



**March 7th, 2001**

### **Overview**

#### ***Ladies and Gentlemen:***

I am delighted to be leading this morning, the presentation of our Financial Results for the year 2000. As we reported recently, the Group exceeded its mid-year revised production and cost targets for the full year in an environment which remained difficult for the industry as a whole.

Annual gold production was a record at 1.7m ounces, 11 per cent above the previous year. These results were achieved despite the planned closure of two major treatment plants at Obuasi, and the premature cessation of surface mining during the second quarter of the year. Group cash operating costs at US\$187 per ounce, represented a nine per cent reduction over the US\$205 per ounce achieved in 1999. In addition to reducing cash operating costs, I am particularly pleased to report that total cost per ounce was also reduced and Venkat will cover this during his presentation.

Our safety standards continue to improve throughout the Group. We were able to further reduce the lost time injury frequency rate for the Group from 2.62 per million man-hours in 1999 to 2.58 per million man-hours in 2000. Frequent workshops, rigorous training in safety practices and regular safety audits throughout the Group's operations were the key factors contributing to the improved safety performance.

Freda-Rebecca and Bibiani became the first mines outside South Africa to be awarded that country's prestigious NOSA's (National Occupational Safety Association) five-star rating; while the Siguri and Iduapriem mines were also upgraded to four-star ratings. These achievements emphasise the Group's commitment to the health and safety of our workforce and to the maintenance of high environmental standards.

The acquisition of the Teberebie mine from Pioneer Goldfields Limited in the second quarter added significant ore reserves for treatment at the Iduapriem CIL and heap leach plants, which extended Iduapriem Mine life by more than nine years.

The Group successfully completed the sale of a 50 per cent interest in Geita to AngloGold on 15 December 2000 and applied the proceeds to reduce Group debt levels. The Geita joint venture with AngloGold has made a good start and the mine has increased its ore reserves by 41 per cent during the year by conversion of resources.

### **Operations**

Record gold production was posted at four of our mines, Bibiani, Iduapriem, Siguri and Freda-Rebecca. As a result, and despite the rationalisation at Obuasi,

which now accounts for only 37% of total production, the Group achieved a new record in gold production.

Allied to these encouraging production figures, the Group also achieved the lowest cash operating costs in six years. At Siguiri, the mine achieved record production of 303,381 ounces at a cash operating cost of US\$181 per ounce. Obuasi's cash operating costs for the year fell remarkably from US\$222 per ounce in 1999 to US\$208 per ounce in 2000. Bibiani, in particular, achieved the lowest annual cash operating cost per ounce of US\$134 as compared to the US\$162 per ounce it registered in 1999, while Iduapriem maintained its downward trend in costs from US\$248 per ounce in 1999 to US\$233 per ounce in 2000.

The completion of the Geita mine in Tanzania ahead of time and on budget was followed by the successful conclusion of the joint venture with AngloGold.

The acquisition of Teberebie in Ghana was also concluded by the year end, when 26,976 ounces of gold had been produced at a cash operating cost of US\$161 per ounce.

### **Financial Challenges**

Ashanti faced a very significant financial challenge during 2000. I am pleased to report that considerable progress has been made in the resolution of this challenge.

In terms of liquidity, a US\$100 million Bridge Loan Facility was secured in February, 2000 to finance the completion of Geita and to meet the Group's working capital requirements. At the same time, tighter cash management measures were instituted which restricted the utilisation of this Bridge Facility to only US\$75 million.

The Board supported by its Banks, approved a new hedging policy during the year. As part of the Group's continuing efforts to work towards the goals aspired to by this policy, future hedging commitments and lease rate exposure were reduced by approximately 2 million ounces each. The mark-to-market value of the hedgebook was positive as at 31 December 2000.

Ashanti also met the challenge of achieving both an immediate and significant reduction in Group debt by completing a sale of the 50% interest in the Geita Mine to AngloGold Limited on 15 December 2000. The proceeds of the sale were applied to retire the Senior Bridge Facility and two tranches of the Group's Revolving Credit Facility. Additional prepayments were also made in order to reduce debt levels. As a result, not including the 50% share of the non-recourse Geita Project Finance, the Group's gross debt level fell from its peak level by 47% to US\$365.7 million.

The Group also strengthened its financial management team with the appointment of Srinivasan Venkatakrishnan, formerly a Director at Deloitte & Touche, as Chief Financial Officer and Mark Arnesen as Managing Director - International Treasury. Both of them will follow my remarks with their reports on their own respective areas in this presentation.

At the Board level, we formed a Risk Management Committee under the chairmanship of Dr. David Creed, a non-executive director, and this committee is monitoring the management initiatives of the Group with particular focus on financial risks including hedging.

## **Exploration**

Ashanti continued to apply its resources to the support and development of its current operations where the full benefits of additional reserves can be more rapidly realised.

At Obuasi, further exploration work is to be undertaken on the very promising results made below the 50 level.

Geita ore reserves increased by 41 per cent to 63.6 million tonnes grading 3.8 grammes per tonne, equivalent to 7.8 million ounces during the year.

## **Community Relations**

During the year Ashanti maintained its commitment to improve the standards of living in the local communities in which it operates.

At Geita, a new primary school was built and the Geita hospital renovated. In addition, water was made available to all the communities along the 22-kilometre pipeline to Geita from Lake Victoria.

Ashanti also continued to operate schools and medical facilities in Obuasi, Bibiani, Iduapriem, Siguri, Freda-Rebecca in the Bindura District of Zimbabwe, and Geita.

The Group also ran HIV/AIDS awareness campaigns at all of its mines. It also renewed its commitment to involving the communities in which it operates in projects aimed at benefiting them. In particular a micro credit finance system initiated in some of these communities in which we operate, continues to make a positive impact on them.

## **Opportunities**

Ashanti has achieved a solid operational performance in 2000, setting new records of production and safety and significantly reducing costs.

Although the challenge presented by the volatility in the gold price last year has been met, in the current depressed state of the gold market, the Company still faces a considerable challenge in reducing further, its level of debt.

## **Outlook for the first quarter**

Ashanti will announce its first quarter 2001 results in April. The mines, other than Geita, have experienced temporary production difficulties, which are likely to result in a shortfall to planned production targets for the first quarter of this financial year. However, recovery plans are being implemented with a view to bringing the Group's production back on track during the course of the year.

Following on the remarks I made in my presentation in Capetown last month, on political developments in Ghana, I am happy to report that the new Administration and indeed the Legislature have all given indications as to their determination to promote further growth of the private sector.

Initial contacts that the Company has made, as well as those made by the Ghana Chamber of Mines, do indicate that there will be good opportunities for discussing some of the key issues facing the industry in general and Ashanti in particular.

We intend to take advantage of these opportunities as a key player in the Ghanaian industry.

## **S E Jonah**

Chief Executive and Group Managing Director

**March 7th, 2001**

**Thank you Sam, good morning ladies and gentlemen.** I am pleased to report Ashanti's financial results for the year ended 31 December 2000.

### **Revenue**

An 11% increase in Group production enabled Ashanti to maintain total revenue for the year at US\$582 million, despite an average realised gold price of US\$335 per ounce, which was US\$37 per ounce lower than last year.

Spot revenue generated US\$485 million. Hedging income totalled US\$97million, of which US\$54 million was realised from the close-outs of maturing hedging contracts and US\$43 million was released from deferred hedging income i.e. income from previously closed-out hedging contracts.

In accordance with the Group's accounting policy, income from early close-outs is credited to revenue in the originally designated delivery period. At 31 December 2000, deferred hedging income totalled US\$120 million (1999: US\$157 million) of which US\$54 million will be credited to revenue in 2001.

A number of you have requested a breakdown of the average realised gold price into its various components. The price of US\$335 per ounce is made up of:

- Average spot price of US\$279 per ounce
- Proceeds from close-out of maturing hedge contracts of US\$31 per ounce
- Release of deferred hedging income of US\$25 per ounce

### **Hedging**

My colleague, Mark Arnesen will take you through the detail of the progress we have made in our hedging programme during the year. To outline some of the achievements:

- Ashanti's Board supported by its Banks approved a new hedging policy during the year
- Mark-to-market value of our hedge book turned positive during the year and stood at US\$29 million at the year end
- The Group reduced its future hedging commitments and lease rate exposure by approximately 2 million ounces each

### **Cash Operating Costs**

The drive to reduce unit cash operating costs continued during 2000. The Group's average cash operating costs before exceptional items were reduced by 9% to US\$187 per ounce. The principal contributors to this reduction were Obuasi, Iduapriem, Bibiani and Geita.

#### Exploration and Corporate Administration

Exploration expenditure for the year was higher at US\$14.2 million as compared to US\$12.4 million in 1999. This was primarily due to increased drilling exploration at the mines and on the Pangea property in Tanzania.

Corporate Administration expenditure for the year was marginally lower at US\$25.3 million.

## **Depreciation**

Depreciation and amortisation charges (excluding exceptionals) were maintained at US\$115 million.

## **Total Costs**

Whilst cash operating costs have been reducing, a number of you have queried Ashanti's performance with regard to Total costs.

I am pleased to be able to report that total costs (before exceptional items) comprising cash operating costs, royalties, depreciation and amortisation, exploration expenditure and corporate administration fell from US\$311 per ounce in 1999 to US\$284 per ounce in 2000.

As you all know, at the end of the day, cash is king. Again, I am pleased to be able to report that in cash flow terms also, total costs (before exceptional items) comprising cash operating costs, royalties, sustaining capital expenditure, exploration expenditure and corporate administration costs fell from US\$306 per ounce in 1999 to US\$252 per ounce in 2000. This was due to a combination of reduction in cash operating costs and rationalisation of capital expenditure across the Group, particularly at Obuasi.

## **Exceptional Items**

Exceptional items, which have been identified separately in the profit and loss account, comprised of the following:

### **Exceptional gain:**

- Profit arising from the disposal of 50% interest in the Geita mine of US\$51million.

### **Exceptional charges:**

- In view of the continued low gold price environment and in line with other companies in the gold mining industry, an impairment review was carried out in 2000. The combined effect of using a lower spot and a higher discount rate, resulted in the reduction in the carrying value of the mining assets at Obuasi, Freda-Rebecca and Kimin totalling US\$193 million. For the avoidance of any doubt I wish to make it clear that this adjustment, which is a book entry, does not have any cash impact.
- The impairment review we believe, will not come as a surprise to any of you as we flagged this when we announced the second and third quarter's results. The Class I circular issued in respect of the Geita transaction also made reference to this point. As you are no doubt aware, a number of gold mining companies who have announced their results recently have performed impairment reviews and have raised exceptional charges to their P&L account. Therefore, ladies and gentlemen, Ashanti is not alone in this.
- As also mentioned in the said Circular, you will recall that Ashanti agreed as part of its negotiations with its Banks and hedge counterparties, during the period leading up to the Geita sale, to close out certain hedge positions which resulted in an exceptional loss of some US\$15 million.
- Further redundancy and related costs in respect of Obuasi totalling US\$7 million. These are made up of an increase in the redundancy provision of US\$3 million and a change to the pension entitlement of ex-employees of US\$4 million.

- Loss on sale of 50% interest in Carmeuse Lime Products (Ghana) Limited of US\$4 million in order to secure competitive lime prices for the next 3 years.

### **Financing Costs**

Net interest costs charged to the profit and loss account for the year totalled US\$51 million. The increased interest charges were primarily due to increased debt levels during 2000 and higher borrowing costs.

The reduction achieved in the Group's debt will result in lower interest charges during the current financial year.

### **Taxation**

Taxation charged to the profit and loss account totalled US\$8.8 million. This includes tax relating to previous years amounting to US\$4.5 million and a provision for taxes arising from the disposal of 50% interest in Geita of US\$3.0 million.

Bibiani is projected to exhaust all of its capital allowances over the next 12 to 18 months. As the present tax laws in Ghana do not provide for Group relief, we are currently reviewing various tax planning options available to Ashanti in order to minimise the future tax burden for the Group.

### **Earnings**

Earnings before exceptional items were US\$30.5 million. The reduction in earnings was due to a lower realised gold price and higher interest charges, offset by increased production and reduced cash operating costs. Earnings per share before exceptional items were US\$0.27 per share. After exceptional items the Group made a loss of US\$141.1 million, primarily because of the impairment review.

### **Cash Flow**

The net cash inflow from operating activities was US\$149 million. Net interest paid was US\$56 million and US\$145 million was invested in completing the Geita mine and developing the Group's other mines.

In June 2000 the Group acquired the Teberebie mine in Ghana for a purchase consideration of US\$18.8 million plus assumption of US\$8.2 million of debt. US\$5.0 million was paid on completion and the balance of US\$13.8 million is payable over the next five years. In August 2000 the Group sold certain assets (which formed part of the Teberebie acquisition) for US\$5.0 million.

The sale of a 50% interest in the Geita mine was completed on 15 December 2000. The proceeds from the sale totalled US\$335 million (being consideration of US\$205 million and net project financing proceeds of US\$130 million) and were applied to reduce debt, after meeting disposal costs. An additional consideration of US\$2.8 million was received from AngloGold in accordance with the terms of the sale agreement in respect of certain items of capital expenditure and interest.

### **Capital Expenditure**

Capital expenditure decreased to US\$145 million as a result of reduced spend across the Group, particularly at Obuasi where the capital expenditure fell from US\$59 million in 1999 to US\$32 million. The expenditure in 2000 included costs incurred in respect of the development of the Geita mine totalling US\$86 million.

## Financing

The Group's peak debt level during the year was US\$693 million. On 15 December 2000, the Group completed the Geita transaction and applied the proceeds (after meeting costs of disposal) as follows:

- The US\$100 million Bridge Facility (utilisation of which was restricted to US\$75 million as a result of tight cash management measures) was retired in full.
- Two tranches of our Revolving Credit Facility amounting to US\$151.0 million were retired in full.
- A prepayment of US\$70.0 million was made towards the Revolving Credit Facility. This is redrawable to meet the Group's funding requirements during 2001.

In line with our objective to reduce corporate debt, a further voluntary repayment of US\$30.0 million was made towards the Revolving Credit Facility which is also redrawable, if required during 2001.

The Group currently has US\$100 million of undrawn facilities under its Revolving Credit Facility. I am pleased to be able to report that to date, no drawings have been made under this facility.

In terms of compliance with the financial covenants under our principal banking facilities, I should like to point out that the exceptional write-downs in respect of Obuasi and Freda-Rebecca are excluded from these calculations.

The Group's gross and net debt levels as at 31 December 2000 fell to US\$366 million and US\$292 million respectively. These exclude the 50% share of the US\$135.0 million non-recourse Geita project finance loan, which has been included within the carrying value of the Geita joint venture investment.

For your benefit and in line with your previous requests let me furnish you with a breakdown of the Group's gross debt of US\$366 million.

Amounts drawn under the RCF	US\$ 89 million
Exchangeable Notes	US\$218 million
Fully collateralised Zimbabwe loan	US\$ 15 million
Non-recourse Iduaprieum/Teberebie loans	US\$ 26 million
Other loans	US\$ 18 million

One of our principal objectives over the next two years will be to reduce and / or refinance our corporate debt before the Exchangeable Notes mature in early 2003. We have commenced our preliminary work in this regard and will provide you with an update at an appropriate time.

Finally, I would like to recap some of our principal achievements during 2000:

- Record Group gold production of 1.7 million ounces.
- Maintained the continued reduction in cash operating costs.
- Achieved a reduction in total costs per ounce as compared to last year.
- Geita mine was completed on budget and ahead of schedule. This mine has also increased its reserves significantly.
- Acquisition of Teberebie mine was completed.

- Sale of a 50% interest in the Geita mine to, and joint venture with, AngloGold was concluded.
- Group gross debt level was reduced from its peak by 47%.
- Negotiated and obtained a working capital facility from our Bank Group.
- As part of the ongoing restructuring of the hedge book, future hedging commitments and lease rate exposure were reduced by approximately 2 million ounces each.

On that note, I hand you over to Mark Arnesen.

**Venkat Srinivasan**

Chief Financial Officer

**March 7th, 2001**

***Thank you Venkat. Good morning.***

At year end the hedge book was US\$29 million positive based on a spot price of US\$273.

Over the life of the hedge portfolio

- 75% of the company's forecast production is committed at an average price of US\$349
- 44% of the company's forecast production is protected at an average price of US\$364

We had a large amount of deep in the money contracts maturing in the last quarter of 2000 and given the then ruling market conditions would have expected the mark to market value at year end to have been neutral to negative.

The loss of these maturing contracts was however more than offset by the reduction in interest rates and the continual softening of interest rates together with the drop in the gold price have as at yesterday at a spot price of US\$263 resulted in the portfolio being some US\$140 million mark to market positive.

Ashanti has come through the recent spike in gold lease rates relatively unscathed, an increase in lease rates improves our mark to market but reduces or turns negative our cash flows from lease rate swaps. We had reduced our lease rate exposure for 2001 by over 3 million ounces and reset a large portion of the remaining floating rate exposure in advance of the spike thereby substantially negating any negative impact.

Going forward it is our firm intention to continue to reduce commitments (not at the expense of protection) and to reduce our lease rate exposure. We believe the book at present affords the company a prudent level of protection at attractive prices the only potential negatives being the higher levels of commitments and lease rate exposure which we will continue to reduce going forward.

**MARK ARNESEN**

MD, INTERNATIONAL TREASURY

