

CREDIT OPINION

19 April 2022

Update



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RATINGS

AngloGold Ashanti Limited

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

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 to credit analysis

Summary

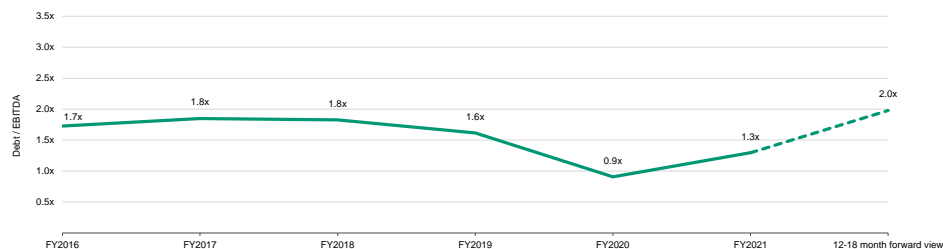
On 6 April 2022, we affirmed AngloGold Ashanti Limited's (AGA) Baa3 issuer rating and changed the outlook to stable from negative following the rating affirmation of South Africa's Ba2 government rating and change of outlook to stable from negative. AGA's Baa3 rating factors in AGA's scale as one of the largest gold producers globally, with a sizeable gold reserve base of 29.8 million ounces as of year-end December 2021 (FY2021) and 2.5 million ounces of attributable gold production. 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 weak credit quality is an important credit 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 increases as country ratings move lower. The Quebradona greenfield project in Colombia (Baa2 stable) will help to offset some of the exposure to weak sovereigns, but environmental licensing delays have added 18 to 24 months to the project timeline. The ratings also reflect AGA's exposure to a single commodity and earnings that are significantly sensitive to volatility in gold price.

The stable outlook on AGA's Baa3 issuer rating is in line with the stable outlook on the South Africa sovereign rating (Ba2 stable) given that the company has headquarters and domicile in South Africa which creates a degree of credit linkage in our view.

Exhibit 1

Leverage is projected to remain healthy even if gold prices fall



[1] Prior to 2018, the results include the now sold South Africa asset numbers. Moody's base case uses a \$1,500/oz sensitivity.

[2] Forecast represents Moody's forward view, not the view of the issuer.

Source: Moody's Investors Service

Credit strengths

- » Strong credit metrics and conservative financial policies
- » Geographic and asset diversification
- » Proactively managed liquidity profile

Credit challenges

- » Exposure to a number of countries with high political risk and weak 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 stable outlook is aligned with the stable 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 a 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) (CFO-dividends)/gross debt falls below 35%; or (3) its liquidity profile weakens materially.

Key indicators

Exhibit 2

Key Indicators

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	12-18 month forward view
Revenue	\$4.1	\$3.4	\$3.3	\$3.5	\$4.4	\$4.0	\$3.8
EBIT Margin %	11.5%	16.3%	15.8%	17.5%	32.9%	22.2%	11.9%
EBIT / Interest Expense	2.9x	3.9x	4.2x	5.5x	11.2x	9.2x	3.9x
Debt / EBITDA	1.7x	1.8x	1.8x	1.6x	0.9x	1.3x	2.0x
Debt / Book Capitalization	41.7%	44.0%	44.0%	43.1%	34.5%	32.5%	33.6%
(CFO - Dividends) / Debt	45.3%	35.2%	33.1%	39.8%	73.0%	47.0%	38.5%

[1] Prior to 2018, the results include the now sold South Africa asset numbers. All figures and ratios are calculated using Moody's estimates and standard adjustments.

[2] Forecast represents Moody's forward view, not the view of the issuer. Moody's base case uses a \$1,500/oz sensitivity.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

[3] EBIT for the purpose of EBIT margin calculation excludes equity accounted income.

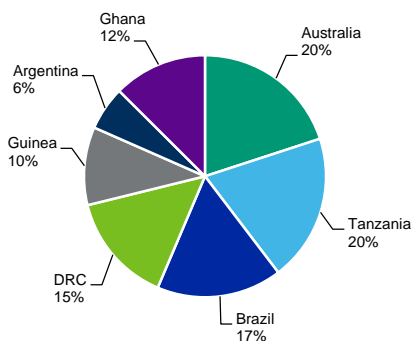
Source: Moody's Investors Service

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. The company reported attributable gold production of 2.5 million ounces and consolidated revenues of \$4.0 billion for the year ended in December 2021 (FY2021). AngloGold has a primary listing on the Johannesburg Stock Exchange.

Exhibit 3

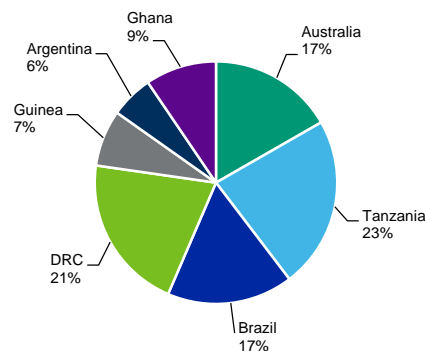
**Attributable gold production by country
FY2021**



Sources: AngloGold Supplementary Report, Moody's Investors Service

Exhibit 4

**Attributable EBITDA by geography
FY2021**



[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

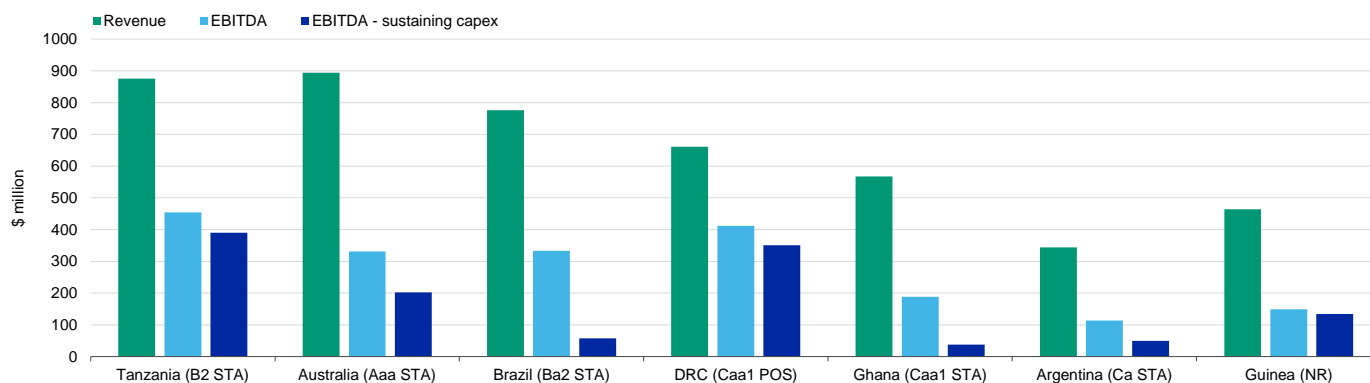
AngloGold's credit profile is underpinned by a sizeable and geographically diverse reserve base, which includes 29.8 Moz of proven and probable gold ore reserves. A number of its mines are of high quality and are long-life production assets. The mine portfolio's average reserve life is about 12 years, based on FY2021 reserves divided by annual production.

AGA is geographically and operationally well diversified with no single operation or country generating more than 20% of gold production in FY2021. 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 FY2021



[1] On attributable basis; 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 the sale of its interest in the Morila and Sadiola mines. The Cerro Vanguardia mine in Argentina as it stands currently has been left in the portfolio. Operations will still remain diverse and looking out over the medium term, AGA is in early development stage on two greenfield projects in [Colombia](#) (Baa2 stable), namely the Gramalote and Quebradona projects. Gramalote is under feasibility study while Quebradona has been delayed by 18-24 months as a result of delays in receiving environmental license approval.

AngloGold's financial profile is well 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 a key credit 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 downgrade of Ghana to Caa1 stable from B3 negative in February 2022. About half of total production is 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 is 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 11 Apr. 2022	Notches of rating movement
South Africa (domicile)	Baa1 Negative	Ba2 Stable	-4
Tanzania	B1 Negative	B2 Stable	-1
Australia	Aaa Stable	Aaa Stable	0
Brazil	Baa2 Stable	Ba2 Stable	-3
DRC	B3 Stable	Caa1 Positive	-1
Ghana	B1 Negative	Caa1 Stable	-3
Argentina	B3 Negative	Ca Stable	-4
Guinea	Not rated	Not rated	n/a

[1] Tanzania was first assigned a rating in March 2018 at B1 negative.

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 increases as the ratings of these countries move into the low single-B or Caa category and this heightens uncertainty on government behaviour.

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. Challenges in upstreaming cash because of capital controls is most visible in DRC and Argentina while there is outstanding recoverable VAT in Tanzania. The company tends to centralize its cash at AGAH which is domiciled in the [United Kingdom](#) (Aa3 stable).

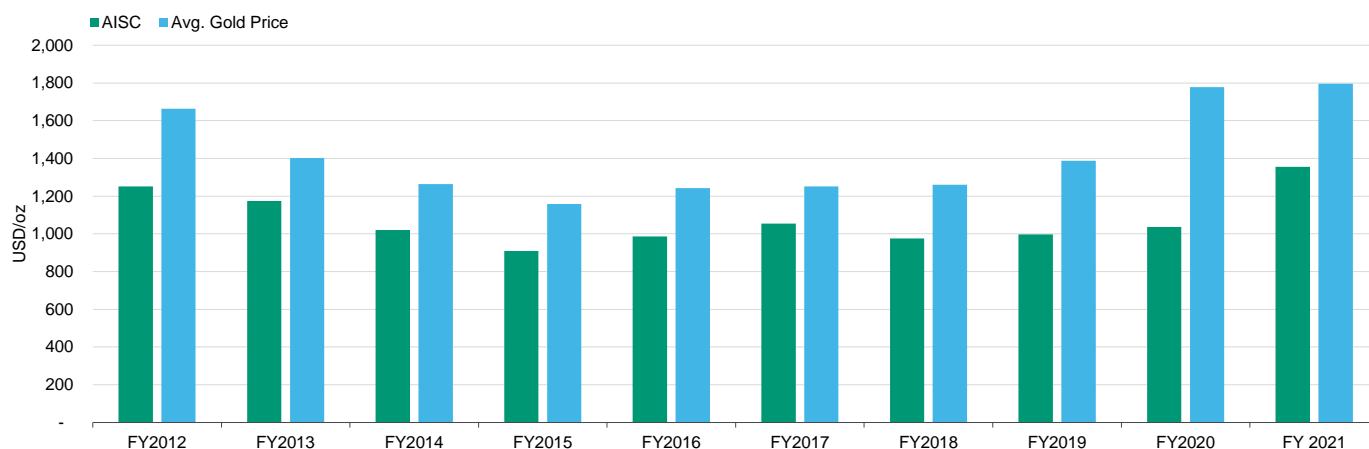
Some degree of credit linkage to South Africa because it is the country of domicile

AngloGold has limited credit linkages to the South Africa sovereign, especially since the company has sold its last mining assets in the country in 2020. 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. More recently however, AISC has temporarily increased because of a combination of factors including higher expenditure as AGA undertakes reinvestment in several key mines as well as costs associated with tailings dam compliance in Brazil. The company in H2 2021 announced that it is looking to simplify its organizational structure and this could introduce some cost savings over time.

Exhibit 7

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

[1] Prior to 2018, AISC includes the now sold South Africa assets.
Source: Company reports

The company in its FY2021 financial disclosures estimates that a 10% depreciation in its operations local currency would result in a \$56/oz AISC reduction (based on \$1,650/oz gold assumption). The same would be true for an appreciation, which would lead to the same proportionate increase in costs. Inflationary pressures are also impacting the industry currently, driven by higher costs for fuel, labour, steel, freight and logistics.

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 keeping net debt levels low 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 of 0.42x for FY2021. 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 ASHANTI LIMITED's ESG Credit Impact Score is Moderately Negative (CIS-3)**

Exhibit 8

ESG Credit Impact Score**CIS-3****Moderately Negative**

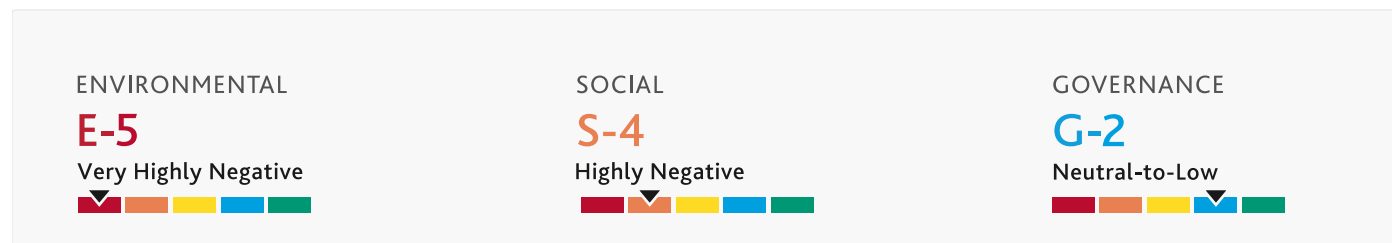
For an issuer scored CIS-3 (Moderately Negative), its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-2.

Source: Moody's Investors Service

AngloGold's ESG Credit Impact Score is moderately negative (CIS-3), reflecting the high exposure to environmental and social risks balanced by good governance and prudent risk management practices including a track record of maintaining low leverage and healthy liquidity.

Exhibit 9

ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

AngloGold has a very highly negative exposure to environmental risk (E-5 IPS), mainly related to natural capital and waste and pollution risks. Mining operations have significant impact on land and water resources and extracting gold from ore requires the use of toxic chemicals and maintaining tailings facilities to store hazardous waste material.

Social

Exposure to social risks is highly negative (S-4 IPS), with high exposure to health and safety risks. Mining is a high risk profession and while the company over the years has focussed on improving its safety performance, there have been fatalities over the past ten years with the exception of 2019. More than 90% of employees are part of trade unions and while some mines have faced temporary union strikes, the risk of large strikes is mitigated as a result of a diversified mine portfolio across various countries and strong emphasis on supporting host communities.

Governance

The G-2 IPS score reflects the company's disciplined financial strategy and risk management, strong balance sheet and solid liquidity which helps to mitigate some of the risks associated with operating in a number of high risk jurisdictions and managing organizational complexity given the sizeable mine portfolio.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

AngloGold has strong liquidity. As of December 2021, the company had an unrestricted cash balance of approximately \$1.1 billion and a largely undrawn \$1.4 billion multi-currency revolving credit facility (RCF). These liquidity sources along with positive free cash flow more than cover cash uses over the next 12-18 months including forecasted capex of about \$1.1 billion in FY2022. There are no large debt maturities in the near term. Liquidity will be further bolstered should AGA receive its share of cash balances held at the Kibali JV, which amounts to about \$500 million and is not reported as part of the group consolidated cash balances.

There is also ample headroom in debt covenants, with the company's reported net debt/EBITDA of 0.42x as at 31 December 2021 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 10

Rating Factors

AngloGold Ashanti Limited

Mining Industry Scorecard [1][2]

	Current FY 12/31/2021		Moody's 12-18 Month Forward View As of 4/14/2022 [3]	
Factor	Measure	Score	Measure	Score
Factor 1 : Scale (20%)				
a) Revenues (USD Billion)	\$4.0	B	\$3.8	B
Factor 2 : Business Profile (25%)				
a) Business Profile	Baa	Baa	Baa	Baa
Factor 3 : Profitability and Efficiency (10%)				
a) EBIT Margin (EBIT / Revenue)	22.2%	A	11.9%	Ba
Factor 4 : Leverage and Coverage (30%)				
a) EBIT / Interest Expense	9.2x	A	3.9x	Ba
b) Debt / EBITDA	1.3x	A	2.0x	Baa
c) Debt / Total Capital	32.5%	A	33.6%	A
d) (CFO - Dividends) / Debt	47.0%	A	38.5%	Baa
Factor 5 : Financial Policy (15%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa2		Ba1
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 12/31/2021

[3] This represents Moody's forward view, and assumes a \$1,500/oz sensitivity. 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 equity accounted income.

Source: Moody's Financial Metrics

Appendix

Exhibit 11

Moody's-adjusted Debt Breakdown

(in USD Millions)	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21
As Reported Debt	2,178	2,268	2,050	2,204	2,084	2,094
Pensions	7	8	7	7	6	6
Operating Leases	141	135	306	0	0	0
Moody's-Adjusted Debt	2,326	2,411	2,363	2,211	2,090	2,100

[1] All figures are calculated using Moody's estimates and standard adjustments.

[2] Periods are Financial Year-End unless indicated. LTM = Last Twelve Months.

Source: Moody's Financial Metrics

Exhibit 12

Moody's-adjusted EBITDA Breakdown

(in USD Millions)	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21
As Reported EBITDA	1,278	1,175	1,171	1,374	2,336	1,551
Pensions	10	10	9	8	7	6
Operating Leases	47	45	102	0	0	0
Interest Expense – Discounting	-22	-16	-28	-29	-39	-6
Unusual	34	90	39	14	0	70
Moody's-Adjusted EBITDA	1,347	1,304	1,293	1,367	2,304	1,621

[1] All figures are calculated using Moody's estimates and standard adjustments.

Source: Moody's Financial Metrics

Exhibit 13

Peers comparison

(in USD millions)	AngloGold Ashanti Limited			Gold Fields Limited			Kinross Gold Corporation		
	Baa3 Stable			Baa3 Stable			Baa3 Stable		
	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-19	FYE Dec-20	FYE Dec-21
Revenue	\$3,525	\$4,427	\$4,029	\$2,967	\$3,892	\$4,195	\$3,497	\$4,213	\$3,729
EBITDA	\$1,367	\$2,304	\$1,621	\$1,039	\$1,903	\$2,070	\$1,322	\$2,080	\$1,230
Total Debt	\$2,211	\$2,090	\$2,100	\$2,179	\$1,956	\$1,494	\$1,902	\$1,999	\$1,685
EBIT Margin	17.5%	32.9%	22.2%	14.5%	31.9%	32.1%	16.9%	29.4%	10.4%
EBIT/Avg. Tang. Assets	11.6%	24.3%	14.9%	6.9%	17.8%	18.2%	7.0%	12.6%	3.7%
EBIT / Int. Exp.	5.5x	11.2x	9.2x	3.2x	9.7x	13.0x	4.8x	8.9x	3.2x
Debt / EBITDA	1.6x	0.9x	1.3x	2.1x	1.0x	0.7x	1.4x	1.0x	1.4x
Total Debt/Capital	43.1%	34.5%	32.5%	39.8%	31.2%	24.4%	25.4%	22.0%	19.3%
(CFO - Dividends) / Debt	39.8%	73.0%	47.0%	39.0%	56.8%	82.4%	59.1%	88.4%	52.8%

[1] All figures & ratios calculated using Moody's estimates & standard adjustments.

[2] FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.

Source: Moody's Financial Metrics

Ratings

Exhibit 14

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

Source: Moody's Investors Service

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