million recorded in 2003 comprises: a profit on the sale by AngloGold of its 70 percent interest in the Jerritt Canyon Joint Venture in North America to Queenstake Resources USA Inc. (\$10 million), a profit on the sale of the Queenstake investment held by North America (\$3 million), a profit on the sale of shares held in East African Gold

Mines Limited (\$25 million), a gain on the sale of shares held in Randgold Resources Limited (\$17 million), a profit on sale of a helicopter at Vaal River (\$3 million) and a loss of \$3 million on the sale of its wholly owned Amapari Project to Mineração Pedra Branca do Amapari located in the State of Amapá, North Brazil. The loss on the sale of assets of \$11 million recorded in 2002 related to the sale of the investment in Normandy, during January 2002. See note 5 to the consolidated financial statements “Costs and expenses – (Profit)/loss on sale of assets”.

***Non-hedge derivative gain***

A gain on non-hedge derivatives of \$119 million was recorded in 2003 compared to a gain of \$74 million in 2002 relating to the use of commodity instruments that are not classified as hedging instruments for financial reporting purposes.

138

***Income before equity income and income tax***

For the foregoing reasons, in 2003, income before equity income and income tax amounted to \$340 million compared to income of \$356 million in 2002.

***Equity income in affiliates***

Equity income in affiliates decreased from \$80 million in 2002 to \$74 million in 2003.

***Deferred income and mining tax expense***

Deferred income and mining tax expense increased by \$83 million from a net tax charge of \$64 million recorded in 2002 to a net tax charge of \$147 million in 2003. Deferred income and mining tax expense includes both charges for current tax and deferred tax. Charges for current tax decreased from \$121 million in 2002 to \$62 million in 2003 owing to the reduced earnings for the year and a lower mining tax formula in South Africa. Charges for deferred tax in 2003 amounted to a net tax charge of \$85 million compared to a net tax benefit of \$57 million in 2002. Deferred tax charges in 2003 included tax charges of \$40 million related to non-hedge derivatives and tax benefits of \$26 million related to asset impairments compared with tax benefits related to non-hedge derivatives of \$5 million and \$nil million related to asset impairments, respectively, during 2002.

***Cumulative effect of accounting change***

The cumulative effect of a change in accounting policy on adoption of SFAS 143 "Accounting for Asset Retirement Obligations (ARO's)" with effect from January 1, 2003 amounted to \$3 million (net of provision for deferred taxation).

***Net income***

As a result of the factors discussed above, net income decreased by \$109 million to \$247 million in 2003 from \$356 million recorded in 2002.

**5B.****Liquidity and capital resources****Operating activities****2004**

Net cash provided by operating activities was \$506 million in 2004, 23 percent higher than the 2003 amount of \$411 million.

The increase in net cash provided by operating activities over 2003 is mainly the result of an increase in AngloGold Ashanti's

profitability due to higher unit prices of gold during 2004, being offset by higher unit cash costs per ounce when compared with

2003. A reduction in taxation paid over 2003, positively impacted on cash provided by operating activities in 2004.

Net cash inflow from operating working capital items amounted to \$7 million in 2004, compared with an outflow of \$98 million in

2003. The decrease in cash outflow from operating working capital items over 2003 is mainly due to working capital acquired

from Ashanti in the AngloGold Ashanti Business Combination.

A detailed discussion of the movement in net income is included in the comparison of 2004 with 2003 under "Item 5A.: Operating results".

**2003**

Net cash provided by operating activities was \$411 million in 2003, 22 percent lower than the 2002 amount of \$529 million.

The decrease in net cash provided by operating activities over 2002 was mainly the result of a decrease in AngloGold Ashanti's profitability due to higher unit cash costs per ounce, being offset by higher unit prices of gold during 2003 when

compared with 2002.

Net cash outflow from operating working capital items amounted to \$98 million in 2003, compared with \$nil million in 2002.

The increase in cash outflow from operating working capital items over 2002 was mainly due to the impact of exchange rate

fluctuations in South Africa and Australia relative to the US dollar, as well as inventory build-up at Cripple Creek & Victor.

A detailed discussion of the movement in net income is included in the comparison of 2003 with 2002 under "Item 5A.: Operating results".

139

**Investing activities****2004**

Investing activities in 2004 resulted in a net cash outflow of \$979 million compared with a net cash outflow of \$268 million in 2003. This increase in cash outflows was the net result of additions to property, plant and equipment which included capital expenditure of \$571 million, compared to \$339 million in 2003, as a result of major capital projects in Ghana and Guinea, the purchase of a new mining fleet in Namibia and the Sunrise Dam underground feasibility study and trial mining project in Australia. Investments acquired included a 17.5 percent stake in Trans-Siberian Gold plc at a cost of \$16 million and a 12.3 percent interest in Red 5 Limited at a cost of \$4 million. AngloGold Ashanti received cash of \$10 million related to the disposal of its interest in the Western Tanami Project and Union Reefs mine in Australia and paid a net cash consideration of \$171 million related to the acquisition of Ashanti's assets. Cash effects resulting from the restructuring of the AngloGold Ashanti hedge book amounted to \$310 million in 2004.

**2003**

Investing activities in 2003 resulted in a net cash outflow of \$268 million compared with a net cash outflow of \$66 million in 2002. This increase in cash outflows was the net result of additions to property, plant and equipment which included capital expenditure of \$339 million, compared to \$246 million in 2002, as a result of major capital projects, including Moab Khotsong, the Mponeng deepening project and four projects at TauTona mine including the purchase of the mining area of Gold Fields Limited's Driefontein mine known as 1C11 during September 2003. The proceeds of \$56 million on sale of investments were the result of the sale of the investment in East African Gold Mines Limited, Randgold Resources Limited and the shares held in Queenstake Resources USA Inc. The disposal of subsidiaries included the sale of a 70 percent interest in the Jerritt Canyon Joint Venture, which was sold to Queenstake Resources USA Inc. effective June 30, 2003. The consideration of \$12 million received for the sale was paid in the form of \$1 million in cash and 32 million shares of Queenstake Resources USA Inc. common stock valued at \$5 million and \$6 million in deferred payments.

**Financing activities****2004**

Net cash generated in financing activities increased by \$355 million from an outflow of \$79 million in 2003 to an inflow of \$276 million in 2004. This net increase in cash generated in financing activities was the result of higher borrowings raised, partly offset by higher borrowings repaid. Repayments comprised normal scheduled loan repayments in terms of loan facilities of \$146 million, the repayment of the \$400 million unsecured syndicated loan facility (which was repayable in May 2004) amounting to \$232 million, the repayment of \$200 million under the \$600 million unsecured syndicated loan facility (repayable

in February 2005), the repayment of \$92 million syndicated project finance loans and the repayment of \$139 million under a revolving credit facility acquired as part of the AngloGold Ashanti Business Combination. Proceeds from loans during 2004 included \$991 million raised through the issuance of \$1,000,000,000 2.375 percent convertible bonds in February 2004. The bonds, due in 2009, are convertible into AngloGold Ashanti American Depositary Shares (ADSs) and are guaranteed by AngloGold Ashanti. The proceeds, after payment of expenses, were utilized by AngloGold Ashanti to refinance amounts outstanding under credit facilities, to meet transaction costs in connection with the Business Combination with Ashanti and for general corporate purposes, including planned capital expenditure. Cash effects resulting from the restructuring of the AngloGold Ashanti hedge book amounted to \$227 million in 2004. During 2004, the loan facility of A\$50 million arranged with the Australia and New Zealand Banking Group Limited, at 0.35 percent over the Bank Bill Swap Reference Rate on October 14, 2002, and originally repayable by September 2003, was extended to September 2005. At December 31, 2004, no amount had been drawn under this facility. During 2004, AngloGold Ashanti issued 41,326,552 ordinary shares, of which 41,133,752 ordinary shares were issued in terms of the Ashanti acquisition and 192,800 ordinary shares were issued pursuant to the AngloGold Share Incentive Scheme. Proceeds from the latter issuance amounted to \$3 million in 2004. Dividends paid decreased from \$314 million (133 US cents or 1,050 South African cents per share) in 2003 to \$198 million (76 US cents or 505 South African cents per share) in 2004. AngloGold Ashanti declares interim dividends at the time of announcing its interim results and declares and pays final dividends in the following year based on the previous year's results.

140

**2003**

Net cash used in financing activities decreased by \$254 million from an outflow of \$333 million in 2002 to an outflow of

\$79 million in 2003. This net decrease in cash used in financing activities was the result of lower borrowings repaid, partly

offset by lower borrowings drawn. Repayments comprised normal scheduled payments in terms of loan facilities of \$107 million and the repayment of \$30 million under the \$400 million unsecured syndicated loan facility (repayable in May 2004). No further drawings or repayments were made under the \$600 million unsecured syndicated loan facility which

AngloGold Ashanti entered into in 2002. In addition, on August 21, 2003, AngloGold Ashanti issued a senior unsecured fixed

rate corporate bond in an aggregate principal amount of R2 billion (\$300 million), with semi-annual coupons payable at a rate

of 10.5 percent per annum. The corporate bond will be repayable on August 28, 2008. The corporate bond is listed on the

Bond Exchange of South Africa. During 2003, the loan facility of A\$50 million arranged with the Australia and New Zealand

Banking Group Limited, at 0.35 percent over the Bank Bill Swap Reference Rate on October 14, 2002, and originally repayable

by September 2003, was extended to September 2004. At December 31, 2003, A\$10 million (\$7 million) had been drawn

under this facility.

During 2003, AngloGold Ashanti issued 514,320 ordinary shares, of which 508,020 ordinary shares were issued pursuant to

the AngloGold Share Incentive Scheme and 6,300 ordinary shares were issued in terms of the Acacia Employee Option Plan.

Proceeds from the above issuances amounted to \$10 million in 2003.

Dividends paid increased from \$260 million (113 US cents or 1,225 South African cents per share) in 2002 to \$314 million

(133 US cents or 1,050 South African cents per share) in 2003. AngloGold Ashanti declares interim dividends at the time of

announcing its interim results and declares and pays final dividends in the following year based on the previous year's results.

**Liquidity**

AngloGold Ashanti's revenues are derived primarily from the sale of gold produced at its mines. Cash generated by operating

activities is therefore the function of gold produced sold at a specific price. As the market price of gold can fluctuate widely,

this may negatively impact on the profitability of AngloGold Ashanti's operations and the cash flows generated by these

operations. AngloGold Ashanti uses a number of products, including derivatives to manage gold price and foreign exchange

risks that arise out of the group's core business activities to limit the impact on the profitability of AngloGold Ashanti's operations and generated cash flows.

AngloGold Ashanti's cash and cash equivalents decreased to \$299 million at December 31, 2004 compared with \$479 million

at December 31, 2003. In accordance with South African Reserve Bank regulations, cash generated by South African operations is held in rands. At December 31, 2004, approximately 52 percent of AngloGold Ashanti's cash and cash equivalents were held in US dollars, 10 percent were held in South African rands, 7 percent were held in Australian dollars and



31 percent were held in other currencies.

AngloGold Ashanti's short-term debt decreased to \$315 million at December 31, 2004 from \$331 million at December 31, 2003. The amount of short-term debt is the portion of long-term debt that falls due in 2005. Included in the short-term debt at December 31, 2004, was:

the drawn portion of a \$600 million US dollar-based syndicated loan facility, repayable in February 2005;

the fixed semi-annual coupon of 2.375 percent payable on a US dollar-based convertible bond; and

the fixed semi-annual coupon of 10.50 percent payable on a rand-based corporate bond.

AngloGold Ashanti's long-term debt increased to \$1,371 million at December 31, 2004 compared with \$778 million at December 31, 2003. As at December 31, 2004, AngloGold Ashanti had the following attributable borrowings outstanding:

141

*Unsecured loans:*

\$1,008 million is outstanding on the convertible bond (fixed semi-annual coupon of 2.375 percent per annum; the convertible bond is convertible into ADSs up to February 2009 and is US dollar-based);

\$367 million is outstanding on the corporate bond (fixed semi-annual coupon of 10.5 percent per annum; the corporate bond is repayable on August 28, 2008 and is rand-based);

\$265 million is repayable under the \$600 million syndicated loan facility (interest charged at LIBOR plus 0.7 percent per annum; the loan is repayable in February 2005 and is US dollar-based);

A loan of \$16 million from RMB International (Dublin) Limited (interest charged at LIBOR plus 0.82 percent per annum; the loan is of a short-term nature and has no fixed repayment date and is US dollar-based);

\$10 million is repayable under the Iduapriem syndicated loan facility (interest charged at LIBOR plus 2 percent per annum; the loan is repayable semi-annually and is US dollar-based);

A loan of \$5 million from Bank Belgolaise (interest charged at LIBOR plus 1.5 percent per annum; the loan is repayable in 24 equal monthly installments commencing October 2005 and is US dollar-based); and

A loan of \$1 million from Precious Fields Estate Company Limited (annuity based repayments expiring October 2006 and is US dollar-based).

*Secured loans:*

\$13 million is repayable under the Senstar Capital Corporation loans (interest charged at an average rate of 6.91 percent per annum, the loans are repayable in monthly installments terminating in November 2009, are US dollar-based and the equipment financed is used as security for these loans); and

\$1 million is repayable under the Geita syndicated project finance loan (interest charged at LIBOR plus 1.95 percent per annum, the loan is repayable by June 2005, is US dollar-based and the loan is secured by a fixed and floating charge over the project assets and a pledge over the shares of the project company).

On February 27, 2004, AngloGold Holdings plc, a wholly-owned subsidiary of AngloGold Ashanti, issued \$1,000,000,000

2.375 percent guaranteed Convertible Bonds due 2009, (the "Convertible Bonds"), convertible into ADSs and guaranteed by

AngloGold Ashanti. Subject to certain restrictions, holders of Convertible Bonds are entitled to convert each Convertible Bond

into one AngloGold Ashanti ADS at the then applicable conversion price, at any time from April 8, 2004 to February 20, 2009,

or, if the Convertible Bonds are called for redemption earlier than February 27, 2009, the seventh business day prior to the

date of early redemption. If the Convertible Bonds have not been converted by February 20, 2009, they will be redeemed at par

on February 27, 2009. AngloGold Holdings plc has the option of calling an early redemption of all the Convertible Bonds 3 years after their issuance, if the price of the ADSs exceeds 130 percent of the conversion price for more than 20 days during any period of 30 consecutive trading days. The initial conversion price for the Convertible Bonds is \$65.00 per ADS. The conversion premium to the reference volume weighted average price of the ADSs on the New York stock exchange of \$40.625 on February 19, 2004, when the issue of the Convertible Bonds was announced, was 60 percent. If all holders of Convertible Bonds exercise the option to convert their Convertible Bonds into ADSs and assuming no adjustments are made to the initial conversion price, up to 15,384,615 new ADSs will be issued. The conversion ratio is subject to adjustment for various corporate events, including share splits and capital distributions. The proceeds of the issue, after payment of expenses, were utilized by AngloGold Ashanti to refinance amounts outstanding under credit facilities, to meet transaction costs in connection with the Business Combination and for general corporate purposes, including planned capital expenditure. As at December 31, 2004, AngloGold Ashanti's total long-term debt, including the short-term portion maturing within 2005, was made up as follows:

<b>\$ (million)</b>
Unsecured loans
1,672
Secured loans
14
Total
1,686
Less: Short-term maturities
315
<b>Long-term debt</b>
<b>1,371</b>

142

Debt repayments are scheduled as follows:

**\$ (million)**

2005

315

2006

6

2007

9

2008

355

2009

1,000

2010

1

**Total****1,686**

AngloGold Ashanti currently expects to repay debt maturing in 2005 from existing cash resources, cash generated by operations and other debt facilities, with the \$600 million facility which matures in February 2005 to be repaid with the proceeds

of the \$700 million three year facility as entered into in January 2005 and, potentially, future debt facilities and debt instruments.

At December 31, 2004 the currencies in which the borrowings were denominated were as follows:

**\$ (million)**

United States dollars

1,319

South African rands

367

Australian dollars

-

**Total****1,686**

Repayments of short-term and long-term borrowings amounted to \$547 million and \$200 million, respectively, in 2004.

At December 31, 2004 and June 30, 2005, AngloGold Ashanti had the following undrawn borrowing facilities:

**at December 31, 2004****at June 30, 2005****\$ (million)****\$ (million)**

Syndicated loan (\$600 million) – US dollar

(1)

335

-

Australia and New Zealand Banking Group Limited – Australian dollar

39

38

Syndicated loan (\$700 million) – US dollar

(2)

-

370

**Total****374****408**

(1)

*Expired February 2005.*

(2)

*Expires January 2008.*

AngloGold Ashanti had no other committed lines of credit as of December 31, 2004 or June 30, 2005.

On October 14, 2002, AngloGold Ashanti arranged a loan facility of A\$50 million with the Australia and New Zealand Banking

Group Limited, at 0.35 percent over the Bank Bill Swap Reference Rate. This facility, originally repayable by September 2003,

was extended to September 2005. There was \$nil million drawn under this facility as at December 31, 2004 and the undrawn

portion of the facility as at June 30, 2005 was \$38 million which is reflected in the table above.

AngloGold Ashanti's acquisitions during the past three years, including the acquisition of an additional 46.25 percent interest in

Cerro Vanguardia in 2002, were financed with debt. As a result of the decrease in cash from \$479 million as at December 31, 2003 to \$299 million as at December 31, 2004 resulting from operating, investing and financing activities,

AngloGold Ashanti reported total net indebtedness of \$1,387 million (net of cash) at December 31, 2004, compared to \$630 million as at December 31, 2003.

143

On January 27, 2005 AngloGold Ashanti announced the signing of a new three year loan facility agreement for \$700 million to

replace the existing \$600 million facility that matured in February 2005. The facility was used to repay the maturing facility of

\$600 million (\$265 million drawn as at December 31, 2004) and is available for general corporate purposes. The new facility

reduces the group's cost of borrowing, as the borrowing margin over LIBOR reduced from 70 basis points to 40 basis points.

The facility was arranged with a number of AngloGold Ashanti's relationship banks.

Capital expenditure is expected to be \$655 million in 2005, mainly at the South African, South American and former Ashanti

operations.

As at December 31, 2004 AngloGold Ashanti estimated its total cash on December 31, 2005 to be as follows:

**Cash balance**

**(in millions)**

**At**

**December 31, 2004**

**\$**

**Operating activities**

**\$**

**Investing activities**

**\$**

**Financing activities**

**\$**

**Translation**

**(1)**

**\$**

**Forecast balance at**

**December 31, 2005**

**(2)**

**\$**

South Africa

35

212

(280)

(10)

(1)

(44)

Argentina

36

55

(5)

(25)

-

61

Australia

21

25  
(48)  
-  
(1)  
(3)  
Brazil  
49  
90  
(86)  
(26)  
-  
27  
Ghana  
3  
72  
(108)  
(2)  
-  
(35)  
Guinea  
2  
13  
(10)  
-  
-  
5  
Namibia  
4  
8  
(1)  
(8)  
-  
3  
Tanzania  
25  
30  
(29)  
(22)  
-  
4  
USA  
14  
10  
(10)  
(2)  
-  
12  
Other  
110  
(6)  
(36)

(24)  
 -  
 44  
 Total  
 299  
 509  
 (613)  
 (119)  
 (2)  
 74  
 (1)

*Represents effect on exchange rate changes on cash.*

(2)

*Does not include the full impact of the three year loan facility agreement for \$700 million signed in January 2005.*

The management of AngloGold Ashanti believes that working capital is sufficient for the company's present requirements.

**Capital commitments and contingencies**

The following significant capital commitments and contingencies are applicable to AngloGold Ashanti over the periods shown

below:

Capital commitments and contingent liabilities of AngloGold Ashanti include total contracted capital expenditure of approximately \$148 million and total authorized capital expenditure not yet contracted of approximately \$658 million.

The expenditure is expected to be financed from existing cash resources, cash generated by operations and debt facilities.

AngloGold Ashanti has given collateral to certain bankers for satisfactory contract performance in relation to exploration

and development tenements and mining operations in Australia amounting to \$16 million.

AngloGold Ashanti has signed as surety in favor of the bankers on the Yatela loan for \$4 million. The Yatela Joint Venture is equity accounted.

Pursuant to US environmental regulations, gold mining companies are obliged to close their operations and rehabilitate

the lands that they mine in accordance with these regulations. AngloGold Ashanti USA has posted rehabilitation bonds

aggregating approximately \$49 million with various federal and governmental agencies to cover potential environmental

rehabilitation obligations. AngloGold Ashanti has provided a guarantee for these obligations which would be payable in

the event of AngloGold Ashanti USA not being able to meet their environmental rehabilitation obligations. The environmental obligations will expire upon completion of such rehabilitation. There are no recourse provisions that would

enable AngloGold Ashanti to recover from third parties any of the amounts paid under the guarantee.

Pursuant to the assignment of equipment leases to Queenstake Resources USA Inc., as a result of the sale of Jerritt Canyon effective June 30, 2003, AngloGold Ashanti USA has become secondarily liable in the event of a default by Queenstake Resources USA Inc. in the performance of any of the lessee's obligations arising under the lease. These agreements have an approximate term of 3 years and the maximum potential amount of future payments amounts to \$1 million.



AngloGold Ashanti has provided a letter of credit for \$19 million, in favor of the Geita project finance lenders. The letter of credit may be called if Geita Gold Mining Limited fails to perform under the relevant project finance agreement. See note 16 to the consolidated financial statements – “Long-term debt – Geita Project Finance”. In this event, Geita Gold Mining Limited would be liable to AngloGold Ashanti. AngloGold Ashanti acquired an additional 50 percent in Geita as part of the AngloGold Ashanti Business Combination in April 2004.

AngloGold Ashanti USA has a potential liability of \$2 million in respect of preference claims of a third party for gold shipments returned by the third party to AngloGold Ashanti USA, which the bankruptcy trustee is claiming should not have been returned and final shipments that should not have been paid as the third party had filed for protection under Chapter 11 of the U.S. Bankruptcy Code.

During September 2003, AngloGold Offshore Investments Limited, a wholly-owned subsidiary of AngloGold Ashanti, increased its existing guarantee of 50 percent of the Nufcor International Limited loan facility with RMB Semos International (Dublin) Limited from \$25 million to \$40 million. This loan is included in Long-term debt in AngloGold Ashanti’s consolidated balance sheet as at December 31, 2004.

Discussions are continuing with the Malian government as to the validity of tax claims including interest and penalties. The claims have arisen due to new legislation that is in conflict with AngloGold Ashanti’s prior mining convention agreements and different interpretations of the legislation. The Malian minister of finance has ruled in favor of Sadiola and Yatela and the amount of claims has been reduced from \$6.5 million to \$3.2 million. The Sadiola and Yatela Joint Ventures are equity accounted.

Various equipment tax claims in South America amounting to \$3 million.

AngloGold Ashanti has undertaken to re-export certain gold artefacts temporarily imported into South Africa and whose custom and value added tax was waived. The company will be required to pay \$1 million if it fails to comply with the re-export arrangements agreed with the South African Revenue Service.

AngloGold Ashanti has a potential liability of \$10 million relating to certain Value Added Tax (VAT) claims made by the Tanzanian Revenue Authority. AngloGold Ashanti is contesting these claims and believes the likelihood of a loss to be remote.

The Tanzanian Revenue Authority is claiming \$9 million from AngloGold Ashanti relating to stamp duty on the transfer of property in Tanzania, even though ownership is held by a company registered in another country. AngloGold Ashanti believes the likelihood of this claim succeeding to be remote.

Discussions are underway in respect of a US class action brought against the former Ashanti Goldfields Company Limited

under United States Federal Securities laws in the United States District Court for the Eastern District of New York. The complaint alleges non-disclosures and misstatements regarding Ashanti Goldfields Company Limited's hedging position and hedging program. The plaintiffs contend that the company and the individual defendants' actions violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated under that Act. Although AngloGold Ashanti cannot make any assurances regarding the ultimate result of this litigation, it is anticipated that the outcome will have no material financial effect on the company.

With operations in several countries on several continents, AngloGold Ashanti is subject to, and pays annual income taxes under, the various income tax regimes where it operates. Some of these tax regimes are defined by contractual agreements with the local government, but others are defined by the general corporate income tax laws of the country. The company has historically filed, and continues to file, all required income tax returns and to pay the taxes reasonably determined to be due. The tax rules and regulations in many countries are complex and subject to interpretation. From time to time the company is subject to a review of its historic income tax filings and in connection with such reviews, disputes can arise with the taxing authorities over the interpretation or application of certain rules to the company's business conducted within the country involved. Management believes such tax contingencies have been adequately provided for, and as assessments are completed, the company will make appropriate adjustments to those estimates used in determining amounts due.

145

These capital commitments

(1)

and contingencies can be summarized as follows:

**Expiration per Period**

**Commitment**

**(in millions)**

**Total  
amount**

**\$**

**Less than 1  
year**

**\$**

**1 - 3  
years**

**\$**

**4 - 5  
years**

**\$**

**Over  
5**

**years  
\$**

Capital expenditure

(contracted and not yet contracted)

806

453

108

189

56

Guarantees

110

48

12

10

40

Standby letters of credit

19

19

–

–

–

Other commercial commitments

28

21

7

–

–

Line of credit

–

–

–  
 –  
 –  
**Total**  
**963**  
**541**  
**127**  
**199**  
**96**  
 (1)

*Including commitments through contractual arrangements with equity accounted joint ventures.*

**Derivatives accounted for at fair value**

The group does not acquire, hold or issue derivatives for economic trading purposes. A number of products, including derivatives, are used to manage gold price and foreign exchange risks that arise out of the group's core business activities.

The estimated fair values of financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The following table represents

the change in fair value of all derivatives used as a financial instrument:

**\$ (million)**

Fair value of derivatives at January 1, 2004

(578)

Derivatives realized or otherwise settled during the year

111

Fair value of attributable portion of Geita hedge book to April 26, 2004 the effective date of the AngloGold Ashanti Business Combination

(74)

Fair value of Ashanti instruments acquired in the AngloGold Ashanti Business Combination

(432)

Fair value of other new contracts entered into during the year

(91)

Change in fair value of derivatives during the year

(1)

(97)

**Fair value of derivatives at December 31, 2004**

**(1,161)**

(1)

*Net losses on revaluation of derivatives.*

The fair value of the on-balance sheet derivatives at December 31, 2004 included:

**\$ (million)**

Derivatives – current assets

491

Derivatives – long term assets

187

Derivatives – current liabilities

(606)

Derivatives – long term liabilities

(734)

**Derivatives – net liabilities**

**(662)**

The difference between the fair value of all derivatives and the fair value of on-balance sheet derivatives represents the fair value of off-balance sheet derivatives totalling negative \$499 million.

The maturity of the fair value of derivatives as at December 31, 2004 was as follows:

**Fair value of derivatives at December 31**

**Source of fair value**

**(in millions)**

**Maturity**

**less than**

**1 year**

**\$**

**Maturity**

**1 – 3**

**years**

**\$**

**Maturity**

**4 – 5**

**years**

**\$**

**Maturity**

**excess of**

**5 years**

**\$**

**Total Fair**

**value**

**\$**

Prices actively quoted

–

–

–

–

–

Prices provided by other external sources

–

–

–

–

–

Prices based on models and other valuation methods

(1)

(197)

(307)

(331)

(326)

(1,161)

(1)

*Fair value is calculated using the Black-Scholes option formula and other formulae, using ruling market prices and interest rates which are obtained from international banks and are liquid and actively quoted across the full time horizon of the tenor of the hedging contracts.*

146

**Sensitivity analysis**

The following table shows the approximate sensitivities of the \$ marked-to-market value of the hedge book at December 31,

2004 (actual changes in the timing and amount of the following variables may differ from the assumed changes below):

**Sensitivity analysis****Variables****Change in****Rate(+)****Change in Fair  
value****(1)****Change in****Rate (-)****Change in Fair  
value****(1)**

Currency (R/\$)

+1.0

(48.0)

-1.0

13.7

Currency (A/\$)

+0.05

26.0

-0.05

(26.0)

Gold price (\$/oz)

+10

(104.0)

-10

101.3

US Interest Rate (%)

+0.1

(11.1)

-0.1

11.1

ZAR Interest Rate (%)

+0.1

(0.2)

-0.1

0.2

Aus Interest Rate (%)

+0.1

(0.9)

-0.1

0.9

Gold Interest Rate (%)

+0.1

13.1

-0.1  
(13.3)  
(1)

*In \$ million.*

**Related party transactions**

As at December 31, 2004 Anglo American plc (AA plc) and its subsidiaries held an effective 50.97 percent (2003: 54.45 percent) interest in AngloGold Ashanti.

The group had the following transactions with related parties during the years ended December 31, 2004 and 2003:

**December 31, 2004**

**December 31, 2003**

**(in millions)**

**Purchases from related party**

\$

**Amounts owed to related party**

\$

**Purchases from related party**

\$

**Amounts owed to related party**

\$

**Related party transactions with holding company AA plc**

5

-

2

-

**Related party transactions with subsidiaries of AA plc**

Boart Longyear Limited – mining services

9

1

10

1

Mondi Limited – forestry

16

2

11

1

Scaw Metals – A division of Anglo Operations Limited – steel and engineering

14

1

12

1

Anglo Coal – a division of Anglo Operations Limited

1

-

-

-

**Related party transactions with associates**

Rand Refinery Limited – gold refinery

-  
 -  
 2 -  
 45  
 4  
 37 3

**Related party transactions of equity accounted joint ventures**

Societe d'Exploitation des Mines d'Or de Sadiola S.A.

2

-

2

-

Societe d'Exploitation des Mines d'Or de Yatela S.A.

2

-

-

-

Societe des Mines de Morila S.A.

-

-

1

-

These related party transactions were concluded in the ordinary course of business of AngloGold Ashanti. Transaction prices

are agreed upon, predetermined and stipulated in agreements with related parties. These agreements are the responsibility of

AngloGold Ashanti's procurement department, which is tasked with ensuring that contractual obligations, as per agreements

concluded, are fulfilled. Renewals and discontinuation of existing contracts, as well as new contracts, are handled by the

procurement department. Contractual and any other commitments are stipulated in the agreements, and expire/cease upon

conclusion/discontinuation of a service/contract.

Since January 1, 2005, AngloGold Ashanti has not been, and as of the date of this report is not, a party to any material transaction or proposed transaction by which any director, any other executive officer, any spouse or relative of any of the

foregoing or any relative of such spouse had or was to have direct or indirect material interest. In addition, no such persons

had any indebtedness to AngloGold Ashanti during this period, and as of the date of this report.







147

**Recently adopted accounting policies and pending adoption of new accounting standards**

AngloGold Ashanti's accounting policies are described in note 4 to the consolidated financial statements "Significant accounting policies". New accounting policies and recent pronouncements are described in note 4.19 to the consolidated

financial statements "Recent pronouncements".

***Accounting for Asset Retirement Obligations (AROs)***

As described in note 5 to the consolidated financial statements "Asset retirement obligations", AngloGold has adopted SFAS143, "Accounting for Asset Retirement Obligations (AROs)" with effect from January 1, 2003 as follows:

The statement provides accounting and reporting guidance for legal obligations associated with the retirement of long-lived

assets that result from the acquisition, construction or normal operations of long-lived assets. SFAS143 applies to legal

obligations associated with the retirement of long-lived assets that result from the acquisition, construction and/or the normal

operation of a long-lived asset.

Under SFAS143 the fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred.

When the liability is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset.

Over time, the liability is increased to reflect an interest element (accretion) considered in its initial measurement at fair value,

and the capitalized cost is amortized over the useful life of the related asset. Where the obligation is operational of nature, and

does not give rise to future economic benefit, the capitalized cost is amortized in the period incurred. Upon settlement of the

liability, a gain or loss will be recorded if the actual cost incurred is different than the liability recorded.

The adoption of SFAS143 on January 1, 2003 resulted in an increase in Property, plant and equipment of \$1 million, an

increase in Provision for environmental rehabilitation of \$4 million and a cumulative effect of adoption which decreased net

income and stockholders' equity by \$3 million. No increase in Deferred income and mining tax was recorded upon the adoption

of SFAS143.

***Recent******pronouncements***

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51". FIN 46 requires certain variable interest entities

to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a

controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional

subordinated financial support from other parties.

In December 2003, the FASB revised FIN 46 ("the Revised Interpretation").

The Revised Interpretation clarifies certain provisions of FIN 46. Based on the FASB's decisions, all public companies must

apply the provisions of Interpretation or the Revised Interpretation to variable interests in Special Purpose Entities (SPEs)

(created before February 1, 2003) no later than the end of periods ending after December 15, 2003 (December 31, 2003 for

calendar year end companies). Public companies may choose to apply the provisions of the Interpretation or the Revised Interpretation to interests held in SPEs created prior to February 1, 2003 in financial statements for periods ending after December 15, 2003 (that is, December 31, 2003 financial statements). However, if a company chooses to report using the Interpretation's provisions, it must apply the Revised Interpretation's provisions to those variable interests in financial statements for periods ending after March 15, 2004. AngloGold adopted the provisions of the Revised Interpretation on February 1, 2003 to the extent that they related to variable interest entities created on or after that date. For variable interest entities created prior to February 1, 2003, the provisions of the Revised Interpretation were deferred to the end of the first interim or annual period ending after March 15, 2004. As at December 31, 2004 the company has adopted the Revised Interpretation and did not identify any variable interest entities that would be subject to consolidation under the Revised Interpretation.

148

In November 2004 the FASB issued Statement of Financial Accounting Standards No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4" ("SFAS151"). SFAS151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing", to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB 43, Chapter 4, previously stated that ". . . under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges. . . ." SFAS151 requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal". In addition, SFAS151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 24, 2004. The provisions of SFAS151 should be applied prospectively. The company does not expect the adoption of SFAS151 to have a material impact on its earnings and financial position.

In December 2004 the FASB issued Statement of Financial Accounting Standards No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions" ("SFAS153"). The amendments made by SFAS153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. Previously, Opinion 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished. SFAS153 is the result of a broader effort by the FASB to improve the comparability of cross-border financial reporting by working with the International Accounting Standards Board (IASB) toward development of a single set of high-quality accounting standards. SFAS153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges occurring in fiscal periods beginning after the date of issuance. The provisions of this Statement shall be applied prospectively. The company does not expect the adoption of SFAS153 to have a material impact on its earnings and financial position.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS123R"). SFAS123(R) is a revision of SFAS123, "Accounting for Stock-Based Compensation". It supersedes APB Opinion No. 25,

“Accounting for Stock Issued to Employees” and amends SFAS95, “Statement of Cash Flows”. Generally, the approach to accounting for share-based payments in SFAS123(R) is similar to the approach described in SFAS123. However, SFAS123(R)

requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial

statements based on their fair values (i.e., pro forma disclosure is no longer an alternative to financial statement recognition).

SFAS123(R) permits public companies to adopt its requirements using one of two methods:

A “modified prospective” method in which compensation cost is recognized beginning with the effective date (a) based on the

requirements of SFAS123(R) for all share-based payments granted after the effective date and (b) based on the requirements

of SFAS123 for all awards granted to employees prior to the effective date of SFAS123(R) that remain unvested on the

effective date.

A “modified retrospective” method which includes the requirements of the modified prospective method described above, but

also permits entities to restate based on the amounts previously recognized under SFAS123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

SFAS123(R) was originally effective at the beginning of the first interim or annual period beginning after June 15, 2005. On

April 14, 2005 the United States Securities and Exchange Commission (SEC) announced that it would provide for a phased-in

implementation process of SFAS123(R). The SEC would require that registrants adopt SFAS123(R) no later than the beginning of the first fiscal year beginning after June 15, 2005.

The company plans to adopt SFAS123(R) using the modified-prospective method on January 1, 2006.

149

As permitted by SFAS123, the company currently accounts for share-based payments to employees using APB Opinion

No. 25's intrinsic value method. The impact of adoption of SFAS123(R) cannot be predicted at this time because it will depend

on levels of share-based payments granted in the future. However, had the company adopted SFAS123(R) in prior periods, the

impact of that standard would have approximated the impact of SFAS123 as described in the disclosure of pro forma net

income and earnings per share in Note 4.18 "Stock-based compensation plans". SFAS123(R) also requires the benefits of tax

deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating

cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing

cash flows in periods after adoption. This requirement will not impact the company's cash flow disclosure as the company does

not receive the benefit of a tax deduction for compensation cost.

On March 17, 2005, The Emerging Issues Task Force ("EITF") reached a consensus in Issue 04-6, "Accounting for Stripping

Costs in the Mining Industry", that post-production stripping costs are a component of mineral inventory cost subject to the

provisions of AICPA Accounting Research Bulletin No. 43, Restatement and Revision of Accounting Research Bulletins,

Chapter 4, "Inventory Pricing" (ARB 43).

Based upon this consensus, post production stripping costs should be considered costs of the extracted minerals under a full

absorption costing system and recognized as a component of inventory to be recognized in cost of sales in the same period as

the revenue from the sale of the inventory. Additionally, capitalization of such costs would be appropriate only to the extent

inventory exists at the end of a reporting period.

At an EITF meeting held on June 15 and 16, 2005, the EITF clarified its intention that "inventory produced" should mean

"inventory extracted." That is, stripping costs incurred during a period should be attributed only to the inventory that is extracted

during that period.

The guidance in this consensus will be effective for financial statements issued for fiscal years beginning after December 15,

2005, with early adoption permitted. However, consistent with the guidance in SFAS154 (see below), the EITF reached

decision that the cumulative effect of adoption of the consensus in Issue 04-6 should be recognized as an adjustment to the

beginning balance of retained earnings during the period, and not in the income statement as originally described in the

consensus. If a company adopted the consensus prior to FASB ratification of this change, they would not have to change the

accounting for the adoption. The company is reviewing the guidance issued in Issue 04-6 and has not yet determined the

impact of this on the financial statements.

In May 2005 the FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20, Accounting Changes, and FASB Statement No. 3, Reporting Accounting

Changes in Interim Financial Statements" ("SFAS154").

SFAS154 applies to all voluntary changes in accounting principle, and changes the requirements for accounting for and

reporting of a change in accounting principle. SFAS154 requires retrospective application to prior periods' financial statements

of a voluntary change in accounting principle unless it is impracticable. Accounting Principles Board Opinion No. 20, Accounting Changes (APB 20) previously required that most voluntary changes in accounting principle be recognized by

including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS154

requires that a change in method of depreciation, amortization, or depletion for long-lived, nonfinancial assets be accounted for

as a change in accounting estimate that is effected by a change in accounting principle. APB 20 previously required that such a

change be reported as a change in accounting principle. SFAS154 carries forward many provisions of APB 20 without change,

including the provisions related to the reporting of a change in accounting estimate, a change in the reporting entity, and the

correction of an error, as well as the provisions of SFAS3 that govern reporting accounting changes in interim financial

statements. SFAS154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Earlier application is permitted for accounting changes and corrections of errors made occurring in fiscal

years beginning after June 1, 2005. The company does not expect the adoption of SFAS154 to have a material impact on its

earnings and financial position.



150

**Critical accounting policies**

AngloGold Ashanti's accounting policies are described in note 4 to the consolidated financial statements "Significant accounting policies". The preparation of AngloGold Ashanti's financial statements in conformity with accounting principles

generally accepted in the United States of America require management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The following are considered to be the accounting policies that are most critical to AngloGold Ashanti's results of operations, financial condition and cash flows.

***Using of estimates and making of assumptions***

The most critical accounting estimates upon which AngloGold Ashanti's financial reporting depends are those requiring

estimates of Proven and Probable Reserves, recoverable ounces therefrom, and/or assumptions of future gold prices.

Such

estimates and assumptions affect the value of inventories (which are stated at the lower of average cost or net realizable

value) and the potential impairment of long-lived assets and intangibles as detailed below. These estimates and assumptions

also affect the rate at which depreciation and amortization are charged to earnings. Commodity prices significantly affect

AngloGold Ashanti's profitability and cash flow. On an ongoing basis, management evaluates its estimates and assumptions;

however, actual amounts could differ significantly due to the ultimate conclusion of uncertainties.

***Ore reserves and life-of-mines***

AngloGold Ashanti estimates on an annual basis its ore reserves at its mining operations. There are a number of uncertainties

inherent in estimating quantities of reserves, including many factors beyond AngloGold Ashanti's control. Ore reserve estimates are based upon engineering evaluations of assay values derived from samplings of drill holes and other openings.

Additionally, declines in the market price of gold may render certain reserves containing relatively lower grades of mineralization uneconomic to mine. Further, availability of permits, changes in operating and capital costs, and other factors

could materially and adversely affect ore reserves. AngloGold Ashanti uses its ore reserve estimates in determining the unit

basis for mine depreciation and closure rates, as well as in evaluating mine asset impairments. Changes in ore reserve estimates could significantly affect these items. At least annually, AngloGold Ashanti reviews mining schedules, production

levels and asset lives in AngloGold Ashanti's life-of-mine planning for all of AngloGold Ashanti's operating and development

properties. Significant changes in the life-of-mine plans may occur as a result of mining experience, new ore discoveries,

changes in mining methods and rates, process changes, investment in new equipment and technology and gold prices.

Based

on the life-of-mine analysis AngloGold Ashanti reviews its accounting estimates and adjusts depreciation, amortization,

deferred mining and reclamation costs and evaluation of each mine for impairment where necessary. Accordingly, this analysis

and the estimates made therein have a significant impact on AngloGold Ashanti's operating results.

***Accounting for derivatives***

In accordance with the provisions of SFAS133 AngloGold Ashanti accounts for derivatives as follows:

Commodity based (“normal purchases or normal sale”) contracts that meet the requirements of SFAS138 are recognized in earnings when they are settled by physical delivery.

Where the conditions in SFAS133 for hedge accounting are met, the derivative is recognized on the balance sheet as either a derivative asset or derivative liability, and recorded at fair value. For cash flow hedges the effective portion of fair value gains or losses are recognized in equity (other comprehensive income) until the underlying transaction occurs, then the gains or losses are recognized in earnings. The ineffective portion of changes in fair value is reported in earnings as gains or losses on derivatives in the period in which they occur.

All other derivatives are measured at their estimated fair value, with the changes in estimated fair value at each reporting date being reported in earnings as gains or losses on derivatives in the period in which they occur.

The estimated fair values of derivatives are determined at discrete points in time based on the relevant market information.

These estimates are calculated with reference to the ruling market prices, interest rates and volatilities using the Black

-  
Scholes option formula.

151

AngloGold Ashanti does not acquire, hold or issue derivative instruments for economic trading purposes. A number of products, including derivatives, are used to manage gold price and foreign exchange risks, that arise out of the group's core business activities. Forward sales contracts and call and put options are used by the group to manage its exposure to gold price and currency fluctuations.

***Revenue recognition***

AngloGold Ashanti's revenues are derived primarily from the sale of gold produced at its mines. Revenue from product sales is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable and collectability is reasonably assured. Gold is a liquid commodity that is dealt with on the international markets, and gold produced by AngloGold Ashanti's mining operations is processed to saleable form at various precious metals refineries.

***Contingencies***

AngloGold Ashanti accounts for contingencies in accordance with SFAS No. 5, "Accounting for Contingencies". SFAS No. 5

requires the recording of an estimated loss for a loss contingency when information available indicates that it is probable that an asset has been impaired or a liability has been incurred, and the amount of the loss can be reasonably estimated. Accounting for contingencies such as legal and income tax matters requires the use of judgement to determine the amount to be recorded in the financial statements. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur and typically those events will occur a number of years in the future. AngloGold Ashanti assess such contingent liabilities, which inherently involves the exercise of significant management judgement and estimates of the outcome of future events. Also see "Deferred income and mining tax" discussed below.

***Mining joint ventures***

As described in note 4.1 to the consolidated financial statements interests in incorporated mining joint ventures in which AngloGold Ashanti has joint control are accounted for by the equity method and are included in other long-term assets. All significant intercompany balances and transactions have been eliminated.

***Impairment of long-lived assets***

AngloGold Ashanti's long-lived assets include property, plant and equipment, acquired properties, goodwill and other tangible assets. Subsequent to January 1, 2002, goodwill is analyzed for impairment in accordance with SFAS142 as discussed below.

In assessing the potential impairment of its long-lived assets held for use AngloGold Ashanti must make assumptions regarding estimated future cash flows and other factors relating to the respective assets. To the extent that the carrying value of the long-lived asset as recorded in the consolidated financial statements exceeds the undiscounted cash flows, an impairment charge is recognized in the consolidated financial statements based on the fair value of the asset. When AngloGold Ashanti has assets held for sale, AngloGold Ashanti must record the asset at the lower of the carrying value or estimated fair value less costs to sell.

During the year ended December 31, 2004 AngloGold Ashanti recorded an impairment charge of \$3 million relating to long-lived assets and goodwill as described in note 5 to the consolidated financial statements “Cost and expenses – Impairment of assets”.

***Impairment of goodwill and other intangible assets***

Beginning January 1, 2002, SFAS142 requires goodwill to be reviewed for impairment rather than amortized and that intangible assets with finite useful lives other than goodwill be amortized over their useful lives. In accordance with the provisions of SFAS142 AngloGold Ashanti performed a transitional impairment test for each reporting unit and performed its annual impairment review during the fourth quarter of 2002. AngloGold Ashanti performs impairment tests at least annually during the fourth quarter and whenever certain indicators of impairment exist. AngloGold Ashanti’s reporting units are generally consistent with the operating mines underlying the segments identified in note 26 to the consolidated financial statements “Segment and Geographical Information”.

152

***Deferred income and mining tax***

AngloGold Ashanti follows the liability method of accounting for deferred income and mining tax whereby the company recognizes the tax consequences of temporary differences by applying current statutory tax rates applicable to future years to differences between financial statement amounts and the tax bases of certain assets and liabilities. Changes in deferred tax assets and liabilities include the impact of any tax rate changes enacted during the year. Deferred tax is estimated at the future average anticipated taxation rates at which temporary differences are expected to reverse. Future average anticipated taxation rates are determined from revenue and expenditure outlined in life-of-mine business plans which are revised annually.

When a deferred tax asset arises AngloGold Ashanti reviews the asset for recoverability and establishes a valuation allowance

where AngloGold Ashanti determines it is more likely than not that such an asset will not be realized. These determinations are

based on the projected realization of tax allowances and tax losses. If these tax assets are not to be realized, an adjustment to

the valuation allowance would be required, which would be charged to income in the period that the determination was made.

If AngloGold Ashanti determines that it would be able to realize tax assets in the future, in excess of the recorded amount

thereof, an adjustment to reduce the valuation allowance would be recorded as a credit to income in the period that the determination is made.

***Pension plans and post-retirement medical aid obligations***

The determination of AngloGold Ashanti's obligation and expense for pension and provident funds, as well as post-retirement

health care liabilities, depends on the selection of certain assumptions used by actuaries to calculate amounts. These assumptions are described in note 24 to the consolidated financial statements "Employee benefit plans" and include, among

others, the discount rate, the expected long term rate of return of plan assets, health care inflation costs and rates of increase

in compensation costs. While AngloGold Ashanti believes that these assumptions are appropriate, significant changes in the

assumptions may materially affect pension and other post-retirement obligations as well as future expenses, which may result

in an impact on earnings in the periods that the changes in the assumptions occur.

AngloGold Ashanti makes the following significant assumptions in respect of its pension plans as disclosed in note 24 to the

consolidated financial statements "Employee benefit plans".

The main assumptions for 2004 relating to the most significant defined benefit plan, were the discount rate and the compensation and pension plan inflation rates. The discount rate was determined using the South African bond yield rate (on

the "benchmark" R153 bond) as a guide and adjusted for the taxation effects on pension plans.

The assumed level of salary increases relative to inflation were advised by the AngloGold Ashanti directors as well as the

AngloGold Ashanti Human Resources department. For inflation targets the published Consumer Price Index (CPI) by the

Department of Statistics as well as the South African Reserve Bank inflation target were used as a guide. Pension

increases

were assumed to be at 90 percent of the assumed inflation rate, based on the respective Fund's pension increase policy.

***Effects on results of operations***

Company and plan participants' contributions to the defined benefit funds are disclosed in note 24 to the consolidated financial

statements "Employee benefit plans". The total company contributions to defined contribution plans for the years ended December 31, 2004, 2003 and 2002 amounted to \$29 million, \$25 million and \$16 million, respectively.

***Change in pension trends***

The trend of the return on the plan assets is marginally lower (1 percent) for the year ended December 31, 2004 when compared to 2003. Based on an estimated return of 7.5 percent on the defined benefit plan assets, the return for 2004 would

amount to \$12 million compared to the actual return of \$16 million due to improved market conditions. The long-term compensation and pension inflation increases estimated in 2003 at 5.0 percent and 3.6 percent respectively, have been reduced in 2004 to 4.0 percent and 2.9 percent respectively, which is in line with current economic indicators.

***Sensitivity analysis***

It is not the policy of AngloGold Ashanti to consider the sensitivity of the accounting figures to different assumptions. The actual

short-term salary inflation rate used for the 2004 valuation was a rate of 5.0 percent and the long-term salary inflation rate was

4 percent, which is in line with the actual average increases granted and the target Consumer Price Index indicated by the

South African Reserve Bank. For each 1 percent point variance in the actual return on the plan assets, the value in growth will

vary by \$2.0 million.







153

**Stripping costs**

Stripping costs incurred in open-pit operations during the production phase to remove additional waste are charged to operating costs on the basis of the average life-of-mine stripping ratio and the average life-of-mine costs per tonne.

The average stripping ratio is calculated as the number of tonnes of waste material expected to be removed during the life-of-mine per tonne of ore mined. The average life-of-mine cost per tonne is calculated as the total expected costs to be incurred to mine

the orebody divided by the number of tonnes expected to be mined. The average life-of-mine stripping ratio and the average

life-of-mine cost per tonne is recalculated annually in the light of additional knowledge and changes in estimates. The cost of

the "excess stripping" is capitalized as mine development costs when the actual mining costs exceed the sum of the adjusted

tonnes mined, being the actual ore tonnes plus the product of the actual ore tonnes multiplied by the average life-of-mine

stripping ratio, multiplied by the life-of-mine cost per tonne. When the actual mining costs are below the sum of the adjusted

tonnes mined, being the actual ore tonnes plus the product of the actual ore tonnes multiplied by the average life-of-mine

stripping ratio, multiplied by the life-of-mine cost per tonne, previously capitalized costs are expensed to increase the cost up to

the average. Thus, the cost of stripping in any period will be reflective of the average stripping rates for the orebody as a

whole. Deferred stripping costs are reported separately in the consolidated balance sheets for all periods presented. As described in note 4.19 to the consolidated financial statements The Emerging Issues Task Force ("EITF") reached a consensus

in Issue 04-6, "Accounting for Stripping Costs in the Mining Industry" on March 17, 2005 and a modified consensus on June 15

and 16, 2005, that post production stripping costs should be considered under a full absorption costing system and recognized

as a component of inventory and in cost of sales in the same period as the revenue from the sale of the inventory.

AngloGold

Ashanti is reviewing the guidance issued in Issue 04-6 and has not yet determined the impact of this on the financial statements.

The actual stripping ratio(A) calculated as (total tonnes mined - ore tonnes mined)/ore tonnes mined, and average life-of-mine

stripping ratio(B), for AngloGold Ashanti's main open-pit operations is as follows, for the years in the period ended December 31, 2004:

)									
2004									
-									
(A)									
15.60	9.40								
-	9.18	-	4.60	4.30	1.60	1.76	4.99	4.79	3.98
2.24									
8.26	2.06								
2004									
-									

(B)  
 16.40 9.07  
 - 15.90 - 2.20 3.80 0.90 2.00 4.50 4.42 4.36  
 2.50  
 8.91 2.29  
 2003 – (A)  
 18.49  
 15.92  
 -  
 24.36  
 -  
 -  
 -  
 -  
 2.25  
 9.31  
 6.34  
 4.77  
 1.89  
 9.53  
 2.06  
 2003 – (B)  
 14.79  
 9.07  
 -  
 16.43  
 -  
 -  
 -  
 -  
 3.10  
 6.56  
 3.10  
 3.68  
 2.40  
 7.79  
 2.20  
 2002  
 -  
 (A)  
 13.61 15.58 3.21 9.22 -  
 -  
 -  
 - 1.63 7.25  
 - 7.15  
 1.79  
 7.36 2.31  
 2002  
 -  
 (B)  
 14.79 9.07 2.68 5.55 -

-  
-  
- 1.83 5.99  
- 3.68  
2.16  
7.20 2.48

*Comments on the actual average life-of-mine stripping ratio as presented in the table above:*

As a general comment it should be noted that the stripping ratio each year throughout the life-of-mine will normally differ from the average life-of-mine stripping ratio as the waste stripping required to expose the ore progressively increases as the ore-body deepens. It therefore could be expected that during the early life of the mine the stripping ratios will be less than the average as the ore close to surface is exploited. As the mine expands increasing amounts of waste are removed to expose ore at greater depths and the stripping ratios during these periods will normally be greater than the average. Waste must always be mined in advance of associated ore below it and thus when stripping is complete the exposed ore results in a much lower stripping ratio than the average, for the remaining mine life. Thus the difference between the actual stripping ratio for any year and the average life-of-mine stripping ratio will reflect the position in the mines life cycle. In the case of production scheduled from multiple pits for example at the Geita and Cerro Vanguardia mines, greater flexibility of scheduling will limit any stripping ratio variations.

154

With regards to the specific operations:

(1)

*There are no material differences between the actual stripping ratio and the life-of-mine ratio due to flexibility obtained from scheduling of multiple pits. Year-on-year changes reflect the effect of different pits being mined each year.*

(2)

*The actual stripping ratio exceeds the average life-of-mine ratio due to increased stripping as a result of the completion of the mine expansion projects in 2002 and 2003.*

(3)

*Union Reefs stopped producing and was closed in 2003.*

(4)

*Production for 2002 and 2003 reflects the operations at Engenho D'agua mine with the actual stripping ratio being higher than the average life-of-mine ratio due to re-establishment of old workings. In 2004 production was from the Córrego do Sitio mine.*

(5)

*Obuasi did not perform stripping activity in 2004.*

(6)

*Actual stripping ratio is higher than the life-of-mine ratio due to clean-up after the highwall failure in the northern portion of the main pit and failure of the south pit wall, limiting ore production.*

(7)

*No material difference between actual and life-of-mine ratio. Mining of new cut-back commenced in 2004.*

(8)

*Reflects the impact of the gold embargo on ore production in the year, and mining of waste was prioritized.*

(9)

*There are no material differences between the actual stripping ratio and the life-of-mine ratio as the Sadiola deposit in general has a low stripping ratio.*

(10)

*There are no material differences between the actual stripping ratio and the average life-of-mine ratio. Stripping is reduced year-on-year, as the mine approaches its end of life.*

(11)

*Actual stripping ratio in 2004 higher than the life-of-mine ratio due to the accessing of ore at greater depths.*

(12)

*Actual stripping ratio was progressively higher than the average life-of-mine ratio in 2002 and 2003 due to accessing ore at greater depths. In 2004, the actual stripping ratio was lower than the life-of-mine ratio due to extensions of the final pit, requiring additional stripping over the remaining life-of-mine.*

(13)

*Actual stripping ratio is progressively lower than the life-of-mine ratio as stripping in-pit is completed and more ore is exposed.*

(14)

*Differences in actual stripping ratio compared with the life-of-mine ratio year-on-year, are due to flexibility of scheduling from multiple pits. Actual stripping ratio in 2004 lower than the life-of-mine ratio due to under performance of contractor stripping.*

**Ore on Leach Pads**

The recovery of gold from certain oxide ores is achieved through the heap leaching process. Under this method, ore is placed

on leach pads where it is permeated with a chemical solution, which dissolves the gold contained in the ore. The

resulting

“pregnant” solution is further processed in a process plant where the gold is recovered. For accounting purposes, costs are

added to leach pads based on current mining costs, including applicable depreciation, depletion and amortization relating to

mining operations. Costs are removed from the leach pad as ounces are recovered in circuit at the leach plant based on the

average cost per recoverable ounce of gold on the leach pad.

The engineering estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads

(measured tons added to the leach pads), the grade of ore placed on the leach pads (based on assay data) and a recovery

percentage (based on metallurgical testing and ore type). Leach pad production cycles vary from several months to multiple

years. In operations with multiple year leach cycles, the majority (greater than 65 percent) of the placed recoverable ounces

are recovered in the first year of leaching, with declining amounts each year thereafter until the leaching process is complete.

Although the quantities of recoverable gold placed on the leach pads are reconciled by comparing the grades of ore placed on

pads to the quantities of gold actually recovered (metallurgical balancing), the nature of the leaching process inherently limits

the ability to precisely monitor recoverability levels. As a result, the metallurgical balancing process is constantly monitored and

the engineering estimates are refined based on actual results over time. Historically, AngloGold Ashanti’s operating results

have not been materially impacted by variations between the estimated and actual recoverable quantities of gold on its leach

pads. For operations with long-term leach production cycles, variations in recovery estimates from new metallurgical data or

production variances would be accounted for as an adjustment to the recoverable ounces and the average cost per recoverable ounce of gold on the leach pad. Variations between actual and estimated quantities resulting from changes in

assumptions and estimates that do not result in write-downs to net realizable value are accounted for on a prospective basis.

The ultimate recovery of gold from a pad will not be known until the leaching process has been concluded. Based on current

mine plans, AngloGold Ashanti expects that current leaching operations will terminate at dates ranging from 2005 to 2016.

As at December 31, 2004, AngloGold Ashanti’s materials on leach pads had a carrying value of \$127 million of which \$105 million was classified as short-term as AngloGold Ashanti expects the related gold to be recovered within twelve months.

The short-term portion of materials on the leach pad is determined by multiplying the average cost per ounce in inventory, by

the expected production ounces for the next twelve months. As at December 31, 2004, \$22 million was classified as long-term.

#### ***Funding and treasury policies***

For discussion on the funding and treasury policies of AngloGold Ashanti, See “Item 11.: Quantitative and qualitative disclosures about market risk – Gold price risk management activities”.

#### **5C.**

#### **Research and development, patents and licenses, etc**

For a detailed discussion, see “Item 4B.: Business overview – Research and development”.

155

**5D. Trend information**

*Outlook.* Production in 2005 is expected to increase to some 6.5 million ounces, while capital expenditure is expected to be

\$655 million (2004: \$256 million), mainly at the South African, South American and former Ashanti operations.

*Growth opportunities.* The positive trends in the gold market have led gold companies to extend their efforts to find and turn to

account, future production ounces. In the case of AngloGold Ashanti, this has given rise to a “new frontier” strategy of looking

for exploration and acquisition targets outside of the world’s recognized and mature gold regions and to dispose of properties

which are unlikely to yield real shareholder return. In Russia, AngloGold Ashanti acquired an equity interest in Trans-Siberian

Gold as an entry into this region. AngloGold Ashanti is committed to engaging junior exploration companies and aims to

unlock the gold potential by combining AngloGold Ashanti’s technical expertise with the partner’s in-depth country knowledge

and operating experience. In China, strategic alliances are being sought to allow the company to successfully extract value

from what may well be a prospective region. The company will continue to explore its joint venture alliances in Laos and the

Philippines and will continue to acquire land positions in several prospective areas in Mongolia. Exploration drilling in the

Democratic Republic of Congo commenced in 2005.

Management will continue to monitor approved capital projects:

In South Africa, the Mponeng Shaft Deepening Project allows for the deepening of the sub-shaft system and provides access tunnels to the VCR horizon on 113, 116 and 120 levels (ranging from 3,172 meters to 3,372 meters below surface). AngloGold Ashanti expects the project to produce 4.8 million ounces of gold over a period of 13 years to 2016.

The total capital expenditure is estimated at \$207 million (at closing 2004 exchange rate), with some \$8 million (at closing

2004 exchange rate) remaining. The average project cash cost over the life-of-mine is expected to be approximately \$226 per ounce in 2004 real terms.

At TauTona, three projects are underway:

The CLR shaft pillar project allows for stoping operations up to the infrastructure zone of influence. The project, from which production commenced in 2004, is expected to produce 550,000 ounces of gold over a period of 10 years, at a capital cost of \$35 million (at closing 2004 exchange rate). Approximately \$29 million (at closing 2004 exchange rate)

has been spent to date. The expected average project cash cost is \$134 per ounce.

The VCR development project aims to access two distinct reserve blocks on the VCR horizon, one situated north-east of the shaft complex, and the other in the VCR pillar area situated outside the zone of influence. The project will add some 300,000 ounces to production, with a capital cost of \$30 million (at closing 2004 exchange rate).

The CLR reserve block below 120 level, known as TauTona below 120 level project is being accessed via a twin decline system into its geographical center, down to 125 level. The project is expected to produce 2 million ounces of gold over a period of nine years, with a project capital cost of \$152 million (at closing 2004 exchange rate). The

average project cash cost is expected to be \$203 per ounce. Progress is on schedule and production is due to start in January 2007.

In Australia, a decision to proceed with the Boddington expansion project is expected towards the end of 2005. A feasibility study completed in 2000 was based on an operation with a throughput of 25 million tonnes per annum, producing an average of 600,000 ounces of gold and 22,500 tonnes of copper per annum over a life-of-mine of 15 years, at an estimated attributable capital cost of \$192 million. The update of the study has pointed towards a larger project with greater throughput, higher annual gold production and a longer mine life. This larger scale will reduce the impact of higher costs in the region resulting from the current minerals boom. Environmental approvals associated with the expansion as defined in the 2000 feasibility study were received in June 2002 and will remain valid for a period of five years. Subsequent changes to the project may require a supplementary approval process, which is planned will be completed during 2005.

The economic feasibility study for the Cuiabá expansion project, in Brazil, was concluded in December 2004 and approved by the board in January 2005. The project aims to expand current production of 830,000 tonnes to 1.3 million tonnes per annum at an estimated capital cost of \$121 million. The project deepens the shaft from 11 level to 21 level and the additional infrastructure and ore reserves are expected to increase production from 190,000 ounces to 250,000 ounces per year within two years of the project's completion to yield 1.86 million ounces in all over the additional six years of life.







156

A key aspect of the rationale for the Business Combination between AngloGold and Ashanti is the development of the deep-level ore deposits at the Obuasi mine, in Ghana, currently referred to as Obuasi Deeps. This development could potentially extend the life-of-mine to well beyond 2040. However, this requires an investment of \$44 million over the next

five years on further exploration and the necessary feasibility studies. Depending upon the results, the full development of

Obuasi Deeps may proceed at the end of this five-year period but could take several years to complete. Initial scoping studies have indicated that the development of Obuasi Deeps will require an estimated capital expenditure of \$570 million

in real terms over the anticipated life-of-mine.

## **5E.**

### **Off-balance sheet items**

AngloGold Ashanti does not engage in off-balance sheet financing activities, and does not have any off-balance sheet debt

obligations, special purpose entities or unconsolidated affiliates. The most significant off-balance sheet items are normal

purchase and sales contracts and unaccrued future rehabilitation obligations, each of which is discussed below.

#### *Normal purchase and sales contracts*

A number of derivatives are used to manage gold price risks that arise out of the group's core business activities. Gold pricing

contracts that meet the SFAS138 exemption for Normal Purchase and Sale do not appear on the balance sheet. These agreements are accounted for as sales contracts with the proceeds under the contract being recorded in earnings at the date

of settlement by physical delivery. These off-balance sheet contracts are managed as part of AngloGold Ashanti's gold price

risk management activities and at December 31, 2004 had a marked-to-market value of negative \$499 million. All other

derivatives are recognized on the balance sheet at fair value. See "Item 11.: Quantitative and qualitative disclosures about

market risk" and note 22 to the consolidated financial statements "Gold price and currency risk management activities".

#### *Future rehabilitation liability*

The unaccrued portion of the future rehabilitation liability is an off-balance sheet obligation. See "Item 4D.: Property, plant and

equipment" and note 17 to the consolidated financial statements "Provision for environmental rehabilitation". It is an objective

of AngloGold Ashanti to improve operating procedures at its mines to reduce its ultimate liability. AngloGold Ashanti believes

that the annual review of future obligations is conservative.

## **5F.**

### **Tabular disclosure of contractual obligations**

As at December 31, 2004 AngloGold Ashanti had the following known contractual obligations:

#### **Payments due by period**

#### **Contractual Obligations**

**(in millions)**

**Total**

**\$**

**Less**

**than 1**

**year**

\$	
<b>1-3 years</b>	
\$	
<b>3-5 years</b>	
\$	
<b>More than 5 years</b>	
\$	
Long-term debt obligations	
1,686	
315	
15	
1,355	
1	
Capital lease obligations	
-	
-	
-	
-	
-	
Operating lease obligations	
2	
1	
1	
-	
-	
Purchase obligations	
- Contracted capital expenditure	
(1)	
148	
103	
18	
15	
12	
- Other purchase obligations	
(2)	
253	
220	
18	
11	
4	
Reclamation and closure costs	
(3)	
350	
23	
7	
14	
306	
<b>Total</b>	<b>2,439</b>
<b>662</b>	
<b>59</b>	

**1,395**

**323**

(1

)

Represents contracted capital expenditure for which contractual obligations exist. Amounts stated include commitments of equity accounted joint ventures.

(2)

Other purchase obligations represents contractual obligations for purchase of power, supplies, consumables, inventories, explosives and activated carbon.

Amounts stated include purchase obligations of equity accounted joint ventures.

(3)

Operations of gold mining companies are subject to extensive environmental regulations in the various jurisdictions in which they operate. These regulations

establish certain conditions on the conduct of operations by AngloGold Ashanti. Pursuant to environmental regulations, AngloGold Ashanti is also obligated to

close their operations and reclaim and rehabilitate the lands upon which it conducted its mining and gold recovery operations. The present estimated closure

costs at existing operating mines and mines in various stages of closure are reflected in this table. For more information of environmental rehabilitation

obligations, see "Item 4D.: Property, plant and equipment – Sustainable development : Environment and social investment". Amounts stated include a total

estimated liability of \$15 million in respect of equity accounted joint ventures.

157

**Item 6: Directors, senior management and employees**

**6A.**

**Directors and senior management**

**Directors**

AngloGold Ashanti has a unitary board structure which currently comprises five executive directors and thirteen non-executive directors, three of whom are alternates. Certain information with respect to AngloGold Ashanti's directors as at December 31, 2004 is set forth below:

**Year**

**first**

**Name Age**

**Position**

**appointed**

(1)

Robert (Bobby) M. Godsell

(2)

52

Executive director and chief executive officer

1989

(3)

Jonathan G. Best

(4)

56

Executive director, finance

1994

(3)

David (Dave) L. Hodgson

(5)

57

Executive director and chief operating officer

2001

Samuel E. Jonah

55

Executive director and president

2004

Kelvin H. Williams

(6)

56

Executive director, marketing

1990

(3)

Russell P. Edey

(7)(8)

62

Independent non-executive director and chairman

1998

Thokoana J. (James) Motlatsi

(9)

53

Independent non-executive director and deputy chairman

1998

Frank B. Arisman

(7)

60

Independent non-executive director

1998

Elisabeth le R. Bradley

(7)

66

Independent non-executive director

1998

Colin B. Brayshaw

(7)

69

Independent non-executive director

1997

(3)

Anthony (Tony) W. Lea

56

Non-executive director

2001

William (Bill) A. Nairn

(10)

60

Non-executive

director

2001

Simon R. Thompson

45

Non-executive director

2004

Anthony (Tony) J. Trahar

55

Non-executive director

2000

Polelo L. (Lazarus) Zim

44

Non-executive director

2004

David D. Barber

52

Alternate director

2002

Arthur H. (Harry) Calver

57

Alternate director

2001

Peter G. Whitcutt

39

Alternate director

2001

(1)

*Directors serve for a period of three years unless re-elected. At each annual general meeting, directors appointed since the previous annual general meeting are required to retire, but are eligible for re-election. In addition, one-third of the board of directors must retire according to seniority or by lot but may be re-elected.*

(2)

*Appointed to the board in 1989, appointed as chief executive officer in April 1998 and chairman in December 2000. Resigned as chairman on April 30, 2002 but remains chief executive officer and an executive director.*

(3)

*Date appointed to the board of Vaal Reefs Exploration and Mining Company Limited, prior to the formation of AngloGold Limited.*

(4)

*Appointed as finance director in 1998.*

(5)

*Appointed as chief operating officer in 2001.*

(6)

*Appointed as marketing director in 1998.*

(7)

*Member of the audit and corporate governance committee.*

(8)

*Appointed as chairman with effect from May 1, 2002.*

(9)

*Appointed as deputy chairman with effect from May 1, 2002.*

(10)

*Appointed to board in January 2000, resigned from board and appointed as alternate in October 2000. Re-appointed to the board in May 2001.*

**Executive directors**

**Mr RM Godsell (52) — BA, MA**

***Chief Executive Officer***

Bobby Godsell was appointed to the AngloGold board as chief executive officer in April 1998 and as chairman in December

2000. He relinquished his role as chairman of AngloGold in May 2002. He is a non-executive director of Anglo American plc.

He is also a past chairman of the World Gold Council.

**Mr JG Best (56) — ACIS, ACIMA, MBA**

***Executive Director: Finance (Chief Financial Officer)***

Jonathan Best was appointed finance director of AngloGold in April 1998. He has had 36 years of service with companies

associated with the mining industry.

**Mr DL Hodgson (57) — BSc (Mining Engineering), BSc (Civil Engineering), BCom, AMP (Harvard)**

***Chief Operating Officer***

Dave Hodgson was appointed to the AngloGold board in November 2001 as chief operating officer. He was previously

executive officer responsible for AngloGold's South Africa region. He has more than 31 years of mining experience.



158

**Dr SE Jonah KBE** (55) — Hon D Sc (Exeter), MSc (Mineral Production Management)

***President***

Dr Sam Jonah was appointed to the position of chief executive officer of Ashanti Goldfields Company Limited in 1986.

Dr Jonah had an honorary knighthood conferred on him by Her Majesty, Queen Elizabeth II of Great Britain, in 2003. He

became president of AngloGold Ashanti in May 2004.

**Mr KH Williams** (56) — BA (Hons)

***Executive Director: Marketing***

Kelvin Williams was appointed marketing director of AngloGold in April 1998. He has 29 years of service in the gold mining

industry. He is a director and the immediate past chairman of Rand Refinery and is a director of the World Gold Council.

***Non-executive directors***

**Mr RP Edey** (62) — FCA

***Chairman and independent non-executive director***

Russell Edey was appointed to the AngloGold board in April 1998 and as deputy chairman in December 2000. In May 2002, he

was appointed chairman when Bobby Godsell relinquished this office. Based in the United Kingdom, he is deputy chairman of

NM Rothschild Corporate Finance and a director of a number of other companies.

**Dr TJ Motlatsi** (53) — Hon D Soc Sc (Lesotho)

***Deputy Chairman and independent non-executive director***

James Motlatsi was appointed to the AngloGold board in April 1998 and as deputy chairman in May 2002 upon Russell Edey

being appointed chairman. He has been associated with the South African mining industry since 1970 and is a past president

of the National Union of Mineworkers (NUM). He is also chief executive officer of TEBA Ltd.

**Mr FB Arisman** (60) — MSc (Finance)

***Independent non-executive director***

Frank Arisman was appointed to the AngloGold board in April 1998. He resides in New York and recently retired, after 32 years

of service, from JP Morgan Chase, where he held the position of managing director.

**Mrs E le R Bradley** (66) — BSc, MSc

***Independent non-executive director***

Elisabeth Bradley was appointed to the AngloGold board in April 1998. She is non-executive chairman of Wesco Investments

Ltd, Metair Investments Ltd and Toyota South Africa (Pty) Ltd and a director of a number of other companies. She is also

deputy chairman of the South African Institute of International Affairs.

**Mr CB Brayshaw** (69) — CA(SA), FCA

***Independent non-executive director***

Colin Brayshaw was appointed to the AngloGold board in April 1998. He is a retired managing partner and chairman of Deloitte

& Touche and is a non-executive director of a number of other companies including Anglo American Platinum Corporation Ltd,

Datatec Ltd and Johnnic Holdings Ltd.

**Mr AW Lea** (56) — BA (Hons)

Tony Lea was appointed to the AngloGold board in July 2001. He is finance director of Anglo American plc.

**Mr WA Nairn (60) — BSc (Mining Engineering)**

Bill Nairn has been a member of the AngloGold board since January 2000. He was re-appointed to the board in May 2001,

having previously been alternate director to Tony Trahar. He is a former group technical director of Anglo American plc.

**Mr SR Thompson (45) — MA (Geology)**

Simon Thompson is the chief executive of Anglo American Base Metals Division. He is also a director of Anglo American

Corporation of South Africa Ltd and a member of the executive board of Anglo American plc. He is chairman of the Exploration

Division and chairman of the executive committee of the Industrial Minerals Division. Simon joined the AngloGold Ashanti

board in 2004.

159

**Mr AJ Trahar (55) — BCom, CA(SA)**

Tony Trahar was appointed to the AngloGold board in October 2000. He is chief executive officer of Anglo American plc.

**Mr PL Zim (44) — MCom**

Lazarus Zim is chief executive officer of Anglo American Corporation of South Africa Limited. He is also chairman of Anglo

Operations Limited and serves on a number of boards in the Anglo American Group including Anglo American Platinum

Corporation Ltd. Lazarus joined the AngloGold Ashanti board in 2004.

**Alternate directors**

**Mr DD Barber (52) — FCA, AMP (Harvard)**

David Barber was appointed alternate director to Julian Ogilvie Thompson in April 2002 and, following the retirement of

Mr Ogilvie Thompson, was appointed alternate director to Mr Zim in April 2004. He is finance director of Anglo American

Corporation of South Africa Ltd.

**Mr AH Calver (57) — BSc (Hons) Engineering, MDP (UNISA), PMD (Harvard)**

Harry Calver was appointed alternate director to Bill Nairn in May 2001. He is head of engineering at Anglo American plc.

**Mr PG Whitcutt (39) — BCom(Hons), CA(SA), MBA**

Peter Whitcutt was appointed alternate director to Tony Lea in October 2001. He is head of finance at Anglo American plc.

In accordance with the articles of association of AngloGold Ashanti, all directors must retire at least once every three years by

rotation and may be re-elected by shareholders. At the annual general meeting held on April 29, 2005, Mr C B Brayshaw,

Mr D L Hodgson, Mr A W Lea, Mr W A Nairn and Mr K H Williams retired by rotation. Other than Mr Hodgson, who retired from

the board on April 29, 2005, all directors offered themselves for re-election and were appointed by shareholders at the annual

general meeting held on April 29, 2005. In addition, Dr S E Jonah, Mr S R Thompson and Mr P L Zim who were appointed to

the board after the annual general meeting held on April 29, 2004, retired from the board and were appointed by shareholders

at the annual general meeting held on April 29, 2005. In terms of Article 92 of the articles of association all directors appointed

to the board at any period after any annual general meeting, may only hold office until the next annual general meeting at

which time, they may be re-elected by shareholders. On March 17, 2005, it was announced that with effect from May 1, 2005,

Mr R Carvalho Silva and Mr N F Nicolau would be appointed executive directors to the board of AngloGold Ashanti. At the

same time, Mr J G Best indicated that he would be retiring from the board with effect from August 1, 2005 and that Mr S Venkatakrishnan would be appointed to the board. On June 21, 2005, Dr S E Jonah indicated that he wished to

move to

a non-executive role on the board of AngloGold Ashanti, with effect July 31, 2005. He will retain the title of President.

**Executive committee**

The board of directors of AngloGold Ashanti has delegated authority to run the day-to-day affairs of the company to an

executive committee comprising the five executive directors and three executive officers. The executive committee meets regularly under the chairmanship of the chief executive officer and is mandated to assist in reviewing operations and performance by the AngloGold Ashanti group, developing strategy and policy proposals for consideration by the board of directors and implementing the directives of the board. Members of the executive committee at December 31, 2004 were:

**Name**

**Age**

**Position**

**Year**

**first appointed**

Robert (Bobby) M. Godsell

52

Executive director and chief executive officer

1989

Jonathan G. Best

56

Executive director, finance

1994

David (Dave) L. Hodgson

57

Executive director and chief operating officer

2001

Samuel E. Jonah

55

Executive director and president

2004

Kelvin H. Williams

56

Executive director, marketing

1990

Roberto Carvalho Silva

53

Deputy chief operating officer - international

2004

Neville F. Nicolau

45

Deputy chief operating officer - Africa

2004

Srinivasan (Venkat) Venkatakrishnan

39

Deputy chief financial officer

2004

For a description of the business experience and functions of the members of the executive committee, see "Directors" above.

160

To assist in the execution of certain of its duties and functions, the executive committee has established an operations sub-committee, a treasury committee and a finance committee, all described below. For information on the other committees established by the board of directors, see “Item 6C.: Board practices”.

**Executive officers**

The executive officers of AngloGold Ashanti at December 31, 2004 were:

**Name**

**Age**

**Position**

**Year**

**first appointed**

Merene M. Botsio-Phillips

47

General counsel

2004

Roberto Carvalho Silva

53

Deputy chief operating officer - international

2000

Richard N. Duffy

41

New business development

1998

Dawn Earp

43

Corporate accounting

2004

Benjamin W. Guenther

52

Corporate technical - group

2004

Robert L. Lazare

48

South Africa region

2004

Steven J. Lenahan

48

Corporate affairs

1998

Mark P. Lynam

43

Treasury

2004

Neville F. Nicolau

45

Deputy chief operating officer - Africa

2001

Yedwa Z. Simelane

39

Managing secretary

2004

Nigel W. Unwin

52

Human resources and information technology

1999

Srinivasan (Venkat) Venkatakrisnan

39

Deputy chief financial officer

2004

Gordon F. Wylie

52

Exploration

2004

**Office of corporate administration**

Christopher R. Bull

58

Company secretary

1998

The business experience and functions of the executive officers of AngloGold Ashanti are as follows.

**Ms MM Botsio-Phillips** (47) — LLB, BL

***General Counsel***

Merene Botsio-Phillips joined Ashanti Goldfields Company Limited in 1995, and was appointed to the board as executive

director – general counsel in 1996. She was admitted to the English Bar in 1979 and is a member of Gray’s Inn, the Ghana Bar

and the International Bar Association.

**Mr R Carvalho Silva** (53) — BAcc, BCorp Admin

***Deputy Chief Operating Officer (International)***

Roberto Carvalho Silva joined the Anglo American group in Brazil in 1973 and was appointed president and chief executive

officer of AngloGold South America in January 1999. He became an executive officer of AngloGold in February 2000 and was

appointed a deputy chief operating officer in January 2005.

**Mr RN Duffy** (41) — BCom, MBA

***New Business Development***

Richard Duffy joined Anglo American Corporation 18 years ago. He became an executive officer of AngloGold in 1998 and was

given the business planning portfolio in November 2000. In 2004, on completion of the business combination of AngloGold and

Ashanti, Richard was appointed executive officer: new business development.

**Ms D Earp** (43) — BCom, BAcc, CA(SA)

***Corporate Accounting***

Dawn Earp joined AngloGold in July 2000 from Anglo American where she held the position as vice president, central finance.

Dawn was appointed to the position of executive officer in May 2004.

**Mr BW Guenther** (52) — BS Mining Engineering

***Corporate Technical (Group)***

Ben Guenther joined AngloGold as senior vice-president general manager of Jerritt Canyon mine in Nevada. In 2000 he was

seconded to AngloGold’s Corporate Office in Johannesburg as head of mining. In 2001, he assumed some

responsibilities for safety and health as well as heading up the Corporate Technical Group. Ben was appointed an executive officer in May 2004.

161

**Mr RL Lazare (48) — BA HED**

***South Africa region***

Robbie Lazare was appointed an executive officer in December 2004. Prior to this he was the general manager of TauTona

mine. He has 23 years experience in the mining industry.

**Mr SJ Lenahan (49) — BSoc Sc, MSc**

***Corporate Affairs***

Steve Lenahan has been working in the mining industry since 1978 when he started his career at De Beers. He was appointed

investor relations executive for AngloGold in 1998 and assumed responsibility for corporate affairs in early 2001.

**Mr MP Lynam (43) — BEng (Mech)**

***Treasury***

Mark Lynam joined the Anglo American group in 1983 and has been involved in hedging and treasury since 1990. In 1998,

Mark joined AngloGold as treasurer and was appointed to the position of executive officer in May 2004.

**Mr NF Nicolau (45) — B-Tech (Min.Eng), MBA**

***Deputy Chief Operating Officer (Africa)***

Neville Nicolau became the executive officer responsible for AngloGold's South Africa region in November 2001 and was

appointed a deputy chief operating officer in January 2005. He has 26 years of mining experience.

**Ms YZ Simelane (39) — BA LLB, FILPA, MAP**

***Managing Secretary***

Yedwa Simelane joined AngloGold in November 2000 from the Mineworkers' Provident Fund where she was the senior

manager of the Fund. Yedwa was appointed to the position of executive officer in May 2004.

**Mr NW Unwin (52) — BA**

***Human Resources and Information Technology***

Nigel Unwin has had many years of experience in the field of human resources. He has been an executive officer since 1999.

**Mr S Venkatakrishnan (39) — BCom, A.C.A (ICAI)**

***Deputy Chief Financial Officer***

Srinivasan Venkatakrishnan (Venkat) was the finance director of Ashanti Goldfields Company Limited from 2000 until the

Business Combination with AngloGold in 2004. Prior to joining Ashanti, Venkat worked as a director in the Reorganization

Services division of Deloitte & Touche in London.

**Mr GF Wylie (52) — MSc (Mining Engineering), BSc (Hons) (Geology), Dip Mgmt, AusIMM (application pending)**

***Exploration***

Gordon Wylie began his career at Iscor in 1976 before moving to Anglo American Corporation. In 1998 he became manager,

Exploration and Geology for AngloGold's global operations. Gordon was appointed to the position of executive officer in May

2004.

On May 1, 2005 Dave Diering was appointed executive officer: business planning for the South Africa region while Charles Carter was appointed executive officer: investor relations on June 1, 2005, replacing Steve Lenahan in this regard.

Steve Lenahan retains the portfolio of executive officer: corporate affairs. With effect from July 1, 2005, Fritz Neethling was

appointed executive officer: East & West Africa region.

**Office of corporate administration**



**Mr CR Bull (58) — BCom**

Chris Bull has been employed by the Anglo American Corporation group for 39 years in various company secretarial positions.

He was appointed company secretary of AngloGold in 1998 and is responsible for ensuring compliance with statutory and corporate governance requirements and the regulations of the stock exchanges on which AngloGold Ashanti is listed.

162

**Competent persons**

The schedule below presents the details of those persons who manage AngloGold Ashanti's ore reserves and mineral resources:

**Name**

**Age**

**Position**

**Year first appointed**

Carl E Brechtel

54

Manager underground mining – corporate technical

2001

Vaughan A. Chamberlain

42

Manager evaluation

1998

Ben W. Guenther

52

Executive officer – corporate technical - group

1999

Michael (Mike) F. O'Brien

47

Manager evaluation

1999

Jurgens van Zyl Visser

50

Manager survey and planning – South Africa region

2001

David (Dave) L. Worrall

54

Manager surface mining

1999

Gordon F. Wylie

52

Executive officer - exploration

1998

The information in this report that relates to exploration results, mineral resources or ore reserves is based on information

compiled by the competent persons listed below. They are either members of the Australian Institute of Mining and Metallurgy

(AusIMM) or recognized overseas professional organizations. They are all full-time employees of the company.

***The competent person for AngloGold Ashanti Exploration is:***

**GF Wylie** — MSc (Mining Engineering), BSc (Hons) (Geology), Dip Mgmt, AusIMM (application pending)

Gordon has 28 years experience. For a biography, see "Executive officers" above.

***The following competent persons take responsibility for the reporting of AngloGold Ashanti's mineral resources, as defined under JORC 2004:***

**VA Chamberlain** — MSc (Mining Engineering), BSc (Hons) (Geology), — MAusIMM

Vaughan has 19 years experience and holds a Bachelor of Science (Honors) degree in Geology from the University of Natal

and a Masters degree in Mining Engineering from the University of the Witwatersrand. He started his career with Anglo

American Corporation in 1987 as a geologist at Western Deep Levels East Mine (now TauTona mine). He joined AngloGold in

1998 as manager evaluation in the mineral resource department, the position he currently holds.

**MF O'Brien** — MSc (Mining Economics), BSc (Hons) (Geology), Dip Data, Pr.Sci.Nat., MAusIMM

Mike has 25 years experience and holds a Bachelor of Science (Honors) degree in Geology from the University of Natal, a

Masters degree in engineering from the University of Witwatersrand and a Dip Data diploma from UNISA. He joined Anglo

American Corporation in 1981 as a geologist at Vaal Reefs Mine and AngloGold in 1999 as manager evaluation in the mineral

resource department, the position he currently holds.

*The following competent persons take responsibility for the reporting of AngloGold Ashanti's ore reserves:*

**CE Brechtel** — MSc (Mining Engineering), BSc (Geological Engineering), MAusIMM, MSAIMM, MSME

Carl has 29 years experience and holds a Bachelor of Science degree in Geological Engineering and a Master of Science

degree in Mining Engineering from the University of Utah, USA. After spending 6 years at AngloGold Ashanti's Jerritt Canyon

operations, he was appointed Manager of Underground Mining of the Corporate Technical Group (CTG) providing technical

support and corporate governance to international mining operations outside of the South Africa Region. He is a registered

Professional Mining Engineer in the states of Colorado and Nevada, USA.

**BW Guenther** — BSc (Mining Engineering), MAusIMM

Ben has 24 years experience. For a biography, see "Executive officers" above.

**DL Worrall** — ACSM, MAusIMM

Dave has 24 years experience and is an Associate of the Camborne School of Mines in Cornwall, England. He joined Anglo

American Corporation in 1981 as a senior mine planning engineer in the technical director's office and AngloGold in 1999 as

manager surface mining in the corporate office, the position he currently holds.

163

**J van Zyl Visser** — BSc (Mineral Resource Management), PLATO

Jurgens has 18 years experience and holds a Bachelor of Science degree in Mineral Resource Management from the University of the Witwatersrand. He started his career with Anglo American Corporation in 1975 as a surveyor at President

Steyn Mine (now Bambanani mine). He joined AngloGold in 1998 as a divisional valuator and in 1999 was appointed as

manager survey and planning – South Africa region.

The competent persons consent to the inclusion of the exploration and ore reserves information in this report, in the form and

context in which it appears.

## **6B. Compensation**

### **Remuneration report**

#### **Policy**

The Remuneration Committee determines and monitors executive remuneration for the company. This it does through adherence to the company's Executive Remuneration Policy, which is to:

- attract, reward and retain executives of the highest caliber;
- align the behavior and performance of executives with the company's strategic goals, in the overall interests of shareholders;
- ensure the appropriate mix of short, medium and long-term rewards and incentives, with the latter being closely linked to structured company performance targets and strategic objectives; and
- ensure that regional management is competitively rewarded within a global remuneration policy, which recognizes both local and global markets.

This policy and its application is reviewed at least annually by the Remuneration Committee. See "Item 6C.: Board practices –

Remuneration Committee".

#### **Compensation of executive directors**

In particular the Remuneration Committee is responsible for:

- the remuneration packages for executive directors of the company including, but not limited to, basic salary, performance-based short and long-term incentives, pensions, and other benefits; and
- the design and operation of the company's executive share option and other incentive schemes.

The following principles are applied in determining executive remuneration:

1. Annual remuneration should be a combination of base pay and short, medium and long-term incentives, with salary comprising not more than 50 percent of annual remuneration.
2. Salary should be set at the median for the relevant markets.
3. All incentive plans should align performance targets with shareholder interests.

Executive director remuneration currently comprises the following elements:

1.

**Basic salary**, which is subject to annual review by the Remuneration Committee and is set at the median of salaries in similar companies in the relevant markets both in South Africa and globally. The individual salaries of executive directors

are reviewed annually in light of their own performance, experience, responsibility and company performance.

2.

**Annual bonus**, which is determined by the achievement of a set of stretching company and individual performance targets. The company targets include earnings per share, cost control and global production. The weighting of the respective contribution of company and individual targets is 70 percent for company and 30 percent for individual.

Failure

to achieve safety improvement targets results in the reduction of bonuses for executive directors.

164

3.

**Share incentive scheme and incentive plans**, allows for an annual grant of AngloGold Ashanti share options and/or ordinary shares based on the achievement of predetermined performance targets similar to those used for the annual bonus. Options and/or shares granted are subject to the achievement of a performance condition or fulfillment of suspensive conditions set by the Remuneration Committee and is subject to a maximum equivalent to between 100 percent and 200 percent of annual salary for any executive director, depending on the level of seniority. See “Item 6E.: Share ownership” for more information on the Share Incentive Scheme.

4.

**Pensions**: All executive directors are members of the AngloGold Ashanti Pension Fund, a defined benefit fund which guarantees a pension on retirement equivalent to 2 percent of final salary per year of service. Death and disability cover

reflects best practice among comparable employers in South Africa.

5.

**Other benefits**: Executive directors are members of Discovery Health, which covers the director and his immediate family.

All executive directors hold service contracts that are reviewed and renewed annually. None of the service contracts have

conditions which, on termination, provide for salary or benefit payments, whether in cash or in kind, in excess of one year.

Following additional research conducted by Deloitte & Touche on behalf of AngloGold Ashanti, the committee recommended

the discontinuation of the current share incentive scheme and the introduction of a bonus share plan (BSP) with effect from

2005. The options which have been granted under the scheme will remain subject to the conditions under which they were

granted. An investigation was also conducted into the introduction of a long-term incentive plan (LTIP). The Remuneration

Committee recommended the introduction of a BSP and LTIP, subject to shareholder approval at the annual general meeting

held on April 29, 2005. The main reason for these proposed changes to executive incentive plans is that the current option

scheme does not provide sufficient linkage between the interests of shareholders and the efforts of executives or managers.

There is also little correlation between the efforts of executives and the success of the option scheme.

At the annual general meeting held on April 29, 2005, shareholders approved the introduction of the BSP and LTIP and the

discontinuation of the current share incentive scheme. Options which have been granted under the current share incentive

scheme will remain subject to the conditions under which they were originally granted. Grants under BSP and LTIP will be

made in 2005.

**Bonus share plan**

The BSP seeks to encourage executives to build and maintain meaningful shareholdings in the company and it is intended that

awards will be made to executive directors, executive officers and other management groups. Participants in the BSP will

receive an annual bonus, part of which is paid in cash and part in shares, subject to the performance targets of the company

being achieved. The share element vests after three years, providing the participant is still in the company’s employment at

that time. This will provide senior employees with a real stake in the company, unlike share options, where vesting is dependent on factors outside of their control. The vesting period of three years should also act as an incentive for employees to stay with the company.

**Long-term incentive plan**

Awards in respect of the LTIP will be made to the most senior executives and managers in the company. The scheme will reward participants through the granting of shares for the achievement of stretched performance targets over a three-year period. These targets will be based on the performance of earnings per share (EPS) and relative total shareholder return (TSR), whereby the company will need to outperform its gold company peers consistently. Additionally, strategic business objectives as set by the Remuneration Committee, such as the successful integration of Ashanti into AngloGold, will have to be met.

**Executive directors' service contracts:** Service contracts of executive directors are reviewed annually. The contractual notice period in respect of Mr R M Godsell, as chief executive officer, is 12 months, and for the other four executive directors, six months. The contracts also deal with compensation if employment is terminated or in the event of a material change in role, responsibilities or remuneration occurs. Compensation in these circumstances is pegged at twice the notice period.

165

**Compensation of executive management**

AngloGold Ashanti's executive management comprises its executive directors and executive officers. Under the Listings

Requirements of the JSE, AngloGold Ashanti is required to disclose compensation paid to its executive directors on an individual basis while compensation paid to its executive officers is disclosed in aggregate.

The following table presents the compensation paid by AngloGold Ashanti to executive management during 2004 and 2003.

Executive directors have elected not to receive payment of directors' fees, committee fees and travel allowances.

**All figures in \$000**

(1)

**Salary**

**Performance**

**related**

**payments**

(2)

**Pension**

**scheme**

**contri-**

**butions**

**Other**

**benefits**

(3)

**Sub-total**

**Pre-tax gain**

**on share**

**options**

**exercised**

**Total**

***Executive directors' compensation - 2004***

R M Godsell

(chief executive officer)

876

311

128

25

1,340

-

1,340

J G Best

463

273

68

26

830

-

830

D L Hodgson

463

149

68	
7	
687	
-	
687	
S E Jonah	
(effective May 2004)	
461	
143	
-	
49	
653	
-	
653	
K H Williams	
480	
130	
71	
16	
697	
1,115	
1,812	
<b>Total</b>	<b>2,743</b>
<b>1,006</b>	
<b>335</b>	
<b>123</b>	
<b>4,207</b>	
<b>1,115</b>	
<b>5,322</b>	
<i>Executive officers' compensation - 2004</i>	
Representing 13 executive officers	
(4)	
<b>2,506</b>	<b>863</b>
<b>325</b>	
<b>214</b>	
<b>3,908</b>	<b>338</b>
<b>4,246</b>	
<i>Executive directors' compensation - 2003</i>	
R M Godsell	
(chief executive officer)	
713	217
91	
16	
1,037	
-	
1,037	
J G Best	
379	
98	
48	



7		
532		
653		
1,188		
D L Hodgson		
379		
98		
48		
8		
533		
244		
777		
K H Williams		
394		
102		
50		
14		
560		
39		
599		
<b>Total</b>	<b>1,865</b>	
<b>515</b>		
<b>237</b>		
<b>45</b>		
<b>2,622</b>		
<b>936</b>		
<b>3,598</b>		
<b>Executive officers' compensation - 2003</b>		
Representing 7 executive officers	<b>1,274</b>	<b>389</b>
<b>123</b>		
<b>117</b>		
<b>1,903</b>	<b>838</b>	
<b>2,741</b>		

NB: Rounding may result in computational differences

(1)

*Directors' compensation is paid principally in South African rands. However, for the purpose of this annual report, the rand values have been converted to US dollars using the following year-to-date average rate of exchange: 2004: \$1 = R6.4368 and 2003: \$1 = R7.5516.*

(2)

*In order to more accurately disclose remuneration received/receivable by executive directors, the tables above include the performance related payments calculated on the year's financial results. The 2003 comparative figures have been restated accordingly.*

(3)

*Includes health care, leave encashment, reimbursement of travel expenses and relocation expenses.*

(4)

*Of the 13 executive officers, 5 were promoted effective May 1, 2004; 2 were employed effective July 1, 2004; and 1 was promoted effective December 1, 2004 – emoluments have only been disclosed from the various effective dates, except for performance related payments to be made in 2005 pertaining to 2004 results, which reflect total amount.*

#### **Compensation of non-executive directors**

Non-executive directors receive no compensation from AngloGold Ashanti other than their fees which are determined by

shareholders in general meeting. At the annual general meeting of shareholders held on April 29, 2004, shareholders approved an increase in directors' fees with effect from May 1, 2004 as follows:

- Chairman  
-\$130,000  
(to April 30, 2004: R200,000) per annum;
- Deputy chairman  
-\$300,000  
(to April 30, 2004: R150,000) per annum;
- South African resident directors  
-\$110,000  
(to April 30, 2004: R100,000) per annum;
- Non-resident directors  
-\$16,000  
(to April 30, 2004: R100,000) per annum.

166

In addition, payment of a travel allowance of \$4,000 (to April 30, 2004: \$2,000) per meeting is made to non-executive directors

who travel internationally to attend board meetings. The company is also liable for the payment of all travel costs. No benefits in kind were granted to the non-executive directors during 2004 and 2003.

There are no contracts of service between the non-executive directors and the company or any of its subsidiaries. All directors

are subject to retirement by rotation and re-election by shareholders at least once every three years.

The following table presents the compensation paid by AngloGold Ashanti to each non-executive director during 2004 and

2003.

**2004**

**2003**

**All figures in \$000**

**(1)**

**Directors'**

**fees**

**Committee**

**fees**

**Travel**

**allowance**

**Total**

**Directors'**

**fees**

**Committee**

**fees**

**Travel**

**allowance**

**Total**

R P Edey

(chairman)

94

23

12

128

26

17

6

49

Dr T J Motlatsi

(deputy chairman)

39 19 -

58

20

15 2

37

F B Arisman

15

19

8

43

13

10

6  
29  
Mrs E le R Bradley  
17  
21  
-  
38  
13  
15  
2  
30  
C B Brayshaw  
(2)  
17  
18  
-  
34  
13  
9  
2  
24  
Dr V K-K Fung  
(3)  
-  
-  
-  
-  
4  
2  
-  
6  
A W Lea  
16  
6  
2  
23  
13  
4  
-  
17  
W A Nairn  
17  
19  
-  
36  
13  
15  
-  
28  
N F Oppenheimer  
(4)



<b>99</b>
<b>18</b>
<b>271</b>
<b>Alternates</b>
D D Barber
-
-
-
-
-
-
2
2
A H Calver
-
-
-
-
-
-
-
P G Whitcutt
-
-
-
-
-
2
-
2
<b>Total</b>
-
<b>2 2</b>
<b>4</b>
<b>Grand total</b>
<b>263</b>
<b>145</b>
<b>26</b>
<b>432</b>
<b>154</b>
<b>101</b>
<b>20</b>
<b>275</b>

NB: Rounding may result in computational differences

(1)

*Non-executive directors' compensation is paid principally in South African rands. For the purpose of this annual report, the rand values have been converted to US dollars using the following year-to-date average rate of exchange: 2004: \$1 = R6.4368 and 2003 \$1 = R7.5516.*

(2)

*In addition, Mr Brayshaw was paid a fee of \$2,330 (R15,000) (2003: \$1,986 – R15,000) by AGRe Insurance Company Limited, a wholly-owned subsidiary as chairman of its audit committee.*

(3)

*Resigned as a director with effect from April 30, 2003.*

(4)

*Resigned as a director with effect from April 29, 2004.*

(5)

*Appointed as a director with effect from April 30, 2004.*

## **6C. Board**

### **practices**

#### **The board of directors**

AngloGold Ashanti is a controlled company with its parent company, Anglo American plc, holding more than 50 percent of the company's issued share capital and is therefore not subject to the director independence requirements of the New York Stock Exchange (NYSE). The board comprises a unitary board structure of 15 directors who assume complete responsibility for the activities of the company, including the total risk management framework of the company. The board has a written charter that governs its powers, functions and responsibilities. The board contains the mix of skills, experience and knowledge required of a multinational gold company.

167

Directors' retirement follows a staggered process with one-third of the directors retiring every three years at the annual general meeting (AGM). A curriculum vitae of those directors standing for re-election is placed before shareholders at the AGM to help inform the process of re-election. The board is empowered by the company's articles of association to appoint new directors provided such appointees retire at the next AGM and stand for election by shareholders. A Nominations Committee has been established as a sub-committee of the board to help identify suitable candidates for appointment to the board. At the annual general meeting held on April 29, 2004 Mr Ogilvie Thompson and Mr Oppenheimer both retired and were replaced by Mr Zim and Mr Thompson. The board also appointed Dr Jonah KBE as an additional member of the board and president of AngloGold Ashanti effective as from May 1, 2004. All new members were reviewed by the Nominations Committee prior to their appointment as directors. The executive directors are appointed by the board to oversee the day-to-day running of the company through effective supervision of management. Executive directors are held accountable by regular reporting to the board and their performance is measured against pre-determined criteria as well as the performance of their respective business units. Only executive directors have contracts of employment with the company. There are no contracts of service between the directors and the company, or any of its subsidiaries that are terminable at periods of notice exceeding one year and requiring the payment of compensation. See "Item 6B.; Compensation – Executive Directors' Service Contracts". Non-executive directors do not hold service contracts with the company. Non-executive directors provide the board with invaluable and balanced advice and experience that is independent of management and the executive. The presence of five independent directors on the board, and the critical role they play through representation on key committees such as the Audit and Corporate Governance, Nominations, Political Donations and Remuneration committees, together with their caliber, experience and standing within the company, ensures that the company's interests are served by impartial views that are separate of management and shareholders. In terms of board policy, a director will qualify as being independent provided AngloGold Ashanti has not, over the preceding year, done business in excess of \$10 million or 5 percent of the company's treasury business with the employer of that director. Furthermore, in compliance with JSE Listings Requirements an independent director must not be a representative of a shareholder who has the ability to control or materially influence management and/or the board; not have been employed by the company or be the spouse of a person employed by the company in an executive role in the past three years; not been an advisor to the company other than in the capacity as a director of the company; not be a material supplier, customer or have a material contractual relationship with the company; and be free of any relationship that could be seen to materially interfere with the independence of that person. All five independent directors complied with these requirements in 2004 and the board determined that such directors have no material relationship with AngloGold Ashanti.



The board, its sub-committees and the directors, all completed an evaluation process to review their effectiveness. The chairman of each committee and the chairman of the board led the process of evaluation of the committees and the board. The

company secretary played a critical role in this process. The evaluation of each non-executive director's performance was led

by the board chairman, while the assessment of the board chairman's performance was led by the deputy chairman of the

board. The evaluation of the performance of executive directors is performed by the Remuneration Committee. For full details,

see Remuneration Committee below.

A managing secretary and company secretary have been appointed to assist the board in its deliberations, informing members

of their legal duties and ensuring, together with the executive directors and senior management, that its resolutions are carried

out. Together with the investor relations department, the company secretarial function also provides a direct communications

link with investors and liaises with the company's share registrars on all issues affecting shareholders. The company secretarial function, in consultation with other departments, furthermore, provides mandatory information required by various

regulatory bodies and stock exchanges on which the company is listed. The managing secretary and company secretary are

responsible for compliance with all the statutory requirements in regard to the administration of the Share Incentive Scheme.

The managing secretary and company secretary ensure that minutes of all shareholders', board and board committees' meetings are properly recorded in accordance with the South African Companies Act of 1973. The company secretarial

function also plays a crucial role in the induction of new directors.

All members of the board have access to management and the records of the company, as well as to external professional

advisors should the need arise.

168

The board meets at least on a quarterly basis to discuss and review issues of strategy, planning, operational and financial performance, acquisitions and disposals, major capital expenditure, stakeholder communications and other material issues

reserved for its decision. Further meetings are held as and when required. Six board meetings took place during the course of

2004. All directors attended four of the board meetings. The non-executive directors met in January 2005 in the absence of

executive directors and management.

AngloGold Ashanti does not permit directors and key employees (that is, employees having access to price sensitive information) to trade in company shares during closed periods. Directors and key employees are required to follow a formal

process before trading in the company's shares. Closed periods are in effect prior to the publication of the quarterly, half-yearly

and year-end results. Where appropriate, a closed period is also effective during periods where major transactions are being

negotiated and a public announcement is imminent.

The articles of association of AngloGold Ashanti provide for the following:

- AngloGold Ashanti may in a general meeting elect any person to be a director to fill a casual vacancy;
- The directors have the power to appoint any person as a director, either to fill a casual vacancy or as an addition to the board. The articles of association contain no provision for a maximum number of directors;
- The articles of association contain no provision for directors to hold qualification shares;
- The directors are entitled to remuneration as determined by AngloGold Ashanti, by ordinary resolution in a general meeting;

and

- The directors may, from time to time, borrow or raise sums of money for the purposes of AngloGold Ashanti.

#### **Board sub-committees**

To facilitate the activities and deliberations of the board, the board has established a number of sub-committees, comprising

members of the board, with written terms of reference governing the powers, functions and activities of each sub-committee. A

description of each sub-committee is provided below.

Members of the board committees have access to management and the records of the company, as well as to external professional advisors should the need arise.

#### ***The Audit and Corporate Governance Committee***

The Audit and Corporate Governance Committee, inclusive of its chairman, comprises four independent non-executive

directors as recommended by the JSE Listings Requirements and the Sarbanes-Oxley Act.

As required by the Sarbanes-Oxley Act, the board has resolved that Mr Brayshaw is a financial expert. All members of the

committee have considerable financial knowledge and experience to help oversee and guide the board and the company in

respect of the audit and corporate governance disciplines. The board considers it unnecessary for the chief executive officer to

attend meetings of the committee, but should rather attend by invitation from the chairman of the committee. The board has,

further, considered that the board chairman possesses invaluable experience and knowledge warranting his membership of the

committee.

The committee and the Executive Committee consider it unnecessary for the group internal audit manager to report administratively to the chief executive officer, and that she should rather report administratively to the finance director and functionally to the committee. The group internal audit manager has unrestricted access to the chief executive, the board chairman and the chairman of the committee, and is invited to attend and report on her department's activities at all committee meetings. The board is confident that the unfettered access of the group internal audit manager to key board members, and the direct and regular reporting to the committee, together with her caliber, experience and integrity, enables her to discharge her duties as required by law and in fulfillment of her obligations to the company. The function, duties and powers of the internal audit function, for which the group internal audit manager is responsible, are governed by a formal internal audit charter that has been approved by the committee. The committee meets regularly with the external audit partner, the group's internal audit manager and the executive officer: corporate accounting, to review the audit plans of the internal and external auditors, to ascertain the extent to which the scope of the audit can be relied upon to detect weaknesses in internal controls and to review the quarterly and half-yearly financial results, significant legal matters affecting the company, the preliminary announcement of the annual results and the annual financial statements, as well as all statutory submissions of a financial nature, prior to approval by the board.





169

The committee is furthermore, responsible for:

the appointment and dismissal of the external auditors; determining and approving external auditors' fees; overseeing the work of the external auditors; determining all non-audit work of the external auditors including consulting work, and pre-approving non-audit fees to be paid to the external auditors; and ensuring that the external auditors report regularly to the committee;

overseeing the internal audit function; receiving regular report back from the group internal audit manager; appointment and dismissal of the group internal audit manager;

assessing and reviewing the company's risk management framework; and

monitoring the group's corporate governance practices in relation to regulatory requirements and guidelines. The external auditors also meet with the committee members in the absence of management and the chief executive officer and chief financial officer.

Members of the committee are:

Colin Brayshaw (chairman);

Frank Arisman;

Elisabeth Bradley; and

Russell Edey.

The committee which met on seven occasions during 2004 was attended by all members except Mrs Bradley and Mr Edey who were each unable to attend one meeting of the committee.

The NYSE rules require that the board determine whether a member of the committee's simultaneous service on more than

three public companies' audit committees impairs the ability of such a member to effectively serve on a listed company's audit

committee. Mr Brayshaw, the chairman of the committee, is a member of nine other public companies' audit committees and is

chairman of seven of them. Mrs Bradley is a member of four other public companies' audit committees and is the chairman of

one of them. Mr Brayshaw is a retired managing partner and chairman of Deloitte & Touche, while Mrs Bradley, who is semi-

retired, has considerable financial and accounting experience. The board is confident that the experience, caliber and integrity

of both Mr Brayshaw and Mrs Bradley, together with their regular attendance and active contribution at meetings of the

committee, demonstrate their commitment to the company's affairs and particularly to the deliberations of the committee.

***The Executive Committee***

The committee is responsible for overseeing the day-to-day management of the company's affairs and for executing the

decisions of the board. See “Item 6A.: Directors and senior management – Executive committee”. The Operations Committee, responsible for overseeing the operational performance of the company, is a subcommittee of the Executive Committee – see Other committees below.

***The Investment Committee***

The committee is responsible for overseeing and reviewing strategic investments of the company. Mr Thompson and Dr Jonah were appointed as additional members of the committee with effect from August 1 and July 26, 2004, respectively. Members of the committee are:

Russell Edey (chairman);

Jonathan Best;

Elisabeth Bradley;

Sam Jonah;

Tony Lea;

Bill Nairn;

Simon Thompson; and

Kelvin Williams.

The committee met on two occasions during 2004. All members, or their designated alternates, attended each meeting of the committee except Mr Best and Mr Williams who were unable to attend one meeting each.

170

***The Market Development Committee***

The committee has been established to extend the influence of AngloGold Ashanti as a major global gold company in the development of a broader gold business, both nationally and internationally.

Members of the committee are:

Elisabeth Bradley (chairman);

Frank Arisman;

Bobby Godsell;

Sam Jonah;

James Motlatsi;

Kelvin Williams; and

Lazarus Zim.

Dr Jonah and Mr Zim were both appointed as additional members to the committee with effect from August 1, 2004.

The committee met on four occasions during 2004. All members attended the meetings of the committee except Dr Motlatsi who was unable to attend one meeting of the committee.

***The Nominations Committee***

The appointment of directors is a matter for the board as a whole but the committee is responsible for determining and recommending suitable candidates to the board. The fit and proper standards policy for directors guides this process.

The committee is also responsible for establishing and reviewing succession plans for members of the board, and particularly that of the chief executive officer and board chairman.

Members of the committee are:

Russell Edey (chairman);

Frank Arisman;

Elisabeth Bradley;

Colin Brayshaw;

James Motlatsi; and

Tony Trahar.

The committee met on two occasions during 2004. Mr Trahar and Mr Brayshaw were each unable to attend one meeting of the committee.

***The Political Donations Committee***

The Political Donations Committee comprises three independent non-executive directors and is chaired by the deputy chairman of the board. The committee determines the company's contribution to the funding of political parties in



South Africa

in accordance with a formal policy adopted by the board on April 29, 2003 that sets the guiding principles for funding. Members of the committee are:

James Motlatsi (chairman);

Elisabeth Bradley; and

Colin Brayshaw.

The committee did not meet in 2004, as a decision on funding for both 2003 and 2004 was made in December 2003.

***The Remuneration Committee***

The Remuneration Committee is responsible for evaluating the performance of the executive directors and executive officers,

and setting appropriate remuneration for such officers of the company.

The performances of the executive directors are considered relative to the prevailing business climate, market conditions as

well as annual evaluations to assess the level of achievement of key predetermined objectives. Bonuses paid to executive

directors are a reflection of the performance of each of the directors and the company as a whole. Executive directors have

elected to receive no remuneration as directors of the company. The fees of non-executive directors are fixed by shareholders

at the annual general meeting, and other than the fees they receive for their participation on board committees and an allowance for traveling internationally to attend board meetings, non-executive directors receive no further payments

from the company.

171

At the commencement of 2004, the following non-executive directors were members of the committee:

Russell Edey (chairman);

Colin Brayshaw;

Nicky Oppenheimer;

Julian Ogilvie Thompson; and

Tony Trahar.

Messrs Oppenheimer and Ogilvie Thompson retired from the board of AngloGold Ashanti on April 29, 2004 and from all board committees.

Five meetings of the Remuneration Committee were held in 2004, all of which were attended by Messrs Edey, Brayshaw and

Trahar. Mr Oppenheimer attended 2 of the 3 meetings held prior to his retirement from the committee, while Mr Ogilvie

Thompson attended all three meetings held prior to his retirement from the committee.

All meetings of the committee are attended by the chief executive officer and executive officer: human resources, except when

their own remuneration or benefits are being discussed. The services of Deloitte & Touche are retained to act as independent,

expert advisors on executive remuneration.

***The Safety, Health and Sustainable Development Committee***

This committee is tasked with overseeing the company's performance in respect of safety, health and sustainable development, and for establishing targets in relation to each of these areas. Mr Thompson and Dr Jonah were appointed as

additional members of the committee with effect from August 1, 2004.

Members of the committee are:

Bill Nairn (chairman);

Bobby Godsell;

Sam Jonah;

James Motlatsi; and

Simon Thompson.

The committee met on four occasions during 2004. All members of the committee attended the meetings except for Mr Godsell

who was unable to attend one meeting of the committee while Dr Motlatsi was unable to attend two meetings of the committee.

***Employment Equity and Development Committee***

The committee is responsible for overseeing the company's performance in respect of employment equity by taking into

account the legal requirements of applicable legislation and monitoring targets set by the company. The committee is also

responsible for skills development of employees in a manner that seeks to retain and develop talent, and to provide

employees

with the opportunity to enhance their skills and knowledge. Mr Zim was appointed as an additional member of the committee

with effect from August 1, 2004.

Members of the committee are:

James Motlatsi (chairman);

Frank Arisman;

Bobby Godsell;

Dave Hodgson;

Bill Nairn; and

Lazarus Zim.

The committee met on four occasions during 2004. The meetings were attended by all members of the committee except

Mr Godsell, Mr Nairn and Mr Zim who were each unable to attend one meeting of the committee.

**Other committees**

In addition to the committees of the board mentioned above, the Executive Committee has established a number of standing

committees to oversee the day-to-day management of the company's affairs.

172

***Operations sub-committee***

The objective of this sub-committee is to oversee and monitor the performance of AngloGold Ashanti's operational activities, implement the strategic objectives of the company and to report to the Executive Committee on important areas of concern.

Members of the sub-committee are appointed by the Executive Committee and include the executive officers responsible for the various regional operations, together with the Executive Officers as detailed above and any senior managers of the company as determined by the executive committee. The sub-committee meets under the chairmanship of the chief operating officer on a regular basis.

***Finance committee***

This committee, which meets on a regular basis, is chaired by the chief financial officer and comprises a number of executive officers and senior management in the financial and legal fields. It is tasked with monitoring all financial, legal and administrative aspects of the company's affairs. The company secretary attends meetings of the committee.

***Treasury committee***

The committee is chaired by an independent director, Mr Brayshaw, and comprises executive officers and senior management in the financial and marketing disciplines. It is responsible for reviewing and evaluating market conditions, treasury operations and future hedging strategies.

***Risk management and internal controls***

The board has ultimate responsibility for the total risk management process within the group. The board reviews and approves

the risk strategy and policies that are formulated by the executive directors and senior management. Management is accountable to the board and has established a group-wide system of internal control to manage significant group risk. This

system assists the board in discharging its responsibility for ensuring that the wide range of risks associated with the group's global operations are effectively managed in support of the creation and preservation of shareholder wealth. The risk management policies are communicated to all relevant employees.

A full review of the risk, control and disclosure processes is undertaken annually to ensure that all additional requirements are incorporated into the system in the future. The systems are in place and the focus is on ensuring that the requirements of the

King Code and the Sarbanes-Oxley Act are complied with timeously. In conducting its annual review of the effectiveness of risk

management, the board considers the key findings from the ongoing monitoring and reporting process, management assertions and independent assurance reports. The board also takes account of material changes and trends in the risk profile,

and considers whether the control system, including reporting, adequately supports the board in achieving its risk management

objectives. The board furthermore, receives assurance from the Audit and Corporate Governance Committee, which derives its

information, in part, from regular internal and external audit reports on risk and internal control throughout the group.

The company has a sound system of internal control, based on the group's policies and guidelines, in all material subsidiaries

and joint ventures under its control. In respect of those entities in which AngloGold Ashanti does not have a controlling interest,

the directors who represent AngloGold Ashanti on the boards of these entities seek assurance that significant risks are being managed. The board is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks and internal controls faced by the group and if any weaknesses are identified, these are promptly addressed. The company's chief executive and chief financial officers are both required, in terms of the Sarbanes-Oxley Act, to certify on Form 20-F that its financial statements present a true and fair view, in all material respects, of the company's financial position, cash flows and operational results, in accordance with relevant accounting standards. The certificates further provide that both officers are responsible for establishing and maintaining disclosure and internal controls and procedures for financial reporting. The certification process is pre-approved by the board of directors prior to filing of the Form 20-F with the SEC. The following policies pertaining to directors and senior management are available on the company's website: [www.AngloGoldAshanti.com](http://www.AngloGoldAshanti.com) under About -> Corporate Governance -> Guidelines:

Board charter;

Policy on political donations;

Directors' induction policy;

Fit and proper standards for directors and company secretaries policy;

Professional advice for directors policy;

Insider trading policy;

Code of ethics;

Code of ethics for the chief executive officer, principal financial officer and senior financial officers;

Confidential reporting policy; and

Disclosures policy.

173

**6D. Employees**

AngloGold Ashanti is a significant employer in the global mining industry and is committed to upholding the Fundamental

Rights Conventions of the International Labor Organization. Accordingly, the company seeks to ensure the implementation of

fair employment practices group-wide.

Following the Business Combination between AngloGold and Ashanti on April 26, 2004, 65,400 people worked at AngloGold

Ashanti (calculated on a monthly average basis post the Business Combination) in 2004. This figure comprises 50,737 employees and 14,663 contractors. As at December 31, 2003, this number was 55,439. The average number attributable

employees in the AngloGold Ashanti group over the last 3 financial years was:

<b>2002</b>	<b>2003</b>	<b>2004</b>
South Africa		
47,602	48,078	45,200
Argentina		
413	690	791
Australia		
599	540	455
Brazil		
2,243	2,666	2,686
Ghana		
-	-	-
8,855		
Guinea		
-	-	-
2,335		
Mali		
1,071	1,297	1,413
Namibia		
344	387	251
Tanzania		
861	1,040	2,258
USA		
909	741	411
Zimbabwe		
-	-	-
745		
<b>Total</b>		
<b>54,042</b>	<b>55,439</b>	<b>65,400</b>

South African employee numbers includes corporate office and health services employees.

For details of employees, including outside contractors, by geographical region, see "Item 4B.: Business overview – Products, operations and geographic locations".

**Employees and other stakeholder engagement**

The company has in place a variety of strategies and structures that are designed to promote constructive engagement with

employees and other stakeholders. These strategies and structures are further developed and adapted from time to time to

meet variations in legislation, operational requirements and to accommodate changing circumstances. Management

and employee representatives meet in formal and informal forums at company and operational levels to share information and to address matters of mutual interest.

**Unions and collective bargaining**

It is the aim of AngloGold Ashanti, to have constructive relations with representative and recognized unions and associations and industry forums representing employees. Management/Union relationships are governed by negotiated agreements in respect of most of the group's workforce, with 83.5 percent of the global workforce represented by recognized trade unions or catered for through collective bargaining processes.

**South African operations**

The South African gold mining industry continues to remain labor intensive, with 92.7 percent of all employees either represented by unions or catered for by the agency shop agreement – an agency shop agreement exists across the lower level bargaining unit within the company. The Labor Relations Act entrenches the rights of employees to belong to trade unions and the rights of trade unions to have access to the workplace. It also guarantees the right to strike and the right to participate in secondary strikes in certain prescribed circumstances. The right to picket has also been recognized. This Act recognizes the right of employees to participate in the decision-making of companies by providing for the compulsory establishment of workplace forums to represent the interests of employees where a company employs more than 100 employees. The range of issues on which the workplace forum must be consulted includes restructuring of the workplace, partial or total plant closures, mergers and transfers of ownership, insofar as these affect employees, and terminations. The effect of the promulgation of amendments to specific labor laws in 2002 is predominantly visible in the requirement for a more consultative retrenchment process as well as the broadening of the definition of an “employee” under the legislation. In addition to compliance with a spectrum of labor legislation, further compliance is necessary with the newly released Mining Charter.

174

The implementation of the Labor Relations Act's provisions have not had, and management believes will continue not to have,

a material adverse effect on AngloGold Ashanti's cost of labor and consequently on its results and financial condition, although

there can be no assurance of this. See "Item 3D.: Risk factors – Labor disruptions could have an adverse effect on operating

results and financial condition". With the highly regulated South African market, the costs of employment are substantial and

labor costs at AngloGold Ashanti's South African operations constituted approximately half of South African production costs in

2004.

The four unions that are recognized are the National Union of Mineworkers (NUM), the United Associations of South Africa

(UASA), Mineworkers Solidarity and the South African Equity Workers' Association (SAEWA), representing respectively

72.2 percent, 11 percent, 2.6 percent and 0.8 percent of employees in the region.

Two significant agreements were entered into with the National Union of Mineworkers during the year:

on January 30, 2004, a Procedural Agreement relating to the Vaal River operations was concluded. The agreement, which will serve as a guide for the interaction between management and the union, was concluded after a process of negotiation, and replaces the Vaal River Record of Understanding (the previous Recognition Agreement) which was concluded on July 3, 1998. A recognition agreement is the highest form of agreement between the union and management at an operational level;

also on January 30, 2004, agreement was reached on the Constitution of the Board of Governors of the Vaal River Operations' Residences, which allows residents to participate in the decision-making at the residences.

The 2003/2004 wage agreements, concluded in 2003 for a two-year period, remained in place during the year. These resulted

in:

the second year's increase of 7 percent in terms of the 2003/2004 Wage Agreement for Category 3 to 8 employees with NUM being effective on July 1, 2004. Annual leave also increased from 29 to 30 days, and the company's contributions to

the Mineworkers' Provident Fund increased from 13.5 percent to 13.9 percent;

the second year's increase of 7 percent agreed with NUM, UASA and Solidarity as part of the 2003/2004 Wage Agreement for Miners and Artisans was effective from June 20, 2004; and

the 2003/2004 Wage Agreements for Officials entered into between management, NUM and UASA in terms of which the

parties agreed that, with effect from January 1, 2004, employees covered by these agreements received a 9 percent increase, of which 8 percent was guaranteed to all employees and 1 percent distributed based on individual performance

during 2003.

In addition, other agreements are in place which regulates any process of restructuring, namely, a retrenchment agreement

entered into with NUM and UASA, as well as a restructuring/redeployment agreement entered into with Solidarity, UASA and

SAEWA. A social plan framework agreement is currently being negotiated with the NUM.



In South Africa, the industrial relations climate can currently be described as constructive and stable, with no days lost due to strike action. During the year, disputes have been declared by NUM regarding grading issues pertaining to machine operators and the introduction of additional screening tests for new recruits. These disputes are being addressed through ongoing communication and facilitation.

AngloGold Ashanti, NUM and UASA signed a six month agreement on wages and conditions of employment for officials. The agreement, which was effective from January 1, 2005, provided for a 5 percent salary increment with an additional merit component of 0.5 percent based on individual performance. This agreement expired on June 30, 2005 and negotiations for officials are being dealt with at the Chamber of Mines level.

Employment equity and development: In October 2004, AngloGold Ashanti submitted its fourth annual employment equity report to the Department of Labor on progress made with the implementation of the company's employment equity plan in respect of its South African operations. The 2004 report indicates that continued progress has been made year-on-year. Notably AngloGold Health Services, which has in the past submitted its own report, has now been included in the 2004 figures in the table below, and will be reported as such from now on. The employment equity governance structures and monitoring processes have been entrenched at company and business unit levels. A Mining Charter Steering Committee has been established to lead and direct the overall process of compliance with the charter. An external audit on progress of equity issues was undertaken in 2004. The external employment equity audit noted substantial progress in terms of employment equity.

175

The audit report highlighted the following findings:

61% of the identified risk areas were satisfactorily resolved, the challenge is to ensure that these achievements are sustained particularly training and career development, talent retention and performance management; and

35% of the risk areas were in progress, these include performance management for lower levels, underground toilets for

women, mentoring and diversity awareness programs.

**Argentina**

In Argentina, at Cerro Vanguardia, employees are organized into self-managed groups, with no threat of industrial action

during 2004.

**Australia**

The Australian operations are not unionized and no industrial action took place during 2004. Management/worker communication is encouraged.

**Brazil**

At AngloGold Ashanti Mineração, programs are in place to provide employees with the opportunity to raise issues with

management on a regular basis. No industrial action was experienced during 2004.

**Ghana**

The Ghana Mineworkers' Union represents about 87 percent of the total labor force and all non-supervisory employees in this

region. In addition, a Mine Standing Negotiations Committee provides a consultative platform for management and branch

unions to discuss issues of common interest. The union is also represented on the divisional board of the Ashanti company.

No industrial action was experienced in Ghana during 2004, however employee concerns relating to the AngloGold Ashanti

Business Combination and, in particular, payouts to senior employees in terms of share options at that time, have surfaced and

are being dealt with.

**Guinea**

At Siguri, Union recognition, industry collective bargaining arrangements and/or employee represented works councils are in

place, with the entire workforce being represented.

**Mali**

At the Morila, Sadiola and Yatela mines, all employees are represented by the Mining Industry Union (SECNAMI), and

although there are no specific recognition agreements, regular participatory meetings take place. The mining industry is still

relatively new in Mali and the industrial relations movement is undergoing a natural growth process. The company is currently

contributing towards a commission that is rewriting and modernizing labor legislation, which is likely to assist in the management of labor relations and building relations with the unions in future. Safety representative committees and joint

health and safety structures exist to manage safety and health on the mines. Communication forums with local management

level employees are held on a monthly basis.

Although no industrial action was experienced at the Sadiola mine, the Morila mine experienced a three day strike in March 2004. This was as a result of a two-year dispute regarding the legal obligation of the company to pay a bonus

scheme

(prime de rendement). The dispute was resolved in November 2004. At Yatela, operations were impacted when the mining contractor, Moolman Brothers, experienced two strikes in 2004. The first strike lasted for three days (a sympathy strike with employees at Morila) and the other for seven days (as a result of a dispute relating to conditions of employment). Both disputes were resolved through negotiation.

**Namibia**

At the end of 2003, Navachab mine terminated its relationship with its mining contractor and transferred to owner mining. This entailed the employment of approximately 150 employees and the alignment of labor practices with local legislation. A recognition agreement is in place, signed with the Mineworkers Union of Namibia (MUN), and the union bargains with the company on behalf of all employees in the A2 to C1 Paterson bands. Approximately 75% of the workforce are members of MUN. A committee from MUN meets regularly with management and during 2004 no industrial action was experienced. In addition, safety representative committees and joint health and safety structures are in place.





176

**Tanzania**

At Geita, an access agreement and code of conduct has been entered into with the Tanzanian Mining and Construction Workers Union (TAMICO). To date, 22 percent of employees have joined the union; a formal recognition process will commence only once the union has sufficient representation. Monthly meetings are held between senior and junior staff

representative councils and the general manager. In addition, safety representative committees and joint health and safety

structures are in place and a monthly consultative meeting is held with all senior staff to discuss the mine's performance and

other operational issues. The mining contractor at Geita mine, DTP, experienced a seven day strike relating to union recognition. Whilst the majority of employees returned to work, 207 employees were dismissed by the contractor.

**USA**

In the USA, the workforce is not unionized. Communication with and participation by employees in management forums is

encouraged. No incidences of industrial action were experienced during 2004.

**Zimbabwe**

The Freda-Rebecca mine was sold with effect from September 1, 2004. At the time of sale, there were 745 people employed at the mine.

**6E. Share ownership**

**Share ownership of directors**

Directors held the following number of ordinary shares of the company at December 31, 2004 and 2003, which did not

individually or in the aggregate exceed 1 percent of the company's issued ordinary share capital:

**December 31, 2004**

**December 31, 2003**

**Beneficial**

**Beneficial**

**Beneficial**

**Beneficial**

**Direct**

**Indirect**

**Non-beneficial**

**(1)**

**Direct**

**Indirect**

**Non-beneficial**

**(1)**

**Executive directors**

J G Best

—

—

—

—

—

—

—

R M Godsell

460

—

—

460

—

—

D L Hodgson

—

430

—

—

430

—

Dr S E Jonah

6,297

—

—

—

—

—

K H Williams

—

920

—

—

920

—

**Total**

**6,757**

**1,350**

**460**

**460**

**1,350**

—

**Non-executive directors**

F B Arisman

—

2,000

—

—

2,000

—

Mrs E le R Bradley

—

23,423

26,027

—

23,423

33,027

C B Brayshaw

—

—

—

—  
—  
—  
R P Edey  
— 1,000  
—  
—  
1,000  
—  
A W Lea  
— —  
—  
—  
—  
—  
Dr T J Motlatsi  
— —  
—  
—  
—  
—  
W A Nairn  
— —  
—  
—  
—  
—  
J Ogilvie Thompson  
(2)  
— —  
—  
—  
—  
478  
N F Oppenheimer  
(2)  
— —  
—  
—  
—  
8,726  
S R Thompson  
— —  
—  
—  
—  
—  
A J Trahar  
— —  
—  
—



-	
-	
P L Zim	
-	-
-	
-	
-	
-	
<b>Total</b>	-
<b>26,423</b>	
<b>26,027</b>	
-	
<b>26,423</b>	
<b>42,231</b>	

177  
**December 31, 2004**  
**December 31, 2003**  
**Beneficial**  
**Beneficial**  
**Beneficial**  
**Beneficial**  
**Direct**  
**Indirect**  
**Non-**  
**beneficial**  
**(1)**  
**Direct**  
**Indirect**  
**Non-**  
**beneficial**  
**(1)**  
**Alternate directors**  
D D Barber  
–  
–  
–  
–  
–  
–  
A H Calver  
–  
46  
–  
–  
46  
–  
P G Whitcutt  
–  
–  
–  
–  
–  
–  
**Total –**  
**46**  
–  
–  
**46**  
–  
**Grand Total**  
**6,757**  
**27,819**  
**26,027**  
**460**  
**27,819**

**42,231**

(1)

*The director derives no personal benefit from the ordinary shares declared, for example by holding the ordinary shares in trust for another.*

(2)

*Resigned April 29, 2004.*

As of July 7, 2005, there has been no change in the directors' ownership of ordinary shares, set forth above.

**Share ownership of executive officers**

Under the Listings Requirements of the JSE, AngloGold Ashanti is not required to disclose, and it does not otherwise disclose

or ascertain, share ownership of individual executive officers in the share capital of AngloGold Ashanti. However, to the best of

its knowledge, AngloGold Ashanti believes that AngloGold Ashanti ordinary shares held by executive officers, in aggregate; do

not exceed 1 percent of the company's issued ordinary share capital. See "Item 6E.: Share ownership – Share ownership of

directors" for details of ordinary shares held by executive directors.

**AngloGold Limited Share Incentive Scheme, Bonus Share Plan and Long-Term Incentive Plan**

AngloGold Ashanti awards options and/or shares to its employees, the purpose of which is to provide an incentive to executive

directors, executive officers and managers to identi