

**The SA-Canada Chamber of Commerce
Sixth Annual Mining breakfast and seminar
Toronto, 7 March 2005**

Presentation by Richard Duffy
Executive Officer of Business Development
AngloGold Ashanti Ltd

“Africa and the Gold Industry”

Thank you Abe Mngomezulu. It is a great pleasure to be here today to talk to you about the increasing mining opportunities in Africa. I'm going to discuss these opportunities from the perspective of AngloGold Ashanti, the largest gold miner in Africa and second largest globally.

Africa has been blessed with many world class mineral deposits. To name a few, 87% of the world's PGM reserves are situated in Africa while 60% and 53% respectively of the world's diamonds and cobalt reserves are on our continent. In the gold sector, 28% of the world's reserves are situated in Africa. AngloGold Ashanti's Obuasi mine has produced more than 20 million ounces of gold over the past hundred years and we believe that the mine has the potential to continue producing gold for another 50 years or longer. Our Geita mine in Tanzania was originally constructed in 1999 to produce 400,000 ounces of gold a year – last year it produced just less than 700,000 ounces. Over 80% of our gold production in 2004 came from African operations. In South Africa, where we operate mainly deep level, narrow seam, hard rock operations we produced about 51% of our total production. We also have operations in Mali, Ghana and Guinea (in West Africa), Tanzania (in East Africa) and Namibia (in Southern Africa). This year we started exploration activities in the Democratic Republic of Congo. In 2005, 59% of our expansion project capex (US\$146 million) has been allocated to our African projects while 42% of our exploration budget will be spent in Africa. Over 80% of our reserves and over 85% of our resources are situated in Africa. Although our roots are firmly entrenched in Africa, we have become a truly global company. In fact Ashanti was the first African company to list on the New York Stock Exchange in 1996 and AngloGold the first South African company to follow Ashanti's example in 1998.

AngloGold Ashanti is, of course, not alone in recognising the exciting mining potential of Africa. Other large, global gold mining companies have also invested in Africa including Newmont, Barrick, Placer Dome and Gold Fields. Newmont's two projects in Ghana, Ahafo and Akyem are expected to produce over 900,000 ounces of gold annually, with combined reserves of 16 million ounces representing nearly 20% of Newmont's global reserves. In 2005, 8% of Barrick's gold production is expected to come from Bulyanhulu in Tanzania with the

nearby Tulawaka project starting to produce gold later this month. 13% of Barrick's reserves are situated in Africa. In 2003, Placer Dome's 50% stake in the South Deep mine in South Africa represented 47% of its global gold reserves (at 28.4 million ounces). Placer also recently acquired the North Mara deposit in Tanzania. Almost 90% of Gold Field's production comes from Africa and their Tarkwa mine has seen a 47% annual compound growth in production since the mine started in 1998. Over 95% of Gold Fields reserves come from Africa. In 2003, of the total world gold production, over 20% or 12.8Moz came from Africa.

A significant number of North American mid-tier and junior companies have also specialized in African gold exploration and mining and have successfully attracted equity capital in Canada and the United States. Such companies as lamgold, Golden Star, Red Back, Banro and St Jude, to name but a few, have established a foothold in what is today recognized as a very prospective gold mining region. The number of companies exploring for all minerals in Africa has increased from 117 in 2003 to 137 in 2004. During 2004 total exploration spend by gold mining companies operating in Africa was approximately \$227m or 13% of worldwide gold exploration spend. Total exploration spend across all commodities (including diamond, copper, PGM's, etc) was \$573 million or 16% of world wide spend. This represents an increase of 53% from 2003 levels.

All of these statistics highlight the attractiveness of Africa as a mining destination and underscore the continent's mineral endowment. But how have we found doing business in Africa?

First, I must make an obvious point. Africa is no more homogenous than Europe is. Doing business in Francophone West Africa is not the same as doing business in South Africa. Neither is doing business in Tanzania. The linguistic and cultural diversity of Africa is frequently underestimated. The continent is also host to a multitude of religions and different legal and judicial codes. Africa is perceived as being a risky place to do business, with poor infrastructure, lack of appropriate skills, corruption, security risks and of course HIV/Aids. And as we know, the relative weight of these issues and their impact on business activity differs substantially between various regions and the countries of this large continent.

At AngloGold Ashanti we believe that risk should be recognised and managed, not avoided. Risk for us is the potential that something may go wrong over the period necessary to develop a mine and run the operation.

For mining companies the four main risk categories are:

- prospectivity risk
- operational risk
- environmental risk
- political risk

We believe that highly prospective, new regions warrant the company's physical presence in these areas in such a way that, if an investment decision is made, the preparation of ground to manage and mitigate the identified risks is already underway.

Not only is Africa not homogenous but, more often than not, risks often vary significantly within any individual country. For this reason we are sceptical of traditional country rankings and ratings, which tend to be fairly generic in nature in that they attempt to aggregate a number of different hazards into a single risk factor. A country rating, on its own, can be misleading and may not even be that significant for a gold mining company. Just as geology does not stop at a country border, risk factors are diffuse and tend to concentrate and disperse in a way that challenges global political boundaries.

This also means that, in some cases, the assessment of risk is counter-intuitive. When in 2002, we decided to double our stake in our only operation in Argentina, the Cerro Vanguardia mine and thereby double our exposure to that country, the country's capital market was in tatters, its banking system had shut down, and its social cohesion was seriously strained. We moved opportunistically, with a strong belief that a gold mine in southern Patagonia faced an entirely different set of potential risks than say a retail store in Buenos Aires. Today, Cerro Vanguardia is stable and one of our most profitable mines.

Assessing potential risks therefore requires a thorough understanding of the local conditions at the level of country, region and community. The real thrust of this message is that the company needs to immerse itself in the country, region and communities in which it is operating – if it is to be successful. In doing this, we at AngloGold Ashanti are guided by our corporate values, which we apply globally. Our overriding value is to consistently seek to create value for everyone with a stake in our company, by finding and mining gold and by developing the market for our product.

When it comes to the communities we operate in, we strive to form partnerships with these host communities, sharing their environments, traditions and values, seeking to make the communities better off for AngloGold Ashanti's having been there and we are committed to working in an environmentally responsible way. This often means that we assist communities to improve their quality of life by building local organizations and contributing to sustainable projects. It also means that we train our employees to equip them with the necessary skills to progress and grow within the organisation. This is not simply a one way street though and the key to building successful and sustainable new mines is one of partnership between the key stakeholders – ourselves as the corporate, the communities and the governments of the countries we operate in. Partnership therefore involves give and take: it is about developing a relationship that enables the sharing of risks and rewards. On this basis the developmental role of mining in emerging market contexts can be truly powerful.

We have undertaken a number of initiatives in the communities in which we operate and among our employees. These include:

- the contribution of around \$7 million in 2004, to community development projects around the world. The main areas of activity where this fund contributes are education, health care, rural community development and welfare
- the commencement of our Anti Retroviral Treatment program in August 2002 when preliminary work was done to develop guidelines, protocols and systems. By December 2004, 837 employees in South Africa had participated in the ART programme, the vast majority of whom continue taking the medication. The overall improvement in their health is heartening to the medical staff that treats them, and it has obviously allowed them to resume a productive working life.
- The employment of world best practice at Morila in Mali to reduce the incidence of malaria from 32% of employees in August 2000 to just 6.3% in August 2003; and
- the Nyakabale agricultural project, a unique partnership between the community, the Geita Gold Mine and All Terrain Services (ATS) was established in June 2001 to train local farmers in agriculture. In 2003 the project produced 65% of all ATS's fruit and vegetable needs.

This partnership concept is demonstrated in South Africa through the new Minerals Act and the related Mining Charter. AngloGold Ashanti management was in the forefront of the industry's engagement with government in the development of these policy instruments, and we embrace them wholeheartedly. South Africa's historical legacy of racially-based inequality of economic opportunity, wealth and income has made black economic empowerment an essential feature of building a post-apartheid South Africa. The elimination of these racial disparities, while building the economy, is the country's primary imperative. That the country's growth rate is at its highest in 40 years as these goals are being pursued is one of the gratifying features of South Africa today. Notwithstanding occasional disagreements on detail, we, and most of the rest of our industry, are committed to these goals and working with government, employees and others, towards achieving them.

How can we make Africa a more attractive investment destination? In order to continue to attract and grow new investment, Africa must invest in infrastructure, logistics, communication, energy, health care and education amongst others. Mining, in partnership with governments and communities in Africa, has the potential to provide the economic impetus for African countries to grow and expand their economies and in so doing move towards self sufficiency in terms of their budgetary funding requirements. South Africa is a good example of this, where the economy has built on the mining platform to expand into the

manufacturing and technology sectors. Indeed, elsewhere in Africa there has been an explosion in IT and communications technology where our installations sometimes leap frog those in developed countries.

The new generation of African leaders recognise the need to develop the continent and, through the NEPAD initiative are actively pursuing a continental growth strategy. The initiative, which evolved from the African Renaissance, a brainchild of President Thabo Mbeki, is truly ground-breaking. NEPAD's initiatives will be considerably leveraged if they are underpinned by sustained economic development in the continent, which is where mining can and should play a significant role.

Conclusion

In conclusion, Africa offers real and sustainable investment opportunities to investors, particularly those investing in the mining sector. Africa's mineral endowment is significant and growing in importance as the world's traditional mineral deposits are depleted. A thorough understanding of the countries, regions and local communities and their representative organisations is key to growing a profitable and sustainable business. Developing partnerships with these stakeholders is also imperative – as there must be something in it for them too if these businesses are to thrive. And at the end of the day risk really is a matter of perception, be it mining three kilometres underground in South Africa, or 1.5 kilometres high in the snow covered Colorado Rockies. In AngloGold Ashanti we have managed not only to find, build and run gold mines in Africa that reward all our stakeholders, but we have also managed to compete globally from this base, taking on the best gold companies here in Toronto and in the U.S. This is a rich endowment that Africa has afforded us, one that brings opportunities and responsibilities, which we take very seriously.