



AngloGold Ashanti Limited

Annual General Meeting

29 April 2005

Chairman's Review

Ladies and Gentlemen,

The company's performance is very thoroughly set out in our Annual Report for 2004. I shall therefore briefly summarise some of the key issues and then spend some time giving you a sense of how the Board and management of AngloGold Ashanti view our operating environment, following which Bobby will speak about the company's operational response.

For us, a very pleasing feature of the year was our dramatic improvement in workplace safety in all of our regions – lost time injuries came down by 26% for the year and the rate of fatal accidents by 34%. These numbers are a tribute to hard work and dedication to a safe working environment on the part of our operating management and the work force.

The year ended 31 December 2004 was, for the most part, operationally sound (though the newly acquired Ashanti mines presented us with substantial challenges), but it was financially disappointing. Although gold production was higher than that of the previous year, largely as a result of the merger with Ashanti, and the received price of gold increased by \$31 per ounce, lower grades and higher costs pushed adjusted headline earnings 7% lower and, consequently, the dividend was reduced. Cost pressure came largely from the stronger operating currencies, rising oil price and mining contractor costs. Additionally, the consolidation of the AngloGold and Ashanti hedge books arising from the merger of the companies left the new company over-hedged in the short term and requiring a restructuring of the book which shareholders will be aware has now been completed. The positive consequences of this are evident in the results for the first quarter of this year, with a received price far closer to the spot price than we have seen for quite some time.

But perhaps the key features of the year were the completed merger of Ashanti Goldfields with AngloGold and the challenges presented to us by the under-performance of Obuasi. As we said in the months before the transaction came to finality, the merger made commercial sense for two particular reasons – the combination of Ashanti's mineral inventory with AngloGold's balance sheet and deep-level mining background and the impact of Ashanti's resource potential on the combined company's long-term value. An important result of the merger has been the 20.3 million ounce increase in the company's ore reserves.

We knew in advance of the deal that Obuasi had been starved of operating capital and we anticipated the consequences of this. In recent presentations to the market, we have described the plans which we have in place both to overcome Obuasi's production and cost problems and to better understand what we continue to think will prove to be a very substantial reserve in Obuasi Deeps. As we have described today in presenting our results for the first quarter of this year, there are signs that a turnaround is imminent.



I'd now like to spend a few minutes reflecting on what our immediate world looks like and how we expect it to be in the near future, as a prelude to Bobby saying something about how the company proposes to respond to these external forces. Let me start by saying that it is our view in AngloGold Ashanti that the macro circumstances of the gold markets are more encouraging than they have been at any time in the last 15 years.

While the last decade of the 20th century was characterised by the strength of the US dollar, the first decade of the new millennium looks very different. The dollar, at \$1.30 to the euro, is a long way from its heady peak at less than 90 cents; concerns about US trade and fiscal deficits are in the forefront of market analyses; and stock prices increasingly reflect future expected earnings rather than the IPO-driven value assumptions of the late nineties. And nowhere is this very different character more apparent than in the gold market.

The relatively small size of the gold market in comparison to equity markets is self-evident; what this means is that quite small changes in sentiment often lead to substantial changes in volume traded and the price. In the mid-1990s we saw the impact of negative sentiment arising from, for instance, the ill-considered proposition of the Bank of England to sell some of its gold reserves by an inappropriately publicised public auction. Today, we see a growing desire of existing holders to add to their gold exposure; and individuals, institutions, hedge funds and others who previously had no exposure to gold are entering this market.

In regard to central bank sales of gold, it would seem to us appropriate that, if the IMF is to proceed with any intentions it might have to dispose of any part of its gold reserves, to transact any sales off the market and so avoid negatively affecting gold markets with unintended consequences for gold producing developing economies.

One measure of the increased interest in gold is evident in the very positive response of the market to newly launched gold exchange traded funds, ETFs. This new investment instrument launched in separate products in Australia, the US, the UK and South Africa has given rise to the trade of some 230 tonnes of gold in recent months.

Equally indicative is the move to a consistently (and significantly) net long position on gold exchanges, particularly the New York COMEX. COMEX has been net long gold almost continuously now for four years, and the net long position during 2004 exceeded a level of 600 tonnes of gold positions for over two months of that year.

Equally encouraging signs of the health of the market are being received from physical demand for the metal. Quite plainly, the spot price of gold is set by investment demand. However, physical demand in general and jewellery demand in particular continues to provide the foundation for offtake and the price, and here we see clear evidence of encouraging trends.



Gold jewellery is most clearly a discretionary purchase and demand, particularly in eastern markets dominated by 22 and 24 carat consumption with strong associations with cultural tradition, has been very price sensitive. Therefore, it was to be expected that as gold prices rose so Asian jewellery demand would decline. There are indications, however, that reasonably healthy levels of Asian demand are returning, even at the currently high gold price level. And as Asian economies grow, the level of discretionary spending – on gold jewellery as much as cell phones and holidays, one might reasonably assume – will also grow.

This assumption, however, is not safe in the absence of adequate support because, while people around the world have historically displayed an affinity for gold that has been relatively constant, gold jewellery is nevertheless a product that must compete in the market place against all the other modern forms of discretionary spending. In the East as in Europe and the Americas, this means that gold jewellery design, manufacture and retail must be competitive. AngloGold Ashanti has long been engaged in exploratory activities in downstream jewellery. From what we have learnt we are convinced that this sector can be reinvigorated and, with the right partners, we're determined to do what we can to help bring this about.

Along with investment and physical demand, there is a third fundamental feature of gold markets which suggests good times for gold. The de-regulation of gold markets and the gold price which occurred during the 1970s led both to the re-opening of old mines, and a surge in gold prospecting. The improvement in metallurgical technology also made previously uneconomic ore bodies viable. Together these factors saw the production of newly mined gold rise from some 25 million ounces a year to some 75 million ounces over the 15-year period between 1985 and 2000. Whilst new discoveries of gold are inherently unpredictable, no commentators are suggesting that growth in new mine production can continue at this level. Indeed, a prudent view of future production trends would suggest mine production either remaining flat or declining modestly in the medium term, and certainly declining in the longer term as the world's major gold provinces reach maturity. This is good news for the gold price. It also poses a fundamental challenge for gold producers, and for AngloGold Ashanti it provides the challenge to grow our market share within the context of a diminishing market. This is a challenge which Bobby will address when he speaks about the exploration challenge, which he will do now.

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CEO's Review

Ladies and Gentlemen,

Given that this morning we released our operating and financial results for the first quarter of 2005, it would be inappropriate if I did not provide you with some brief comment on these before moving on to the bigger picture.

As Russell has said, last year saw a dramatic improvement in our workplace safety record everywhere. In this last quarter however we have not made further progress. I know our operating managements will not relent in their efforts to produce profitable gold safely. The Iduapriem's Mine in Ghana has operated for 20 months without a single lost time injury. The Cripple Creek and Victor Mine in the United States has gone for 18 months without such an injury. This is an indication of what can be done.

I'm pleased to report that the restructuring of the hedge book at the end of last year had the intended effect of improving the price we received for our product by \$28/oz (or 7%) to \$424/oz. This compares to an average spot price for the quarter of \$427/oz. After adjusting last quarter's production figures to accommodate the closure of Ergo, production is down 5% to 1.57 million ounces, while total cash costs increased 4% to \$284/oz, due to lower gold produced, stronger operating currencies and inflationary pressures in most operating regions.

Headline earnings, adjusted for the effect of unrealised non-hedge derivatives, were \$77m. To make a comparison with the previous period more useful, it's necessary to strip out the abnormal items from both, leaving a decrease from \$76m in the last quarter of 2004 to \$65m in the first quarter of this year.

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

In light of its prominence in our strategy going forward, some more detailed comment on Obuasi is appropriate here. After five quarters of decline, gold production from this operation increased by 2% to 92,000oz, with tonnage treated up 7% on the previous quarter. During April, underground grades at Obuasi have improved by 1g/t and management expects production to show progressive increases in each of this year's quarters.

As Russell has said, we are upbeat about the prospects for the market for our product and there seems every reason to believe that the dollar gold price will trade in a range of \$400 to \$500 for the foreseeable future and maybe even move higher. Our approach to the management of our hedge book is entirely consistent with this bullish view and, in addition to the recent restructuring to which I referred earlier, over the last three years AngloGold Ashanti has taken some 12 million ounces out of its hedge book. We will continue to deliver into forward sales contracts and look for opportunities to expand our exposure to the spot price.



Higher gold prices, however, do not automatically translate into better margins for at least two other important reasons. First, many of the very forces driving gold prices up are also driving mining costs up. Pre-eminent amongst these are the oil price and the cost of contract miners, with operators across the globe pressing for contract increases as high as 40%. We are also seeing quantum increases in the price of other fundamentals such as steel.

Secondly, in addition to these increasing input costs, the continuing weakness of the US dollar is seeing exchange-related margin pressures for AngloGold Ashanti, like other producers, in Australia, South Africa, Brazil, Argentina and other non-US dollar denominated operating environments.

Unless we can manage costs down, the positive future we forecast for the spot price will not translate into earnings. Last year, group cost savings initiatives reduced costs by \$50m, although strong operating currencies, increased energy costs and lower production levels continued to erode margins. AngloGold Ashanti management has budgeted for a further \$50m in cost savings in 2005. In light of the continuous cost pressure evident this quarter, additional cost cutting measures are being implemented to ensure that the company reaches its published cash cost target for the year of \$273/oz.

The major challenge for our operations is to achieve their production and grade targets. Mining operations have a high ratio of fixed to variable costs. The key to successful mining is to get the ounces. In this regard, plans to increase production from the Ashanti assets have this last quarter yielded results from four out of the five Ashanti mines.

A second challenge for our operations is to manage their costs down. Two initiatives particular are under way. The first is to address energy costs in those operations most exposed to the impost of oil prices. In Tanzania and Mali we are engaged in efforts to draw power from their national grids rather than produce our own diesel generated electricity. The second is to restructure the nature of our contract mining relationships to include a shared responsibility for cost savings and, where this is not possible, to move to owner mining.

A third leg to the problem of rising costs has to be the reduction of the overhead expenses involved in our operations worldwide and we are applying ourselves to this challenge with vigour.

Another key element of our operational strategy is meeting the challenge of finding tomorrow's production ounces. The greenfields exploration results of gold companies over the last decade or so have been generally modest. The challenge of greenfields exploration is premised on the reality that gold is a precious metal because it is scarce. There are just three things I'd like to note on the challenge of finding tomorrow's gold ounces.



First and most logically, most new gold is likely to be found in the least explored but still prospective parts of the world. By their very nature these are also often countries and regions in the middle of political transition at best, and uncertainty and turmoil at worst. The capacity of mining companies both to explore and to produce gold in politically, economically and socially high risk countries will be a key competitive advantage in the early decades of our new millennium. AngloGold Ashanti is a developing country gold company; that is, we are a company with an abundance of experience in doing good business in difficult places. The key issue here is to use this competitive advantage to gain access to and derive returns from the prospectively of the world's remaining relatively under-explored gold regions and to do this in ways which, true to our values, we ensure that local populations are better off for our having shared their space with them.

Second, as likely in the future as it has been in the past, new ore bodies will often be discovered by local, junior or mid tier companies. Large companies, such as our own, can benefit from such discoveries by providing both the capital and technology needed to turn gold resources into reserves and reserves into profitable production ounces. It is not easy to frame a mutually beneficial relationship between gold companies of a very different character, size and nature. AngloGold Ashanti has a sound and growing track record in ensuring the right fit between itself and its smaller, more focused peers – such as Oxiana in Laos and Trans-Siberian Gold in Russia – and we must continue to identify similarly appropriate partners. With respect to TSG, I'm pleased to report that we've reached agreement with that company on the terms for our second subscription of shares in TSG, at a revised price of £1.30 per share, as compared to the original price anticipated for this subscription of £1.494 per share and the price for the first subscription of £1.3695. This will increase AngloGold Ashanti's equity interest in TSG to 29.9%.

Third, those companies that seek to marry both exploration activity with intellectual excellence and cutting edge technology, and of course the brightest and best people, are likely to be most successful in finding ore bodies and or forging relationships with others who have found the ounces.

Finally, I offer you this management's resolve to meet the production and cost targets which we have set ourselves this year and to accomplish the strategic objectives which we have identified and to do this in ways that ensure we meet the expectations of all of those with a stake in our company.

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