

# Letter from the Chairman and the Deputy Chairman

**A**ngloGold has been operating in its present form as an independently managed, listed company for three years. After two years of significant organisational reform, rapid growth and international diversification, 2000 was a year in which we continued to achieve our strategic diversification and market development goals. However, operating problems on some key South African mines had an impact on AngloGold's overall performance during the year.

In April 2000 management set out its plans to rectify these problems and undertook to close the operations or find buyers for them if our financial and operating standards could not be met. By the end of the year, the performance of the two most significant of these – Great Noligwa and TauTona, which together produce 42 per cent of the company's operating profit – had returned to the performance levels expected of them, with total costs of \$144 and \$172 per ounce respectively – well below many open-pit operations. Elandsrand persistently failed to deliver and was sold, together with Deelkraal. It is our firm conviction

## continuation of a high dividend policy

that immediate solutions to the problems which continue to plague Bambanani and Joel will be found. If they cannot be returned to profitability, they will be sold or closed.

Looking at the full year across the group, excellent performances by

# strategic diversification

operations in Mali, South America and Australia, ensured that the effects of the problems in South Africa were limited.

Gold production for 2000 increased by 5 per cent to 7.2 million ounces and operating profit increased by 6 per cent to R3.3 billion, although in dollar terms it reduced by 8 per cent to \$469 million, due to the rand's devaluation. Headline earnings were down 11 per cent to R1.77 billion mainly as a result of our focus on growing the business and the resultant increase in net interest paid.

We declared a final dividend for 2000 of R6.50 per share, giving an

annual dividend of R14.00 per share and a yield of 6.4 per cent at the prevailing share price at that time of R220. While this dividend is lower than it was in 1999, it represents a continuation of our policy of paying a high dividend as well as offering investors long-term value.

During the year, we continued to pursue all of our strategic objectives with vigour and success. AngloGold acquired substantial interests in Morila in Mali and Geita in Tanzania and mining at the new Yatela operation, also in Mali, began in December. This year production from the Africa region will grow from 366,000 to 809,000 attributable ounces at a cash cost of \$147 per ounce. In Australia the expansion of the Sunrise Dam pit is well under way and will increase production at this low cost operation by some 100,000 ounces per year. Together, these acquisitions and projects will contribute about 20 million ounces of gold at a cash cost of \$175 per ounce over the next 15 years.

However, simply increasing gold production, even at competitive costs, is not AngloGold's primary objective. Our focus remains on securing short- and long-term returns for our shareholders. There are a number of challenges facing us in achieving this goal.

The first challenge is to ensure that our existing operations

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perform to the full capacity of their underlying orebodies. This requires extracting the full value of the capital invested in them and the diligent management of operating and overhead costs. We have already committed ourselves to reducing overheads by 10 per cent and, in South Africa, to holding operating costs steady in rand terms during 2001. We will continue to act decisively where operations cannot meet these requirements over any significant period.

The gold price over the year was much the same as it was in 1999, although it has dipped during the first two months of 2001. While we remain confident in the future of the metal and its price, we take a realistically cautious view of the short-term price for business planning purposes. We are well aware that investor interest remains the primary determinant of the gold price, but it is also clear that a solid and growing physical market for the metal is a necessary foundation for the price in order for it to move upward when opportunities arise.

Our second challenge is therefore to increase the physical demand for our product and, simultaneously, to take full advantage of the opportunities that the gold market offers to extract value from the entire length of the jewellery production and sale chain and to pursue new industrial applications for the metal.

As the third challenge, we must actively pursue the simultaneous goals of finding new, low-cost production ounces and diversifying and lowering the company's risk profile. We have continued to diversify both geographically and by orebody type. A full 45 per cent

## focus remains on securing short- and long-term returns for shareholders

of our earnings before interest, tax, depreciation and amortisation in the fourth quarter of 2000 came from predominantly open-pit mines outside of South Africa.

In addition to these challenges, there are two additional concerns which we will continue to address during 2001. The first is the HIV/AIDS pandemic which is causing huge suffering throughout the southern and central African regions. On our operations we are confident that we have programmes in place to respond effectively to both the needs of individuals and the operational imperatives of the organisation.

The second concern relates to the South African draft Mineral Development Bill. The government has published for comment a draft Bill which aims to fundamentally revise mining law in South Africa. We support the restructuring of the regulation of mining to free the industry of its apartheid legacy and the right and duty of government to regulate the mining industry in the public interest. We strongly believe, however, that the proposed legal framework should not

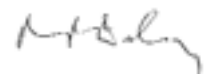
prejudice existing owners of mineral rights; with the receptive approach of the Minister of Minerals and Energy we are confident that an enabling legislative environment can be achieved.

As previously advised, Nicky Oppenheimer, who served as chairman of our board with energy and diligence since the company's inception, resigned from the post in December. We are grateful to him for his contribution to the company during its early years and we are pleased that he has agreed to continue to serve on the board as a non-executive member.



**Bobby Godsell**

Chairman and chief executive officer



**Russell Edey**

Deputy chairman

20 February 2001