

AngloGold Ashanti's \$294M profit follows hedge elimination; forecasts growth

Thursday, February 17, 2011

(JOHANNESBURG) – AngloGold Ashanti posted adjusted headline earnings* of \$294m during the fourth quarter after its operations in South Africa, Argentina and Guinea posted strong production results and elimination of the company's hedge book in October boosted cash flow.

"As long as the hedge book was in place, we were fighting with one hand tied behind our backs," Chief Executive Officer Mark Cutifani said. "Now that we're selling our gold at spot prices and entrenching business improvements across the organization, we're spinning off significant cash flow."

The result represents strong growth in underlying profitability given that the previous quarter's adjusted headline earnings* of \$303m were boosted by a once-off credit of \$84m. Cash flow generated from the company's operating activities in the three months to December 31, excluding hedge buy-back costs, surged 60% to \$679m.

Since AngloGold Ashanti's new strategy was launched at the end of March, 2008, when the company had almost 12Moz committed under its legacy hedging programme, those contracts have been eliminated, the balance sheet strengthened and wide ranging operational improvements made across its operating portfolio. The company has also approved the first greenfield project development in more than a decade, at its Tropicana deposit in Western Australia.

Production was 1.148Moz at a total cash cost of \$672/oz in the three months to Dec. 31, compared with 1.162Moz at \$643/oz the previous quarter, and guidance of 1.14Moz at \$675/oz assuming an exchange rate of 6.75 rand to the dollar.

The South African operations delivered another good performance, maintaining production of 476,000oz despite the sale of the Tau Lekoa mine during the September quarter. The result was helped by an excellent safety performance, which allowed for better operational continuity. Cerro Vanguardia increased production 4% to 50,000oz and improved total cash costs to \$357/oz, while production from Siguiri rose 15% to 71,000oz from the previous quarter.

The final tranche of the accelerated buy-back of the company's outstanding hedge positions was completed on Oct. 7 and \$2.64bn was spent at an average price of \$1,300/oz. This allows AngloGold Ashanti to sell its gold at market prices, allowing it to better fund its organic growth projects which are expected to add about 1Moz to current production over the next five years.

Production in 2011 is anticipated at between 4.55Moz and 4.75Moz at a total cash cost of \$660/oz- \$685/oz, assuming an average exchange rate of 7.11 rand to the dollar and oil at \$95 a barrel. This represents a return to growth after six years of declining production. The first quarter, which traditionally has the lowest output following the Christmas break in South Africa, is expected to be 1.04Moz at a total cash cost of \$675/oz to \$700/oz, assuming 7 rand to the dollar and oil at \$95 a barrel.

AngloGold Ashanti posted a reserve of 71.2Moz at the end of 2010, more than replacing its production during the year. The reserve was calculated at \$850/oz, considerably lower than the price used by the company's North American peers. Its resource calculated at US\$1,100/oz of 220Moz of gold was little changed from 2009.

*Excludes cost of accelerated hedge buy-back

Johannesburg

JSE SPONSOR: UBS Limited

ENDS