ANGLOGOLD ASHANTI LTD
Form 6-K
May 05, 2006

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

Report on Form 6-K dated May 5, 2006
Commission File Number 1-14846
AngloGold Ashanti Limited
(Translation of registrant's name into English)
11 Diagonal Street
Johannesburg, 2001
(P.O. Box 62117, Marshalltown, 2107)
South Africa
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F X Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):
Yes No X
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):
Yes No X
Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.
Yes No X

Enclosure: Press release – ANGLOGOLD ASHANTI REPORT FOR THE QUARTER ENDED
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MARCH 2006 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL ACCOUNTING STANDARDS

Quarter 1 2006
Report
for the quarter ended 31 March 2006
Group results for the quarter…

- Adjusted headline earnings up 110% to $86m.
- Price received up 14% or $69/oz to $545/oz.
- Gold production down 10% to 1.34Moz, due to lower grades and fewer production shifts in South Africa, both of which were anticipated.
- Total cash costs up 11% to $308/oz, as a result of strong local operating currencies and lower gold produced but some 4% below the company's mid-quarter guidance.

Quarter
Year
Quarter
Year
ended
Mar
2006
ended
Dec
2005
ended
Mar
2005
ended
Dec
2005
ended
Mar
2006
ended
Dec
2005
ended
Mar
2005
ended
Dec
2005
SA rand / Metric
US dollar / Imperial
Operating review
Gold
Produced
- kg / oz (000)
41,667
46,460 48,808 191,783
1,340
1,494
1,569
6,166
Price received

1
- R/kg / $/oz
107,903
99,780 82,152 89,819
545
476
424
439
Total cash costs
- R/kg / $/oz
60,815
58,367 54,778 57,465
308
278
284
281
Total production costs
- R/kg / $/oz
82,079
82,873 70,639 76,495
416
395
366 374
Financial review
Gross (loss) profit
- R / $ million
(318)
(340)
255 1,088
(61)
(57) 57 183
Gross profit adjusted
for the effect of unrealised non-
hedge derivatives
2
- R / $ million
1,248
870 676
2,988
202
134
112
469
(Loss) profit attributable to equity
shareholders
- R / $ million
(1,074)
(1,463)
50 (1,262)
(185)
(227) 22

(183)
Headline (loss) earnings[3]
- R / $ million
(1,067)
(1,097)
103 (723)
(184)
(171) 31 (98)
Headline earnings before unrealised
non-hedge derivatives, fair value
gain (loss) on convertible bond
and interest rate swaps
4
- R / $ million
530
250 368
1,265
86
41
61
200
Capital expenditure
- R / $ million
961
1,283 864
4,600
156
197
144
722
(Loss) earnings per ordinary share - cents/share
Basic
(405)
(552)
19 (477)
(70)
(86) 8
(69)
Diluted
(405)
(552)
19 (477)
(70)
(86) 8
(69)
Headline[3]
(403)
(414)
39 (273)
(69)
(65) 12 (37)

Headline earnings before unrealised
non-hedge derivatives, fair value
gain (loss) on convertible bond
and interest rate swaps
4
- cents/share
200
94 139 478
32
15
23
76
Dividends -
cents/share
62
232
10
36

Notes:

1.
Price received includes realised non-hedge derivatives.
2.
Refer to note 8 of Notes for the definition.
3.
Refer to note 6 of Notes for the definition.
4.
Refer to note 7 of Notes for the definition.

$ represents US dollar, unless otherwise stated.
Rounding of figures may result in computational discrepancies.

Operations **at a glance**
for the quarter ended 31 March 2006
Price received
1
Production
Total cash costs
Cash gross profit
(loss)
2
Gross profit (loss)
adjusted for the
effect of
unrealised non-
hedge derivatives
3
$/oz
%
Variance
4
oz (000)
%
Variance
4
$/oz
%
Variance
4
$m
%
Variance
4
$m
%
Variance
4
Great Noligwa
577
18
161
(5)
263
10
49
17
36
44
Mponeng
579
19
137
(4)

261
6
45
41
32
28
TauTona
575
18
110
(14)
294
19
31
7
18
38
Sunrise Dam
598
16
91
(1)
281
22
28
100
22
214
Kopanang
576
18
104
(12)
325
24
26
4
19
6
Obuasi
532
16
99
(1)
349
(2)
18
100
1
120
Morila

5
560
16
54
(7)
262
15
16
14
11
38
Cerro Vanguardia
5
454
5
52
2
186
8
15
7
8
(11)
AngloGold Ashanti Mineração
457
1
49
(26)
188
(1)
14
(7)
11
(8)
Yatela
5
555
14
33
6
222
7
12
50
10
67
Siguiri
5
529
15
57

(8)
379
11
11
38
4
300
Geita
555
10
84
(30)
368
13
10
25
2
(71)
Cripple Creek & Victor
370
(7)
64
(25)
246
3
10
(23)
2
(50)
Sadiola
5
553
14
42
(2)
271
(5)
10
–
9
29
Navachab
553
15
22
–
227
(12)
7
(42)
5

(29)
Iduapriem
5
530
16
43
(2)
362
(9)
7
800
2
140
Serra Grande
5
453
(5)
24
–
187
7
6
(25)
5
(17)
Savuka
572
17
21
(16)
363
22
4
300
4
300
Bibiani
555
18
15
(40)
281
(16)
4
200
2
133
Tau Lekoa
572
17
46

(25)
518
17
1
(67)
(5)
–
Moab Khotsong
583
–
9
–
848
–
(2)
–
(7)
–
Other
21
(19)
20
186
11
1,200
AngloGold Ashanti
545
14
1,340
(10)
308
11
342
28
202
51
1
Price received includes realised non-hedge derivatives.
2
Cash gross profit is gross profit (loss) adjusted for the effect of unrealised non-hedge derivatives plus amortisation of tangible and intangible assets,
less non-cash revenues.
3
Refer to note 8 of Notes for the definition.
4
Variance March 2006 quarter on December 2005 quarter – increase (decrease).
5 Attributable.
Rounding of figures may result in computational discrepancies.

Financial and **operating review**

OVERVIEW FOR THE QUARTER

Strong participation in the gold price rally, with the price received $69/oz higher than that of the previous quarter and only 2% lower than the average spot price, resulted in a much improved financial performance for the first quarter of 2006, lifting adjusted headline earnings 110% to $86m. Operationally, production was lower by 10% to 1.34Moz, with total cash costs of $308/oz, some 4% below the company's mid-quarter guidance.

In South Africa, production declined 9%, with TauTona and Kopanang reporting respective decreases of 18,000oz and 14,000oz, due to lower volumes mined. More generally, the region was affected by the reduced number of production shifts associated with the normal year-end breaks, in addition to planned production declines at Tau Lekoa and Savuka, as these operations are restructured to improve profitability going forward. Mponeng had an excellent quarter, with gold production only slightly down quarter-on-quarter notwithstanding the December break, and total cash costs exceptionally well-contained at R51,487/kg ($261/oz).

Additionally, Moab Khotsong entered into commercial production this quarter, reporting the low volumes and high total cash costs inherent to the planned slow build-up in volume mined. Although Moab's production is expected to increase by approximately 80% over the next twelve months, with costs declining accordingly, total cash costs for the South African operations as a whole rose to R61,747/kg ($313/oz) this quarter, in part as a result of Moab's commencement.

The other African assets reported mixed operational results, with stable production and lower cash costs at Obuasi and Iduapriem in Ghana, as well as Sadiola in Mali. As reported in the guidance update earlier in the first quarter, however, Geita was negatively affected by countrywide drought and subsequent heavy rains in Tanzania, which resulted in the operation's 30% production decline over that of the prior quarter and 13% increase in total cash costs to $368/oz.

Regarding the international operations, strong local currencies continued to put pressure on total cash costs at the South American operations, with both Cerro Vanguardia in Argentina and Serra Grande in Brazil reporting 8% increases, in spite of steady production.

In Australia, Sunrise Dam also reported stable production, although total cash costs rose 22%, returning to normal levels of $281/oz after a once-off stockpile adjustment substantially reduced costs in the fourth quarter of last year.
Cripple Creek & Victor, in the US, reported a 25% decline in production as a result of lower-than-expected grades.
Looking ahead, production for the second quarter is estimated to be 1.483Moz at an average total cash cost of $299/oz, assuming the following exchange rates: R/$6.22, A$/$0.72, BRL/$2.19 and Argentinean peso/$3.05. Capital expenditure is estimated at $230m and will be managed in line with profitability and cash flow.
In late March, AngloGold Ashanti announced the launching of an equity offering. This offering was successfully completed on 20 April 2006 and resulted in the issue of 9,970,732 new ordinary shares, along with the simultaneous sale of 19,685,170 AngloGold Ashanti shares held by Anglo American plc. The combined offering was priced at $51.25 per ADS and ZAR315.19 per ordinary share (a 1% discount to the weighted average traded price of the securities on the JSE over the 30 days prior to pricing). Net proceeds of the primary offering approximated $495m, which will result in a reduced net debt position of approximately $1.2bn. The Anglo American plc holding in AngloGold Ashanti has now reduced to 41.8%.

OPERATING RESULTS FOR THE QUARTER

SOUTH AFRICA

At **Great Noligwa,** volume mined declined 4% this quarter in line with a planned reduction following the December break. Tons milled consequently declined 5% and production also decreased 5% to 5,013kg (161,000oz). Total cash costs increased 3% to R52,022/kg ($263/oz) as a result, although a continued focus on cost saving interventions helped to partially offset the effect of lower production. Gross profit adjusted for the effect of unrealised non-hedge derivatives increased by 36% to R223m ($36m), primarily as a result of a higher price received.

The Lost-Time Injury Frequency Rate (LTIFR) was 10.60 lost-time injuries per million hours worked (9.59 for the previous quarter). Two employees regrettably lost their lives in rolling rock and fall of ground accidents, respectively.

At **Kopanang,** a planned 7% decline in volume mined, together with a 6% reduction in yield due to an ore dilution problem that is currently being addressed, resulted in a 12% production decrease to 3,220kg (104,000oz). Total cash costs consequently increased 16% to R64,220/kg ($325/oz). Gross profit adjusted for the effect of unrealised non-hedge derivatives, at R117m ($19m), was stable quarter-on-quarter, as an improved price received offset the effects of lower production and higher total cash costs.

The LTIFR was 15.45 (10.91). The mine achieved 1.5 million fatality-free shifts on 16 March 2006.

Moab Khotsong entered into commercial production on 1 January 2006 and for the quarter reported 292kg (9,000oz), with total cash costs of R167,406/kg ($848/oz). Gross loss adjusted for the effect of unrealised non-hedge derivatives amounted to R40m ($7m).

As a new production unit, Moab Khotsong is currently mining low volumes within the context of a relatively high fixed cost structure. As previously reported, production is expected to increase by approximately 80% in 2007 and total cash costs are anticipated to decline accordingly.

The LTIFR was 17.61 (10.32). Regrettably, one employee died in a rock-fall.

At **Tau Lekoa,** the restructuring plan to return the operation to profit-generating status highlighted last quarter is well underway. Accordingly, volume mined decreased 21% over the quarter in line with the strategic decision to downscale production, which declined 24% to 1,438kg (46,000oz). Total cash costs increased 10% to R102,270/kg ($518/oz). Gross loss adjusted for the effect of unrealised non-hedge derivatives increased to R32m ($5m), as a higher price received more than offset the effect of lower volume mined.

The LTIFR was 19.08 (22.33).

At **Mponeng**, gold production declined 4% to 4,269kg (137,000oz), driven by a 10% decrease in stoping volumes following an anticipated slow start-up after the December break. Despite lower production, total cash costs, at R51,487/kg ($261/oz), were on par with those of the previous quarter due to the continued implementation of cost-savings initiatives. Gross profit adjusted for the effect of unrealised non-hedge derivatives increased 22% to R198m ($32m), as a consequence of a significantly higher price received.

The LTIFR was 7.53 (13.98). Regrettably, one employee died in a seismic fall of ground incident.

Although **Savuka** entered into orderly closure mode as indicated at the end of 2005, given the strength of the current gold price, the operation returned to double-shift mining over the quarter with the intention of maintaining production to December 2006. Production decreased 15% quarter-on-quarter to 653kg (21,000oz) due to a 20% yield decline, while total cash costs rose 15% to R71,772/kg ($363/oz). Gross profit adjusted for the effect of unrealised non-hedge derivatives was R23m ($4m), up from a profit of R7m ($1m) in the previous quarter, mainly as a result of the downscaling associated with the single shift operation, and to an improved price received.

The LTIFR was 15.32 (18.28).

At **TauTona**, volume mined declined 11% after seismicity concerns led to decreases in face advance and panels mined. Consequently, production fell by 14% to 3,413kg (110,000oz) and total cash costs increased 11% to R57,978/kg ($294/oz), although an improved cost-saving performance helped to partially offset the effect of lower production. Gross profit adjusted for the effect of unrealised non-hedge derivatives nevertheless improved 29% to R110m ($18m), due to an improved price received.

The LTIFR was 14.99 (11.60). Regrettably, five employees were killed in two separate seismic fall-of-ground incidents.

ARGENTINA

At **Cerro Vanguardia** (92.5% attributable), gold production increased 2% to 52,000oz, primarily as a consequence of higher feed grade this quarter. Total cash costs rose 8% to $186/oz, mainly due to higher inflation and higher royalties. Gross profit adjusted for the effect of unrealised non-hedge derivatives, at $8m, was 11% lower than that of the previous quarter, principally as a consequence of higher cash and amortisation costs, partially offset by a higher price received.

The LTIFR was 0.00 (4.04).

AUSTRALIA

Production at **Sunrise Dam** decreased 1% quarter-on-quarter to 91,000oz. Total cash costs returned to normal levels of A$380/oz ($281/oz), after a once-off ore stockpile adjustment in the previous quarter considerably reduced total cash costs to A$310/oz. Gross profit adjusted for the effect of unrealised non-hedge derivatives increased significantly to A$29m ($22m), mainly due to an improved price received.

Open-pit mining continued this quarter in the lower-grade Sunrise Shear Zone, where it will remain until the GQ Lode is accessed, which should result in a significant production increase in the fourth quarter of 2006. The underground project, where development inclines and mining are currently accessing higher-grade ore, continues to supplement production. During the quarter, 809m of underground capital development and 399m of operational development were completed.

The LTIFR was 0.00 (4.84).

BRAZIL

At **AngloGold Ashanti Mineração**, gold production decreased 26% to 49,000oz as planned, due to a production halt while the shaft and crusher at Cuiabá mine were upgraded as part of the deepening project underway at the operation. Total cash costs, at $188/oz, were slightly lower than those of the previous quarter. Gross profit adjusted for the effect of unrealised non-hedge derivatives declined 8% to $11m as a consequence of lower gold produced, partially offset by higher price received.

The LTIFR was 2.12 (4.41).

At **Serra Grande** (50% attributable), gold production was maintained at last quarter’s level of 24,000oz. Total cash costs, at $187/oz, rose 7% as a result of slightly lower grades and the continued appreciation of the Brazilian real. As a result, gross profit adjusted for the effect of unrealised non-hedge derivatives, at $5m, declined 17% quarter-on-quarter.

The LTIFR was 2.38 (4.87).

GHANA

At **Bibiani**, production declined 40% to 15,000oz, in line with the forecast downscale to a tailings-only operation. Total cash costs improved 16% to $281/oz due to the elimination of costs directly associated with mining activity, which more than offset the effect of the lower tailings grades. Gross profit adjusted for the effect of unrealised non-hedge derivatives increased to $2m from a loss of $6m last quarter, driven by a rehabilitation adjustment in the previous quarter and a higher price received in the first quarter of 2006.

The LTIFR was 0.00 (0.00).

At **Iduapriem** (85% attributable), production declined marginally to 43,000oz as a result of an 8% decrease in tonnage treated after an ore conveyor belt breakdown. This problem is being resolved.

Yield improved 7% as mining moved back into higher-grade areas after a temporary move in the last quarter to a lower-grade zone, a recommendation from the previously reported mine-to-mill study. Total cash costs improved 9% to $362/oz, primarily as a consequence of the higher grade, while gross profit adjusted for the effect of unrealised non-hedge derivatives improved to $2m from a loss of $5m last quarter, mainly due to an improved price received.

Gold production at **Obuasi** declined marginally to 99,000oz this quarter, mainly due to a 6% underground yield decrease resulting from the treatment of lower-grade ore. However, improved processing availability led to a 12% increase in tonnage treated, which offset the effect of the lower yield and total cash costs consequently improved 2% to $349/oz. Gross profit adjusted for the effect of unrealised non-hedge derivatives was $1m, compared with a $5m loss in the previous quarter.

The LTIFR was 2.02 (2.28). Two employees regrettably lost their lives this quarter.

REPUBLIC OF GUINEA

At **Siguiri** (85% attributable), production declined 8% to 57,000oz primarily due to a problem with the ball mill, which should be resolved during the second quarter. Tonnage treated continued to improve as a result of a better plant performance, although yield for the quarter fell 10%. Lower grades and production drove total cash costs up 11% to $379/oz, although gross profit adjusted for the effect of unrealised non-hedge derivatives improved significantly to $4m, primarily as a consequence of an increased price received, which more than offset the effect of the higher total cash costs.

LTIFR was 1.30 (0.00).

MALI

At **Morila** (40% attributable), increased tonnage throughput helped to offset an anticipated decline in recovered grade, although production decreased 7% to 54,000oz. Total cash costs, at $262/oz, rose 15% as a result of the grade-driven production decline, although gross profit adjusted for the effect of unrealised non-hedge derivatives nevertheless increased by 38% to $11m, as an improved price received more than offset the effect of lower production.

The LTIFR was 1.15 (3.52).

At **Sadiola** (38% attributable), gold production decreased marginally to 42,000oz due to the combination of fewer scheduled milling shifts and a slime dump pipeline problem, which together resulted in a tonnage throughput decline. The tailings pipeline will be replaced during the year. Higher recovered grade partially offset the effect of lower throughput, however, resulting in a 5% decline in total cash costs to $271/oz, while gross profit adjusted for the effect of unrealised non-hedge derivatives, at $9m, was 29% higher than that of the previous quarter, as the better price received offset the effect of lower production.

The LTIFR was 2.07 (1.03).

At **Yatela** (40% attributable), production increased 6% to 33,000oz, primarily due to improved grade. Total cash costs, however, were 7% higher at $222/oz, as a result of the change from top lift stacking during the previous quarter to bottom lift stacking, which requires increased cement consumption in order to maintain the stability of the pad. Higher production and a significantly improved price received more than offset the increase in total cash costs, leading to a 67% increase to $10m in gross profit adjusted for the effect of unrealised non-hedge derivatives.

The LTIFR was 0.00 (3.77).

NAMIBIA

Gold production at **Navachab,** at 22,000oz, was consistent with that of the previous quarter, after increased tonnage throughput offset a decrease in recovered grade. Total cash costs improved 12% to $227/oz, due to a credit stockpile adjustment. Gross profit adjusted for the effect of unrealised non-hedge derivatives declined 29% to $5m, as profit recorded for the previous quarter included a non-recurring deferred stripping credit.

The LTIFR was 0.00 (0.00).

TANZANIA

As highlighted during the quarter, production at **Geita** declined 30% due to a 27% reduction in tonnage throughput after drought conditions in Tanzania reduced water supply to the processing plant. Subsequent heavy rains resulted in hauling constraints from the satellite pits to the plant, further affecting throughput, and total cash costs consequently increased 13% to $368/oz. The consequence of heavy rains, combined with being behind schedule on the Nyankanga cut-back, will further reduce production at Geita next quarter. Gross profit adjusted for the effect of unrealised non-hedge derivatives declined by 71% to $2m, as a result of the lower production and higher cash costs.

The LTIFR was 0.40 (0.81).

USA

At **Cripple Creek & Victor** (67% ownership with 100% interest in production until initial loans are repaid), gold production declined 25% as forecast earlier in the quarter to 64,000oz, due to reduced grades placed on the heap leach. Total cash costs rose 3% to $246/oz, primarily as a result of the lower production and increases in both commodity application rates and ore tonnage movement.

Gross profit adjusted for the effect of unrealised non-hedge derivatives, at $2m, declined by $2m quarter-on-quarter as a consequence of the reduced production and lower price received.

The LTIFR was 0.00 (0.00). In March, CC&V achieved 28 months without a lost-time accident.

Notes:

All references to price received includes realised non-hedge derivatives.

In the case of joint venture operations, all production and financial results are attributable to AngloGold Ashanti.

Rounding of figures may result in computational discrepancies.

Adjusted headline earnings is headline earnings before unrealised non-hedge derivatives, fair value gain (loss) on convertible bond and interest rate swaps and deferred tax thereon.

Review of the **gold market**

Since the beginning of 2006, the gold price has moved strongly higher to a new twenty-five year high. The price direction has been almost continuously upward since late 2005.

The average price for the quarter of $554/oz was $69/oz or 14% higher than the average price of $485/oz in the final quarter of 2005. Since the end of the quarter, the price has broken strongly through $600/oz, a price level not seen since December 1980, and currently trades above $660/oz. The momentum of price rises seen in the final quarter of last year has hardly abated, with the price of gold up by almost $160/oz since the beginning of 2006. The full benefit of this price increase was reduced for South Africa producers by the local currency which strengthened by 6% against the US dollar quarter-on-quarter. Nevertheless, the average price of R108,955/kg for the period under review was 8% better than the average of R101,950/kg in the final quarter of 2005. Since the end of the quarter, the local price has risen above R130,000/kg. In Australia, a weaker local currency for much of the quarter assisted with received prices for the period, although the Australian dollar has strengthened since the end of the quarter.

GOLD

As noted above, momentum in the gold price continues, and the gold market seems set for a sustained positive cycle.

Besides favourable circumstances particular to gold, the metal was most certainly buoyed by continued investment flows in to commodities in general. This is reflected in part in the high price correlation in the second-half of 2005 between gold and other metals, including zinc, silver, lead and copper. Investor interest in commodities is reflected in the continued growth in several major commodity funds, and this investment interest has translated into record spot prices in metals such as copper, supported by continued physical demand.

During the quarter under review, the price relationship between gold and silver has broken, to the extent that the silver price has risen significantly more sharply than even the favourable movement in gold. This move in silver has been driven by the anticipation amongst investors and speculators of the launch of an exchange traded fund in silver, which is likely to have a material positive impact on demand for silver, and a related favourable impact on the silver price. Whilst investment flows into gold exchange traded funds early in the quarter kept the gold price firm, trade in these gold funds was much quieter during the latter part of the quarter. This difference in the price behaviour in the first quarter does not necessarily imply a permanent disconnection between the two precious metals markets, and stronger prices for silver are likely to be helpful for gold.

The interruption in the correlation between the US dollar spot price of gold and the US dollar exchange rate against the euro has continued. Market commentators refer frequently to changes in the US dollar/euro exchange rate to justify movements in gold price, but it is difficult to sustain an argument for effective correlation between the markets. During the nine months since mid-2005, when the price behaviour of the two markets began to diverge, the gold price has moved strongly upwards by almost 60%, whilst the dollar has remained in a band of 6 - 7 cents or 5% against the euro.

Technical analysis of the gold price also remains strongly supportive of the market today. Not only is the positive momentum of gold price rise in recent years as yet unbroken, but the gold price has sustained its position above ever-increasing historic trading averages, and analysts and commentators predict prices well into the $600's/oz for the year ahead.

In addition, other factors remain favourable to gold. For all the sustained recovery in the US currency over the past year, currency market commentators continue to call for a weaker US dollar during the year ahead. Oil prices remain firm and rising, aided by on-going conflict in Iraq. The investment sector remains strong and official holders of gold continue to provide good news for the metal. The latest support from the official sector came with the announcement during the past quarter that the Bundesbank would not sell any gold during the current year of the second Washington Agreement. The German central bank has elected for the second year in a row to forego its right to sell gold as part of the annual tranche of up to 500t in terms of the second central bank agreement on gold sales, and it is unlikely now that the cumulative sales of gold by signatories to this agreement will reach either the permitted amount of 500t for this year, or the total projected sales of 2,500t for the five-year period to September 2009.

PHYSICAL MARKET

Entirely as one would expect, physical demand for gold during the final quarter of 2005 and the first quarter of 2006 has fallen in the face of sharply higher spot gold prices. This is particularly so in the jewellery sector and in those markets such as India where margins are low and retail prices are close to the underlying gold spot price.

In this regard, the annual gold demand figures for 2005 are misleading, insofar as they show an increase of 4% year-on-year for total fabrication demand, or some 125t of increased demand, with much of this coming from a 100t rise in jewellery demand globally. These figures combine a strongly higher offtake during the first half of 2005 with very substantially lower demand towards the end of 2005. This fall in demand has carried over into 2006, and physical offtake could be as much as 400t lower this year than it was in 2005, with global demand for gold in jewellery actually lower than annual mine production of gold.

Practically all demand for gold in respect of investment went into the wholesale market of exchange traded funds, commodities exchanges and over-the-counter purchases. Offtake of gold in both coin and bar was little changed in 2005.

Regarding supply, new mine production was up by 2% year-on-year, with a forecast that 2006 will see gold mine production up by a further 4%. A bigger positive impact on supply came in the fall of almost 300t in de-hedging by gold producers, from the total of 427t of gold hedge commitments taken back by producers in 2004, to a relatively modest total of 130t of hedge taken back in 2005. This is the lowest level of de-hedging by gold producers since this process commenced in 2000. The effect of, the fall in de-hedging increases the amount of gold sold by gold producers directly on the spot market.

Finally, just as jewellery demand has fallen in the face of higher spot prices, so scrap supplies of gold on to the market have increased significantly during the final quarter of 2005 and the first three months of 2006. Scrap sales of gold of 8Moz, or 259t in the final quarter of 2005 equate to an annual rate of supply from scrap of over 1,000t of gold, higher than at any time before.

CURRENCIES

The strength of the US dollar continues to confound all forecasts of the inevitable weakening of the US currency.

For over a year now, analysts have continued to call for a dollar back over $1.30 to the euro to reflect the budget deficit and more particularly the trade and current account deficit of the United States. Notwithstanding these forecasts, the exchange rate for the US currency against the euro has averaged $1.20 for the past nine months and has remained in a tight range of $1.18 - $1.23 to the European currency.

However, the likelihood of a weaker dollar must remain. The current account deficit of the United States grew throughout 2005 to a total of $762bn for the year, and the deficit is currently running at a trend in excess of $800bn for 2006. More importantly, with the end of the window period provided for in the Homeland Investment Act to the end of 2005, net foreign funds flows into the US faltered at the end of 2005 and have fallen below the amount of the trade deficit.

Notwithstanding the lack of correlation between the US dollar strength and the gold price strength during the past nine months, it is likely that any weakening in the US dollar during the year ahead will be beneficial to the US dollar spot price of gold.

The South African currency opened the year stronger, and this strength has been maintained. The rand closed the quarter at R6.17/$1 or 3% stronger than its opening exchange rate, and the currency was as strong as R5.93/$1 during the quarter. Notwithstanding slightly slower growth in the South African economy and an increased trade deficit, there is no reason why this strength should not be maintained further into the rest of the year, particularly if the expectations of a weaker US dollar later in 2006 are correct.

HEDGING

As at 31 March 2006, the net delta hedge position of AngloGold Ashanti was 11.23Moz or 349t, valued at the spot gold price at the end of the quarter of $582/oz. This net delta position reflects an increase of some 390,000oz or 12t in the net delta size of the AngloGold Ashanti hedge, compared with the position at the end of the previous quarter. This increase is due entirely to a higher delta in open options positions, valued against a quarter-end spot price which was higher by $65/oz than the closing spot price of $517/oz at the end of 2005.

The marked-to-market value of the hedge position as at 31 March 2006 was negative $2.707bn. Again, the increase in the negative value of the hedge was due entirely to the increase of the closing spot price by $65/oz quarter-on-quarter. Had the spot price of gold at the end of March 2006 remained unchanged from the price of $517/oz at the end of December, the hedge would have reduced in size to 10.34Moz or 322t, with a marked-to-market negative value of $2.02bn.

The price received by the company for the quarter was $545/oz, compared with an average spot price for the period of $554/oz. The company continues to manage its hedge positions actively, and to reduce overall levels of pricing commitments in respect of future gold production by the company.

Hedge position

As at 31 March 2006, the group had outstanding the following forward-pricing commitments against future production. The total net delta tonnage of the hedge of the company on this date was 11.23Moz or 349t (at 31 December 2005: 10.84Moz or 337t).

The marked-to-market value of all hedge transactions making up the hedge positions was a negative $2.707bn (negative R16.65bn) as at 31 March 2006 (as at 31 December 2005: negative $1.941bn or R12.24bn). This value at 31 March 2006 was based on a gold price of $582/oz, exchange rates of R/$6.150 and A$/$0.7148 and the prevailing market interest rates and volatilities at that date.

As at 4 May 2006, the marked-to-market value of the hedge book was a negative $3.633bn (negative R22.125bn), based on a gold price of $664.70 /oz and exchange rates of R/$6.09 and A$/$0.7660 and the prevailing market interest rates and volatilities at the time.

These marked-to-market valuations are not predictive of the future value of the hedge position, nor of future impact on the revenue of the company. The valuation represents the cost of buying all hedge contracts at the time of valuation, at market prices and rates available at the time.

Year
2006
2007
2008
2009
2010
2011-2015
Total
DOLLAR GOLD
Forward contracts
Amount (kg)
2,380
25,469
30,076
26,288
16,328
37,239
137,779
US$/oz
$365
$357
$365
$380

$382
$411
$381
Put options purchased
Amount (kg)
11,010
1,455
12,465
US$/oz
$345
$292
$339
Put options sold
Amount (kg)
14,460
855
1,882
1,882
7,527
26,606
US$/oz
$485
$390
$400
$410
$435
$457
Call options purchased
Amount (kg)
10,121
6,357
16,479
US$/oz
$358
$344
$353
Call options sold
Amount (kg)
27,287
32,544
32,904
31,194
28,054
76,068
228,052
US$/oz
$419
$387
$395
$418
$429

$506
$441
RAND GOLD
Forward contracts
Amount (kg)
2,449
933
3,382
Rand per kg
R97,520
R116,335
R102,711
Put options purchased
Amount (kg)
Rand per kg
Put options sold
Amount (kg)
3,266
3,266
Rand per kg
R100,515
R100,515
Call options purchased
Amount (kg)
Rand per kg
Call options sold
Amount (kg)
2,799
311
2,986
2,986
2,986
12,068
Rand per kg
R116,185
R108,123
R202,054
R216,522
R230,990
R190,454
A DOLLAR GOLD
Forward contracts
Amount (kg)
*622
6,843
2,177
3,390
3,110
14,899
A$ per oz
A$295

A$630
A$653
A$648
A$683
A$662
Put options purchased
Amount (kg)
8,709
8,709
A$ per oz
A$751
A$751
Put options sold
Amount (kg)
4,977
4,977
A$ per oz
A$732
A$732
Call options purchased
Amount (kg)
3,110
3,732
3,110
1,244
3,110
14,306
A$ per oz
A$673
A$668
A$680
A$694
A$712
A$683
Call options sold
Amount (kg)
11,819
11,819
A$ per oz
A$775
A$775
Delta (kg)
24,817
56,229
60,834
59,127
43,289
104,331
349,329
** Total net gold:
Delta

(oz)
797,884 1,830,372
1,955,856
1,900,974
1,391,772 3,354,315 11,231,172

* *Long position.*

** *The Delta of the hedge position indicated above is the equivalent gold position that would have the same marked-to-market sensitivity for a small change in the gold price. This is calculated using the Black-Scholes option formula with the ruling market prices, interest rates and volatilities as at 31 March 2006.*

Rounding of figures may result in computational discrepancies.

Year
2006
2007
2008
2009
2010
2011-2015
Total
DOLLAR SILVER
Forward contracts
Amount (kg)
$ per oz
Put options purchased
Amount (kg)
32,659
43,545
43,545
119,749
$ per oz
$7.11
$7.40
$7.66
$7.42
Put options sold
Amount (kg)
32,659
43,545
43,545
119,749
$ per oz
$6.02
$5.93
$6.19
$6.05
Call options purchased
Amount (kg)
$ per oz
Call options sold
Amount (kg)
32,659
43,545
43,545
119,749
$ per oz
$8.11
$8.40
$8.64
$8.41
The following table indicates the group's currency hedge position at 31 March 2006
Year
2006

2007
2008
2009
2010
2011-2015
Total
RAND DOLLAR (000)
Forward contracts
Amount ($)
64,937
64,937
US$/R
R6.26
R6.26
Put options purchased
Amount ($)
55,000
55,000
US$/R
R6.79
R6.79
Put options sold
Amount ($)
45,000
45,000
US$/R
R6.55
R6.55
Call options purchased
Amount ($)
US$/R
Call options sold
Amount ($)
95,000
95,000
US$/R
R6.80
R6.80
A DOLLAR (000)
Forward contracts
Amount ($)
29,260
29,260
A$/US$
A$0.74
A$0.74
Put options purchased
Amount ($)
60,000
60,000
A$/US$

A$0.73
A$0.73
Put options sold
Amount ($)
80,000
80,000
A$/US$
A$0.76
A$0.76
Call options purchased
Amount ($)
A$/US$
Call options sold
Amount ($)
80,000
80,000
A$/US$
A$0.72
A$0.72
BRAZILIAN REAL (000)
Forward contracts
Amount ($)
18,000
4,000
22,000
US$/BRL
BRL3.21
BRL3.31
BRL3.23
Put options purchased
Amount ($)
5,000
2,500
7,500
US$/BRL
BRL2.28
BRL2.30
BRL2.28
Put options sold
Amount ($)
5,000
2,500
7,500
US$/BRL
BRL2.13
BRL2.10
BRL2.12
Call options purchased
Amount ($)
US$/BRL
Call options sold

Amount ($)
20,000
2,500
22,500
US$/BRL
BRL3.07
BRL2.36
BRL2.99
Rounding of figures may result in computational discrepancies.

Exploration

Total exploration expenditure amounted to $18m ($12m expensed, $6m capitalised) during the first quarter, compared to $19m ($11m expensed, $8m capitalised) in the fourth quarter 2005.

BROWNFIELDS EXPLORATION

At Siguiri, in **Guinea,** drilling continued at the Kintinian prospect, supporting previous intersections as well as confirming north-west and south-east extensions. Drilling to further interrogate soil geochemical anomalies in the Sintroko area, located 5km south of the Kami pit, has also recorded promising intersections. Follow-up drilling at Foulata, located 35km west of the current Siguiri operations, remains encouraging.

At Geita, in **Tanzania**, drilling between the Ridge 8 and Star and Comet deposits (at Nyamulilima) has confirmed continuous mineralisation between these deposits. Drilling at Lone Cone South Extension indicates that the orebody extends westwards and that an additional ore zone exists between the South and Central orebodies. At Nyankanga South, drill intercepts have confirmed significant mineralisation as indicated by previous drilling.

Regional drilling on the Morila grant in **Mali** intersected encouraging results in diamond hole REG003, located approximately 1km south-west, along strike of the Morila orebody. Broad-spaced holes around this intersection have confirmed the presence of a low-grade sub-economic mineralised halo.

At Sadiola, oxide mineralisation exploration continued and encouraging results were obtained from FN3, indicating a potential southern extension of the orebody. Assay results testing the gap area between FE3S and FE4 are awaited. Further metallurgical testing is underway on the deep sulphides at Sadiola.

A high-resolution magnetic survey over the mining licence at Navachab in **Namibia** was completed and the interpretation is in progress. Follow-up drilling at Grid A West (Gecko Prospect) yielded positive results, which are also being evaluated. A third phase of drilling will commence shortly.

In **Brazil,** drilling at Córrego do Sítio remains concentrated on the Laranjeiras orebody and this quarter returned results of 13.92 g/t over 2.05m on the down-plunge. Two additional holes (10.28 g/t over 2.65m and 9.95 g/t over 2.25m) have indicated an additional, probable economic orebody south of Cachorro Bravo.

In March, Serra Grande acquired the mining rights to property adjacent to its current operations, permitting full access to the Palmeiras orebody, as well as to the potential upside in surrounding mineralised structures.

GREENFIELDS EXPLORATION

Activities continued in the first quarter in Australia, Alaska, China, Colombia, Russia and the DRC, with an expensed expenditure of $9m.

Exploration activities were concluded in **Mongolia** and the landholdings are in the process of being divested.

An agreement was concluded to acquire an effective 8.7% stake in Vancouver-based Dynasty Gold Corporation, which has exploration projects in **China**, through a $2m private placement. The proceeds will be used to fund exploration at two Dynasty projects, Red Valley and Wild Horse, both located in China's prospective Qilian metallogenic belt.

At the Kimin project in the **DRC,** drilling in the Adidi/D7 Kanga (Mongbwalu) sector continued to encounter significant gold intercepts, extending mineralisation westward.

In the **USA** in **Alaska,** drilling commenced at Lost Mine South to determine continuity and expansion potential, with initially encouraging results. Drilling is expected to commence at the Terra project in the third quarter of this year.

Exploration activities in **Colombia** continued to focus on regional reconnaissance, drill target definition, permitting and drill site preparation, with drilling currently in progress on three targets. Initial drill intercepts are encouraging.

In **Australia**, at the Tropicana JV, drilling continued at the Tropicana and Rusty Nail prospects, extending the strike extent at Tropicana to 1.3km. Significant new intersections include 21m at 2.0g/t from 50m, 42m at 3.27g/t from 35m, and 9m at 4.17g/t.

Group
operating results
Quarter
Quarter
Quarter
Year
Quarter
Quarter
Quarter
Year
ended
ended
ended
ended
ended
ended
ended
ended
March
December
March
December
March
December
March
December
2006
2005
2005
2005
2006
2005
2005
2005
Unaudited
Unaudited
Unaudited
Unaudited
Unaudited
Unaudited
Unaudited
Unaudited
Rand / Metric
Dollar / Imperial
OPERATING RESULTS
UNDERGROUND OPERATION
Milled
- 000 tonnes /
- 000 tons
3,236
3,513

3,386
13,806
3,567
3,873
3,733
15,219
Yield
- g / t
/
- oz / t
7.12
7.23
7.35
7.31
0.208
0.211
0.214