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CREDIT OPINION
4 December 2020

Update

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RATINGS

AngloGold Ashanti Limited

Domicile	Johannesburg, South Africa
Long Term Rating	Baa3
Type	LT Issuer Rating - Fgn Curr
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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AngloGold Ashanti Limited

Update following affirmation of Baa3 rating and change of outlook to negative

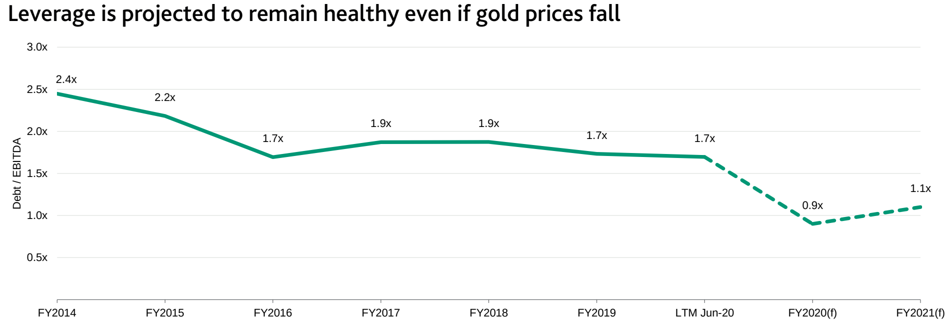
Summary

Following the recent downgrade of South Africa's rating to Ba2 from Ba1 (negative outlook unchanged), on 26 November we affirmed AngloGold Ashanti Limited's (AGA) Baa3 issuer rating and changed the outlook to negative from stable. The rating affirmation reflects the company's strong financial performance year to date as a result of elevated gold prices and a credit profile that is materially delinked from the South Africa sovereign. However, AGA's headquarter and domicile in South Africa still leads to some credit linkages to the sovereign and hence constrains the rating. The outlook has been changed to negative from stable to primarily reflect this linkage and to align the outlook with that of the South Africa rating.

The Baa3 rating factors in AGA's scale, as one of the largest gold producers globally, with a sizeable reserve base of 28.4 million ounces as of year-end 31 December 2019 (FY2019) and 2.8 million ounces of attributable gold production for LTM June 2020 (both figures exclude South Africa). The company's credit profile benefits from a healthy balance sheet, conservative financial policies and a degree of diversification of operating risk.

Exposure to a number of countries with deteriorating credit quality is increasingly becoming an important rating consideration as it heightens AGA's business risk. These countries tend to have high political and regulatory risk as well as weak institutional strength. While AGA has a strong track record of navigating through these challenges, the probability of event risks crystallizing have increased as country ratings move lower. Potential new projects in Colombia will start to contribute to cash flows and EBITDA from 2024 onwards and will help to offset some of the exposure to weak sovereigns. The ratings also reflect AGA's exposure to a single commodity and earnings that are significantly sensitive to volatility in gold price.

Exhibit 1
Leverage is projected to remain healthy even if gold prices fall



[1] Moody's base case uses a $1,400/oz sensitivity in 2021.
Source: Moody's Investors Service

Credit strengths

» Strong credit metrics and conservative financial policies, with a proactively managed liquidity profile

» Geographic and asset diversification

» Degree of currency benefits when local operational currencies weaken against US dollar

Credit challenges

» Exposure to a number of countries with high political risk and weakening credit quality

» Higher cost profile relative to many investment grade gold mining peers

» Exposure to a single commodity with earnings highly sensitive to gold price volatility

Rating outlook

The negative outlook is aligned with the negative outlook on the South Africa sovereign rating given a degree of credit linkage. Further deterioration in the credit quality of operating countries however can become the primary constraint for the rating.

Factors that could lead to an upgrade

AngloGold's rating is unlikely to be more than two notches above that of the South Africa sovereign because of a degree of credit linkage through the company's domicile. Notwithstanding this, an upgrade would require AngloGold to have a sustainably lower cost profile as well as a materially lower exposure to high risk jurisdictions.

In addition, an upgrade would require AngloGold to continue to maintain its strong financial discipline such that (1) gross debt/EBITDA is sustainably less than 2.0x under Moody's forecast assumptions; (2) (CFO-dividends)/ gross debt exceeds 40% on a sustainable basis; (3) AngloGold can sustainably generate positive free cash flow; and (4) liquidity is robust.

Factors that could lead to a downgrade

Downward pressure on South Africa's rating would lead to downward pressure on AngloGold's rating should there be more than two notch differential between the ratings. Downward pressure on AngloGold's rating could also arise should there be further deterioration in the credit quality of its key country of operations.

Furthermore, the ratings could be downgraded if (1) gross debt/EBITDA exceeds 2.5x; (2) (CFOdividends)/gross debt falls below 35%; or (3) its liquidity profile weakens materially.

Key indicators

Exhibit 2

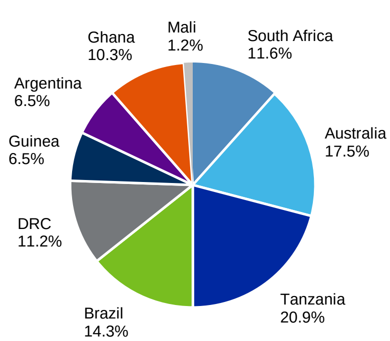
KEY INDICATORS [1]								
AngloGold Ashanti Limited								
	FY2015	FY2016	FY2017	FY2018	FY2019	LTM Jun-20	FY2020(f) [2]	FY2021(f) [2]
Revenues (USD Billion)	$4.0	$4.1	$3.4	$3.3	$3.5	$3.9	$4.4	$3.7
EBIT Margin (EBIT / Revenue) [3]	10.8%	11.5%	16.3%	15.8%	17.5%	26.0%	33.8%	15.6%
EBIT / Interest Expense [4]	2.1x	3.1x	3.8x	4.0x	4.8x	7.7x	12.9x	6.0x
Debt / EBITDA [4]	2.2x	1.7x	1.9x	1.9x	1.7x	1.7x	0.9x	1.1x
Debt / Total Capital	48.7%	41.7%	44.0%	44.0%	43.1%	46.8%	34.1%	26.8%
(CFO - Dividends) / Debt	33.0%	45.3%	35.2%	33.1%	39.8%	39.4%	80.1%	52.6%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] This represents Moody's forward view, which assumes a $1,400/oz sensitivity in 2021. This does not represent the view of the issuer and, unless noted in the text, does not incorporate significant acquisitions and divestitures.
[3] EBIT for the purpose of EBIT margin calculation excludes dividends received from non-consolidated JVs.
[4] EBIT and EBITDA for the purpose of EBIT/interest expense and debt/EBITDA respectively include dividends received from non-consolidated JVs.
Source: Moody's Investors Service

Profile

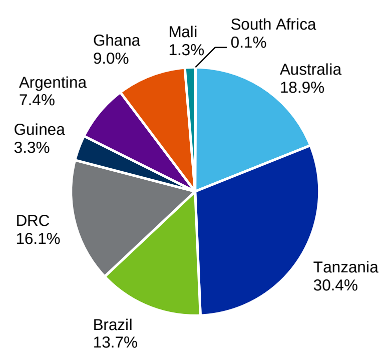
Headquartered in South Africa, AngloGold is one of the largest gold mining companies in the world. AGA has exposure to 10 operating mines spanning 7 countries after excluding asset disposals completed or underway. The company reported attributable gold production of 3.2 million ounces (2.8 million excluding South Africa) and consolidated revenues of $3.9 billion for LTM June 2020. AngloGold has a primary listing on the Johannesburg Stock Exchange.

Exhibit 3
Attributable gold production by country
3.2 million ounces in LTM June 2020 (including discontinued operations)



[1] Attributable production includes pro-rata share from JVs and discontinued operations (such as South Africa).
Sources: AngloGold Supplementary Report, Moody's Investors Service

Exhibit 4
Attributable EBITDA by geography
$2.1 billion in LTM June 2020



[1] Attributable EBITDA includes pro-rata share from JVs, excludes EBITDA allocated to corporate, minority interest and other segments.
Sources: AngloGold Supplementary Report, Moody's Investors Service

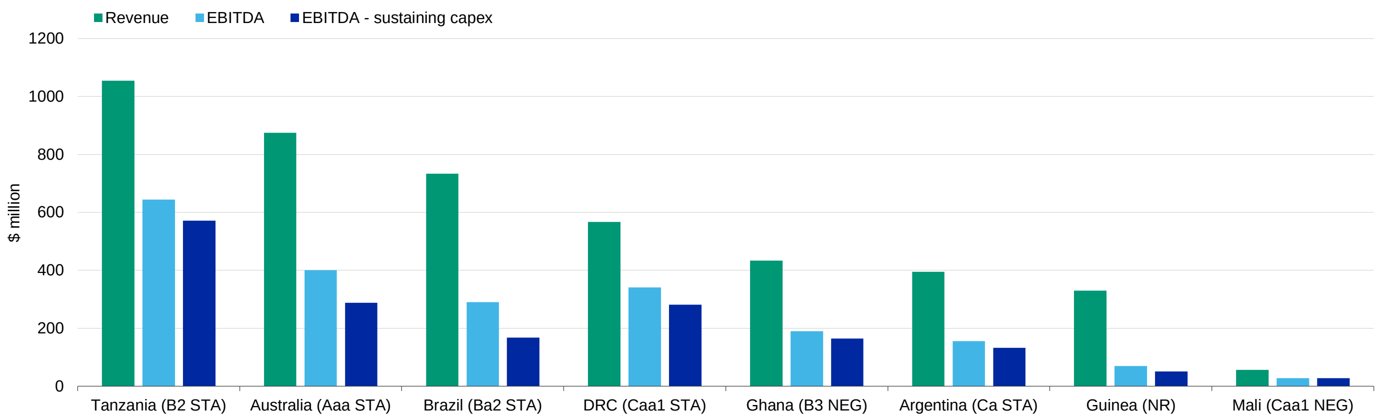
Detailed credit considerations

Credit profile supported by scale and geographic diversification

AngloGold's credit profile is underpinned by a sizeable and geographically diverse reserve base, which includes 28.4 Moz of proven and probable ore reserves (excluding South Africa). A number of its mines are of high quality and are long-life production assets. The mine portfolio's average reserve life is 10 years, based on FY2019 reserves divided by annual production (excluding South Africa).

AGA is geographically and operationally well diversified with no single operation or country generating more than 21% of gold production in LTM June 2020. This stratification of production across a number of different operating jurisdictions and assets reduces the risk of any large scale production disruption impact. As can be seen in exhibit 5, there is no earnings reliance on any one country but Tanzania does stand out as an important contributor to the total.

Exhibit 5
AngloGold has geographic diversification in revenue and EBITDA
As of LTM June 2020



[1] On attributable basis and excluding South Africa and discontinued operations; excludes EBITDA allocated to corporate, minority interest and other segments
Sources: AngloGold Supplementary Report, Moody's Investors Service

Following a strategy announced in late 2018 to streamline its portfolio, the company decided to sell its operations in South Africa, Mali and Argentina. The South African operating assets were sold to Harmony Gold and the transaction closed at end-Sept. 2020 with AGA receiving the initial $200 million sales proceeds. In Mali, AGA has concluded its sale of its interest in the Morila mine while the Sadiola mine sale is underway. The Cerro Vanguardia mine in Argentina could either be sold at some point or may remain within the portfolio as a non-core asset. Operations will still remain diverse and looking out over the medium term, AGA is undertaking feasibility studies on two greenfield projects in Colombia (Baa2 stable), namely the Gramalote and Quebradona projects. The feasibility studies for both are likely to be completed in 2021 and if approved, could lead to first production at Gramalote in 2024 and for Quebradona in 2025.

AngloGold's financial profile is solidly positioned amongst investment grade peers, but country risk exposure is the highest

While many rated gold mining companies including AngloGold in recent years have focused on cash flow generation, discipline in capital allocation and strengthening of balance sheets, the credit risk profiles of these companies remain largely constrained by the exposure to a single commodity and earnings that are significantly sensitive to volatility in gold price.

The industry is characterized by a continuous need to reinvest capital in order to replenish reserves and maintain a steady production profile, investments are moving into higher risk countries and operating costs are rising. Companies weaker on the cost curve are therefore more exposed when gold prices fall and are likely to rely on additional debt to finance negative free cash flows.

The strongest gold mining companies within Moody's rated universe are rated Baa1 or Baa2, including Barrick Gold Corporation (Baa1 stable), Newmont Goldcorp Corporation (Baa1 stable) and Newcrest Mining Limited (Baa2 stable). AngloGold's financial profile and conservative financial policies are to an extent comparable to these companies, but AGA has a significantly greater exposure to politically challenging jurisdictions and has a moderately weaker cost profile compared to these peers. Some of these risks are partially offset by AngloGold's geographic diversification as well as the exchange rate benefits that the company gains when operational currencies weaken against the US dollar but the high country risk exposure is becoming an overriding consideration.

High exposure to political and regulatory risk in a number of countries

A number of AngloGold's operations, such as those in Continental Africa, are exposed to higher country risk as compared to operations in more stable and predictable mining jurisdictions such as Australia. High risk mining jurisdictions increase the exposure to uncertainties such as political instability, unexpected changes in regulations, and resource nationalism. The risk of higher taxes for miners increases when governments are challenged in meeting their social and political commitments or see taxes as an avenue for addressing fiscal deficits.

As can be seen in exhibit 6, the credit quality of almost all countries of operations have deteriorated since 2014 while AGA's rating has remained unchanged at Baa3. The coronavirus pandemic has further intensified fiscal pressures on many of these countries and as reflected by the downgrade of Tanzania to B2 stable from B1 negative in August 2020 and change of outlook for Ghana to B3 negative from B3 positive in April 2020. We estimate that about half of total FY2021 production will be derived from countries rated B3 or lower (including Guinea which is unrated). Including Tanzania which also has a weak sovereign rating, we estimate a very substantial two-thirds of group EBITDA in FY2021 will be derived from high risk countries.

Exhibit 6

Sovereign credit quality in AGA's portfolio has deteriorated over the years

Country [1]	Rating as of 1 Jan. 2014	Rating as of 30 Nov. 2020	Notches of rating movement
South Africa (domicile)	Baa1 Negative	Ba2 Negative	-4
Tanzania	B1 Negative	B2 Stable	-1
Australia	Aaa Stable	Aaa Stable	0
Brazil	Baa2 Stable	Ba2 Stable	-3
DRC	B3 Stable	Caa1 Stable	-1
Ghana	B1 Negative	B3 Negative	-2
Argentina	B3 Negative	Ca Stable	-4
Guinea	Not rated	Not rated	n/a
Mali (being exited)	B3 Stable	Caa1 Negative	-1

[1] Tanzania was first assigned a rating in March 2018 at B1 negative and Mali was first assigned a rating in February 2019 at B3 stable
Source: Moody's Investors Service

Political risks are somewhat mitigated by management's track record of maintaining good relationships with governments and local communities. For example, AngloGold has stability agreements with many of these governments and engages in community initiatives such as providing power, water, healthcare and education to communities. However, we believe the probability of negative event risks crystalizing has increased as the ratings of these countries move into the low single-B or Caa category and this heightens uncertainty on government behaviour going forward.

Apart from AngloGold's Australian operations which has access to Australian dollar bank facilities, the rest of the portfolio is funded from AngloGold Ashanti Holdings Limited's (AGAH) offshore US dollar bank facilities, which are serviced by underlying US dollar cash flow generation in the international portfolio given that sales proceeds are received outside of the mining countries. While AngloGold's exposure to risks related to repatriation of cash received from gold sales or capital controls is reduced by this feature, governments have the ability to change regulations and therefore could require export proceeds to be brought back into the country. The company tends to centralize its cash at AGAH which is domiciled in the United Kingdom (Aa3 stable).

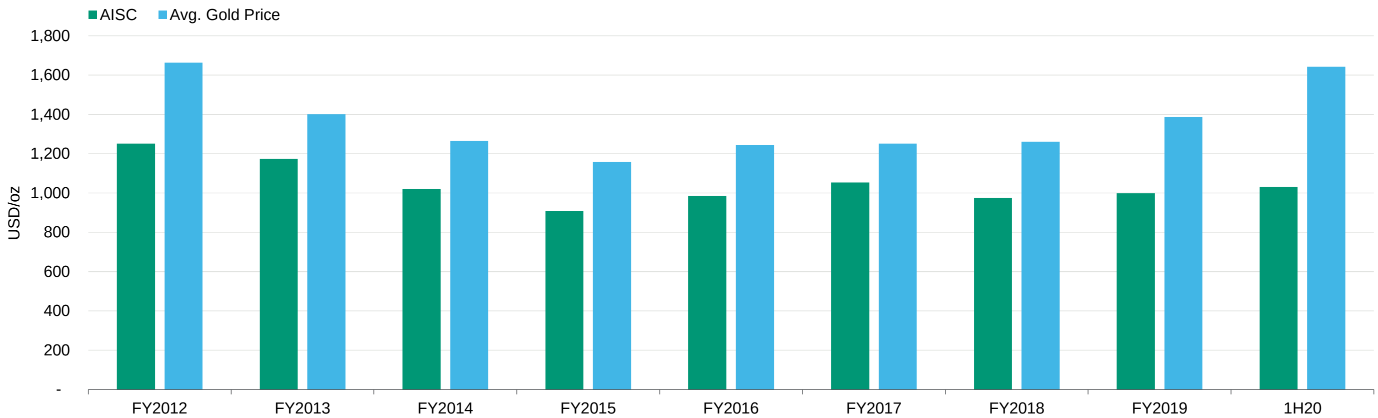
Some degree of credit linkage to South Africa because it is the country of domicile

AngloGold has limited credit linkages to the South Africa sovereign, especially since the company has sold its last mining assets in the country. Despite this, AngloGold's headquarter and domicile in South Africa still leads to some credit linkages to the sovereign and therefore it is unlikely at this stage that the company's rating can be more than two notches above that of the sovereign.

Credit metrics can support a degree of gold price volatility

AngloGold implemented deep cost cuts post the steep decline in the gold price in 2013 (see exhibit 7). Focus on cost control and investment discipline have transformed the business profile into one that is better protected against gold price volatility and operational downside risks.

Exhibit 7
Capital expenditure and operating cost profile can adapt to lower gold price environment



Source: Company reports

The company in its FY2019 financial disclosures estimates that a 10% depreciation in its operations local currency would result in a $54/oz AISC reduction (based on $1,300/oz gold assumption). The same would be true for an appreciation, which would lead to the same proportionate increase in costs. At the same time, costs should benefit from the low oil price environment, given that diesel prices are a key input cost for gold miners. According to AngloGold, a 10% movement in the oil price should lead to an approximate $6/oz movement in the same direction in AISC. These sensitivities relate to the cost structures of the group for 2019.

Conservative financial policies and proactive liquidity management

AngloGold's management team continues to adhere to a prudent approach in managing its balance sheet and liquidity profile. The company is committed to reducing net debt levels and maintaining net debt/EBITDA of 1.0x through the cycle. This target has been lowered in 2019 from the previous 1.5x guidance provided to the market. AngloGold reported net debt/EBITDA on an adjusted basis of 0.67x for H1 2020 and 0.36x as of end-September 2020. The company resumed dividend payments in 2017 with a policy to pay-out 10% of free cash flow before growth capital, and this has increased to 20% in November 2020 given its strengthened balance sheet and higher profitability margins.

The development of AngloGold's reserves follows a similar prudent approach, with strict capital discipline, lower execution risk and capital expenditures which will be used for brownfield opportunities before greenfield projects.

ESG considerations

AngloGold is exposed to environmental risks typical for a company in the mining industry. This includes, but is not limited to wastewater discharges, site remediation and mine closure, waste rock and tailings management, and air emissions. The company is subject to environmental laws and regulations in the areas in which it operates. The mining sector overall is viewed as a very high-risk sector for soil/water pollution and land use restrictions and a high-risk sector for water shortages and natural and man-made hazards.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. AngloGold's liquidity position did not get negatively impacted by the limited production disruptions and has been more than offset by the higher gold prices.

Similar to peers, AngloGold continues to promote employment from host communities and undertakes initiatives for the well-being of these stakeholders. Along with following the regulatory requirements of a publicly listed company on the JSE, the company follows governance practices under the King IV Corporate Governance code.

Liquidity analysis

AngloGold has strong liquidity. At 30 September 2020, the company had an unrestricted cash balance of approximately $1 billion and an undrawn $1.4 billion multi-currency revolving credit facility (RCF) after taking into account the $700 million bond it issued in the beginning of October that was used to repay its RCF. These liquidity sources along with positive free cash flow more than cover cash uses over the next 12-18 months. The next material debt maturity is the $750 million bond due in August 2022.

AngloGold's liquidity position can adequately cover intended uses in a low gold price environment and we forecast that the company will generate positive free cash flow should gold prices be at or higher than $1,250/oz as we expect the company would reduce its capital spending. There is also ample headroom in debt covenants, with the company's reported net debt/EBITDA of 0.67x for H1 2020 significantly lower than the 3.5x covenant level. The covenant allows for a one period waiver of up to 4.5x subject to certain conditions and is tested every six months for a running 12-month period.

Rating methodology and scorecard factors

Exhibit 8

Rating Factors

Mining Industry Scorecard [1][2]	Current LTM 6/30/2020		Moody's 12-18 Month Forward View As of 11/20/2020 [3]	
Factor 1 : Scale (20%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenues (USD Billion)	$3.9	B	$3.7	B
Factor 2 : Business Profile (25%)				
a) Business Profile	Baa	Baa	Baa	Baa
Factor 3 : Profitability and Efficiency (10%)				
a) EBIT Margin (EBIT / Revenue)	26.0%	A	16%	Baa
Factor 4 : Leverage and Coverage (30%)				
a) EBIT / Interest Expense	7.7x	A	6x	Baa
b) Debt / EBITDA	1.7x	Baa	1.1x	A
c) Debt / Total Capital	46.8%	Baa	27%	Aa
d) (CFO - Dividends) / Debt	39.4%	Baa	53%	A
Factor 5 : Financial Policy (15%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa3		Baa2
b) Actual Rating Assigned				Baa3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 6/30/2020.
[3] This represents Moody's forward view, which assumes a $1,400/oz sensitivity in 2021. This does not represent the view of the issuer and, unless noted in the text, does not incorporate significant acquisitions and divestitures.
[4] EBIT for the purpose of EBIT margin calculation excludes dividends received from non-consolidated JVs.
[5] EBIT and EBITDA for the purpose of EBIT/interest expense and debt/EBITDA respectively include dividends received from non-consolidated JVs.
Source: Moody's Investors Service

Appendix

Exhibit 9

Peer comparison

(in USD millions)	AngloGold Ashanti Limited Baa3 Negative		Barrick Gold Corporation Baa1 Stable		Newmont Corporation Baa1 Stable		Newcrest Mining Limited Baa2 Stable		Gold Fields Limited Baa3 Negative	
	FYE Dec-19	LTM Jun-20	FYE Dec-19	LTM Jun-20	FYE Dec-19	LTM Sep-20	FYE Jun-19	FYE Jun-20	FYE Dec-19	LTM Jun-20
Revenue	$3,525	$3,906	$9,717	$11,337	$9,740	$11,083	$3,742	$3,922	$2,967	$3,343
EBITDA	$1,276	$1,706	$4,297	$5,468	$3,809	$5,359	$1,701	$1,825	$1,039	$1,202
Total Debt	$2,211	$2,892	$5,529	$5,161	$7,036	$6,914	$2,112	$2,075	$2,179	$2,180
EBIT / Int. Exp.	4.8x	7.7x	5.3x	8.6x	5.4x	8.6x	8.0x	10.4x	3.2x	4.0x
Debt / EBITDA	1.7x	1.7x	1.3x	0.9x	1.8x	1.3x	1.2x	1.1x	2.1x	1.8x
Total Debt/Capital	43.1%	46.8%	14.4%	13.2%	22.1%	21.0%	19.8%	17.6%	39.8%	39.3%
(CFO - Dividends) / Debt	39.8%	39.4%	41.3%	65.9%	25.8%	52.1%	65.9%	62.4%	39.0%	41.4%

[1] All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 10

Moody's-adjusted Debt Breakdown

(in USD Millions)	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	LTM Jun-20
As Reported Debt	**3,721**	**2,737**	**2,178**	**2,268**	**2,050**	**2,204**	**2,885**
Pensions	10	8	7	8	7	7	7
Operating Leases	24	102	141	135	306	0	0
Non-Standard Adjustments	-75	-9	0	0	0	0	0
Moody's-Adjusted Debt	**3,680**	**2,838**	**2,326**	**2,411**	**2,363**	**2,211**	**2,892**

[1] All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 11

Moody's-adjusted EBITDA Breakdown

(in USD Millions)	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	LTM Jun-20
As Reported EBITDA	**1,242**	**1,287**	**1,278**	**1,175**	**1,171**	**1,374**	**1,779**
Pensions	-4	10	10	10	9	8	8
Operating Leases	8	34	47	45	102	0	0
Interest Expense – Discounting	-25	-22	-22	-16	-28	-29	-28
Unusual	258	22	34	90	39	14	58
Non-Standard Adjustments	25	-31	26	-16	-31	-91	-111
Moody's-Adjusted EBITDA	**1,504**	**1,300**	**1,373**	**1,288**	**1,262**	**1,276**	**1,706**

[1] All figures are calculated using Moody's estimates and standard adjustments.
[2] EBITDA includes dividends received from non-consolidated JVs.
Source: Moody's Financial Metrics™

Ratings

Exhibit 12

Category	Moody's Rating
ANGLOGOLD ASHANTI LIMITED	
Outlook	Negative
Issuer Rating	Baa3
ANGLOGOLD ASHANTI HOLDINGS PLC	
Outlook	Negative
Bkd Senior Unsecured	Baa3

Source: Moody's Investors Service

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