



**August 3, 2000, Geita, Tanzania**

Your Excellency President Benjamin Mkapa, Honorable Ministers from Tanzania, Ghana and South Africa, Honourable Regional Commissioner, Chairman of Ashanti Goldfields Company, Chairman of AngloGold, Chief Executive of AngloGold, Distinguished Guests, Ladies and Gentlemen.

In 1996, Ashanti signalled its intention to become a major player in the global gold industry with the acquisition of Cluff Resources.

The acquisition brought two producing mines - Freda Rebecca in Zimbabwe and Ayanfuri in Ghana - and an exploration project called Geita. Soon after the acquisition, an Ashanti team led by myself visited this very site. At that time, Cluff had spent less than one million US Dollars in one-and-a-half years to delineate 400,000 ounces in inferred resources. This was achieved by a young couple, Hugh Stuart and Jan and a team of young Tanzanians, under the directorship of Peter Cowley, currently the Managing Director of our exploration wing. We walked the ground, looked around and were very excited.

But Mr. President, if anybody had told me at that time, that three years on, we would be witnessing the commissioning of the second largest gold mine in Africa outside South Africa, a modern staff village and one of the largest processing plants on the continent, even for me, an eternal optimist, that would have been incredible. This Mr. President, is the source of our excitement today.

After spending over US\$12 million on exploration costs, Ashanti has increased Geita's resource base from the original 300,000 ounces to over 12 million ounces and over 5 million ounces have been proved in reserves. It is on this solid foundation that this impressive mine has been built.

Mr. President, the project itself has been completed in record time and at a cost of US\$165 million. Ashanti now has ownership in three of the six largest mines in Africa outside of South Africa, namely; the Obuasi mine in Ghana; the 300,000 ounce per annum recently expanded Siguiri mine in Guinea, and now the 500,000 Geita mine here in Tanzania.

That Ashanti has been able to complete the project in 13 months and done so three months ahead of schedule, is nothing less than a miracle, particularly given the very distressing nine months that Ashanti has had.

Mr. President, mines are made. Without the right enabling environment, a world-class ore body will remain buried in the ground. In my Akan vernacular, we have a saying which says that "What is destined to succeed always attracts the appropriate support." This Ghanaian proverb has a relevant application here for if Ashanti has come this far with this great nation, it is largely due to the conditions available here, and the support which your Government and its senior officials, as well as the ordinary people of this country, have extended to us.

Mr. President, capital is nomadic and would naturally migrate to wherever greener pastures have been cultivated. Such an environment has certain essential attributes: political stability

without which economic activities cannot flourish, respect for the rule of law and property rights as well as an attractive macro-economic policy framework with appropriate incentives for investors. Mr. President, in this beautiful country of yours, the pastures are very green. Thanks to the bold socio-economic reforms which were instituted by the government in 1986, Tanzania is now a model for creating the right environment for foreign direct investment in Africa.

Yet only a decade ago, this country was not attracting its deserved share of investment. Not any more, Mr. President. Indeed, I believe that with the increasing activities going on here in this country, Tanzania will become even more prominent among the world's mineral producers. Today and publicly, Ashanti Goldfields salutes the government of Tanzania for the positive role model it is providing for Africa at a time when this continent has become the scene where international television teams document harrowing stories of war, poverty, human rights abuses and other disasters, some of which are clearly self-inflicted.

Your Excellency, the message we are sending from Geita to the world today is that Africa is not one black homogeneous monolith. In some countries in this continent, and at various levels, many are confronting the future with considerable hope. Tanzania clearly and deservedly belongs to this category.

Mr. President, the project here is a result of a team effort and it is now appropriate for me to recognise just a few who have contributed to make today's event possible. Your Excellency, in spite of the Beijing Conference and its aftermath, we would proceed with ladies first!

At the local level here, Mr. President, the District Commissioner, Mama Halima Hatibu often went out of her way to take on some of the burdens that come with path-finding. In assisting to bring the project to this stage, nothing has been too much or too difficult for her to do. While we bid her farewell from Geita, we warmly welcome her successor, Captain John Chilagati.

I would also wish to recall the contribution of the Honourable Minister for Mines and Energy, Dr Abdallah Kigoda who personally travelled to Ghana at our invitation to establish the basis for a long-lasting relationship between Tanzania and Ashanti. It was he who requested that his technical team, ably led by Mr. Gray Mwakalukwa, the Commissioner for Mineral Resources, as well as key decision-makers and political leaders from this country should follow his trail to continue with the relationship-building with Ashanti.

Mr. President, all these people and many more have played significant roles in making Geita possible; but the biggest possible credit should certainly go to you, Mr. President. All this would not have been possible but for your personal intervention and commitment. Your Excellency, you received me as a son of Africa. You made me feel that this was my home. You graciously received me on three occasions and on each occasion you went out of your way to encourage me to prevail in the task of restoring the golden era of Geita which was blighted over 30 years ago.

Your Excellency, this mine will stand for a long time to come, as a lasting monument to your courage, leadership and the great support you have given to us. But may I venture to say, Mr. President that your well-known support for the mining sector will be needed in even greater measure.

Now that this mine is up and running, calls will undoubtedly be made for the imposition of additional taxes and levies. In the short run, this may make sense, but in the long run, higher taxes would lead only to a loss of investor confidence at a time when we should seize on the momentum to encourage greater capital flows into this beautiful country. Mr. President, this sector needs your continued encouragement to transform it into the economic powerhouse that it should be.

I would now like to place on record, the contribution of some key members of the Geita team. First our own Uncle Mzee Freddie Mchauru himself. Freddie had known Geita from when it was a producing mine in the sixties. He knew the territory well and of course he had been associated with it during the Cluff exploration days. Freddie had doors opened to us and further directed us on how we could become better guests of Tanzania. We must give him the credit for making us so welcome and so acceptable in this country. Mr. President, in keeping with the Ashanti tradition of immortalising our heroes, we have named the staff village at this mine after him.

Then of course we recognise our own Director, Dr. Hassy Kitine and our brother Mr. Nick Kassum. Their support has been a blessing to all of us.

Now, to the other members of the Ashanti team some of whom deserve special mention. First, there is Trevor Schultz, Ashanti's Chief Operating Officer. Trevor made countless trips to Tanzania to meet with and assure our suppliers that all will be well in due course. His role made it possible for me to concentrate on the resolution of the other major issues facing the company.

I would also want to mention the name of Harry Michael, the Managing Director. Harry's determination knew no bounds. He knew no obstacles and sometimes his unalloyed determination was mistaken for the sort of obstinacy without which perhaps, this project may not have been completed in the manner it was.

Working closely with Harry, was David Renner who actually saw through the project as its Manager from the initial stages through design, construction to commissioning. Mr. President, this is significant to us for, Ashanti achieved a first with Bibiani when a young Ghanaian was selected to take the project from the very beginning through to commissioning and management. He is currently now the Managing Director of the mine and what a fine Managing Director and a mine both have turned out to be. David has followed that trail, and so will many others.

Mr. President, this is a measure with which Ashanti's commitment on empowerment should be judged. We believe that given the encouragement, given the right training, given the opportunity, our Tanzanian brothers and sisters will be capable of emulating these examples. That is what Ashanti stands for and that is what Ashanti has decided to establish here.

We also owe a debt of gratitude to the various teams and indeed the other personnel from Ashanti whose collaboration with their Tanzanian hosts has created such a wonderful mine.

I would particularly like to express in this context, my heart-felt appreciation to the contractors and the suppliers, for their forbearance and for believing and staying with us right to this point. Ashanti is popularly known in Ghana as "the big elephant" and as you know, elephants have long memories. I want to assure all our collaborators that their contributions will never be forgotten by us.

Mr. President, in March this year, we had to take the painful decision to invite participation in the ownership of this great mine. The decision was not taken lightly. Just like in a marriage, a selection of a long-term partner is the most difficult decision one can take especially when you have many attractive suitors.

Mr. President, in AngloGold, we found a company which shared Ashanti's values and our commitment to Africa. AngloGold is an African company and by the way, it just happens also to be the world's biggest gold producer! Their track record demonstrates very clearly that they believe in Africa and are very committed to the development of its gold industry. It is early days yet, but the signs are there that this partnership would endure. We have already begun planning for how we might expand the Geita mine from processing ore at a rate of 4 million tonnes per annum processing plant to 7 million tonnes per annum.

We at Ashanti, are certainly very excited by the prospects of our partnership with AngloGold, and we think the government and people of Tanzania should be as well. Already a number of factors account for the hope that we believe the project holds out for the ordinary Tanzanian. At the height of the construction, almost 1,400 Tanzanians were employed. Currently, between Ashanti and our mining contractors, nearly 500 Tanzanians are in our employ. Geita town is now booming and it is expected that more spin off businesses will generate additional employment for the people of the area.

Mr. President, we truly believe that the Ashanti experience in other parts of Africa is very relevant here. We seek an active collaboration with the local community because that is a major Ashanti attribute and our strength. In Obuasi, the holistic attitude we have maintained in our operations all these years, has significantly improved the lives of the people in the area. In Siguiri in Guinea, we instituted a credit system which made capital accessible to the local farmers and artisans. This initiative has transformed the lives of the people living around the mine. Our commitment to the protection of the environment has already been attested to in the local press here and by very responsible officials of this great country.

We have also upgraded the 67-kilometre road from Bulyanhulu to Geita to a good all weather road thus ensuring a thoroughfare between Geita and Dar-es-Salaam. In addition, the 22-kilometre water pipe line from Lake Victoria to the mine has provided freely available water to the villages through which it passes. Furthermore, the Geita district hospital has been upgraded by the company which also has embarked on the provision of educational facilities.

With the new all-weather airstrip, it is now possible to fly from Geita to other centres in Tanzania and further on.

This huge project will also be paying significant sums in royalties and taxes to support the economic development of this nation. We plan to produce about 500,00 ounces of gold a year at a cost around US\$180 an ounce and the proceeds should go a long way to improve the balance of payment figures for Tanzania.

The commissioning of Geita must therefore be seen as only the beginning of a true 'golden' age for the Tanzanian economy, and Geita's operation, along with the development and startup of the many other projects currently on the drawing board, should provide the Government treasury, considerable sums in taxes and royalties, as well as critical employment and training opportunities for the people.

We, at Ashanti, are honoured to be part of Tanzania's emerging golden age. Mr. President, you can count on Ashanti and I dare say AngloGold, our veritable partner, on maintaining an active presence in Tanzania for a very, very long time.

Mr. President, 1999 was a trying year for Ashanti. Certainly the last nine months have been a particularly trying time for Ashanti. It has been stressful for the company and for some of us as individuals. As Chief Executive however, I have derived tremendous pride from the fact that in spite of those difficulties, the Ashanti team was ready, willing and able to progress with the establishment of this very fine example of mine development.

Having come this far, let me assure you in return that we will make this project a source of pride to you and that all the efforts you put in; all the encouragement you've given us, will not be in vain. We will not let you down. Ours will be a shining example of what co-operation, partnership between government and the private sector can bring about, working together.

Mr. President, on behalf of my good friend Bobby Godsell, the Chief Executive of AngloGold, I give you my commitment that this partnership would assist in the development of an active gold mining industry in Tanzania. Your people deserve it; this country deserves it; and you deserve it on account of the excellent leadership you are offering to Tanzania, Africa and the mining world.

Thank you.

## **REMARKS BY THE CHIEF EXECUTIVE SECOND QUARTER - 28/7/99**

Good afternoon ladies and gentlemen, and thank you very much for joining us today.

### **Introduction**

By any measure in the company's history, 1999 was an extraordinary year. Many of you are familiar with the events that took place in the latter part of the year and the developments that have taken place since. Some of you here could be forgiven for thinking that the company had little chance of successfully pulling through the problems. So I am more than delighted to report on the 1999 year full year results, and to inform you all that Ashanti Goldfields is very much alive. We are taking the first steps in a long, uphill road to regaining our credibility and vitality, but I am pleased to report that we have already begun to put in place the foundation stones to secure the future.

To help me give our presentation today, I have Trevor Schultz, Chief Operating Officer, who will speak about our operations; Mark Keatley, Chief Financial Officer, who will take you through the results; and Mark Arnesen, Managing Director of International Treasury, who will address the company's hedge situation.

What I would like to do is to take on first some of the most pressing questions you may have about Ashanti Goldfields:

- 1) What is the underlying quality of the company's assets and their earnings potential?
- 2) Why has there been a need to take on a substantial write down at Obuasi? How cash generative will Obuasi be?
- 3) What is happening to the company's hedge book? Is it good for the company if the gold price goes up or down?
- 4) How much will the sale of Geita address the company's high debt levels?
- 5) Will the company generate sufficient cash flow to pay down its other obligations post the Geita sale?

### **Earnings**

The underlying quality of Ashanti's assets is good, and the numbers are there to demonstrate that. Despite an illegal strike at Obuasi and exceptional rains at Siguiiri, Ashanti produced a record 1.56 million ounces at a operating cash cost of US\$205 per ounce, which was well below the target of US\$220 per ounce. Our operating performance translated into US\$66 million in full year earnings before exceptional costs, or 59 US cents/share, and this compares favourably to 1998 and 1997 respective earnings of 68 and 54 cents/share, when gold prices were much higher.

All across the group, we are ruthlessly cutting costs, and driving up efficiencies and productivities. Four of our six mines operated at record levels in 1999: Bibiani and Iduapriem in Ghana, Siguiiri in Guinea, and Freda-Rebecca in Zimbabwe. Iduapriem, in particular, increased production by 5% and reduced costs by 8%, allowing it to extend its mine life by another 18 months to mid-2001. The Siguiiri expansion was completed in the third quarter, increasing its production capacity to 300,000 ounces a year.

### **Obuasi**

Obuasi, despite a strike, contributed 743,000 ounces, or almost 50% of the group's total production, in 1999. Last year, we completed a comprehensive life-of-mine review which identified the optimum long-term strategy for Obuasi. This would be to produce fewer ounces at lower operating costs and use lower sustaining capital.

The practical implications are that we will cease open pit mining this year, and close the Oxide, Tailings, and Pompora Treatment plants by the end of 2002. We are convinced this will generate the highest net present value for Obuasi and the company going forward, but it does mean that we have to take large asset write-downs to cover the assets we are decommissioning. These are book adjustments with no cash flow impact. The implementation of our new life-of-mine plan means that Obuasi will become cash-generative from 2001, and stay a healthy cash generator for the duration of its mine life.

### **The Hedge Book**

For most of you, the Hedge Book remains the overriding question. I am pleased to report some very positive developments in this regard. First of all, it is worth reminding everyone that Ashanti Goldfield's is in a period of margin-free trading for the next three years. This means that Ashanti is not required to post margin regardless of whether the gold price goes up or down.

This period of margin-free trading allows the company vital breathing space. A new hedge policy has been developed and is expected to be approved shortly. The new hedge policies will place continual restrictions on production volumes hedged, but will also ensure that hedging cashflows are positive for the majority of gold price scenarios we envisage.

Ratification by our hedge banks will allow the company to restructure the book and lower the all-round exposure it faces. Already, in the last three months, the book's delta position has been reduced by 22%, and lease rate exposure has been reduced even further by 26%. Even without further restructurings, five years from now, the gold price would have to rise above US\$360 per ounce before a margin call could be triggered. Five years is a long way off, and much can - and will - be done to minimise Ashanti's exposure in the intervening period. In the meantime, I can assure you that Ashanti wants very much for the gold price to go up, and to deliver as much overall value to our portfolio.

### **Sale of 50% of Geita**

Less than a week ago, Ashanti entered into a Heads of Agreement with AngloGold to sell a 50% interest in its Geita mine. I do not need to repeat all the details of that transaction so shortly after its announcement, and Trevor will be elaborating on the details later on. I will say this: Ashanti is very pleased with the outcome of the sale process, and I, along with the Board of Directors, believe that the Geita JV will achieve several very important objectives that will, ultimately, place the company on much firmer financial footing than it finds itself today.

First, the 50% sale of Geita will generate US\$335 million in gross proceeds that Ashanti will use to retire a very significant portion - roughly 40% - of existing debt. We will comfortably meet the debt repayment obligations we signed up to with the senior banks in respect of the US\$100 million bridge facility and the renegotiated revolving credit facility that was agreed in February. We will transform Ashanti's capital structure as soon as we close the Geita sale sometime before September 30th of this year.

The 50% sale of Geita to AngloGold is being done in a manner that allows Ashanti to retain significant management control of our prized asset, and in a region that we believe to be highly prospective. Ashanti's partnership with AngloGold means the coming together of complementary expertise in surface and deep-level mining and the availability of deep technical and financial resources.

Finally, the proposed joint venture agreement with AngloGold combines strong exploration track records and knowledge of the region. While Ashanti has lost 50% of the ounces from the current Geita life-of-mine plan, we hope to recoup these ounces through the synergies and complementarities our two parties bring to the joint venture.

### **After Geita: Debt Levels and Prospects?**

I believe that the company has already taken the first critical step on the way to firm financial footing. In less than six months, we will reduce the company's debt levels by about US\$250



million, approximately 40% of existing levels. That is a lot of balance sheet de-leveraging

in a very short period of time! That said, almost US\$400 million dollars of debt will remain that we have targeted to pay off by 2003.

We believe that with our relatively conservative assumptions, the company will generate sufficient cash to meet these obligations. Operationally, we are picking up the pace at which we are improving performance efficiencies and extracting cost improvements throughout the group. We also see some potentially beneficial opportunities to improve our portfolio in the near term that we hope to be reporting to you soon. For now, our plan is to keep sustained cost and performance focus on the assets we manage. Long-term, we are confident that we will deliver the value our shareholders are looking for.

**Thank you.**

S. E. Jonah

Chief Executive

It's been a very tough time for the industry and clearly everyone has been quite worried about the trend in the gold price. We are concentrating on the things within our control and are doing everything possible to ensure that the mines that we retain in the group can survive in this depressed environment.

Our current internal targets demand that all our mines must survive at the current gold prices and also operate at sub-US\$200 per ounce levels for cash operating cost. Three of our mines are already operating profitably with these levels without the benefit of our hedging activities. We have already announced the closure of the Iduapriem and Ayanfuri mines, for next year. We are also pursuing a major update of the life of mine plan for Obuasi with the general theme of restructuring Obuasi into a smaller mine, producing less ounces at lower costs in order to ensure a better return on capital. As part of that exercise, we have included a further review of the surface operations which registered US\$293 per ounce this quarter and were slated for closure within two years anyway. In this regard, we have decided to accelerate the retrenchment of labour at the mine. This quarter, we also confronted some specific issues related to the grade at Obuasi and Trevor will be providing you with the details in due course.

We are giving priority to on-site exploration, joint ventures and corporate activities which could provide the next generation of low-cost mines. Excellent progress has been made on the Geita project in Tanzania. Mining has commenced ahead of schedule in order to use pre-stripping material for the initial stages of the construction. Already, at a projected cash cost of less than US\$180 an ounce, Geita is turning out to be a robust project even in the current environment. We estimate that Geita will generate an Internal Rate of Return of 10% at a gold price of US\$250 per ounce and 22% at a gold price of US\$300 per ounce which includes the benefit of our hedging.

Notable among our recent exploration results is the extension of the Nyankanga deposit at Geita. Our drilling results indicate the potential for an underground operation over the next three years as another direct source of high grade feed to our open pit operations at Geita.

Geita's regional potential does not end there. Over the period, we signed an agreement with Spinifex Gold which could provide the Group with a 60% interest in their projects. These include the Kitongo deposit, which has the potential to eventually justify a low-cost, stand-alone heap leach operation. The Buckreef deposit is also close enough to Geita to provide additional feed. Our team at Geita is well advanced in the construction of what the market has come to accept as a truly remarkable project, and we are confident that we will be able to deliver a first-class mine next year.

Our quest to increase low-cost quality ounces has also been rewarded with sterling performance from our new generation of mines - Siguri and Bibiani. Siguri's expansion almost complete, operated at an annualised ore-processing figure of 8 million tonnes last month. In addition, our objective of replacing ounces mined, has been enhanced by significant drill results at Sanu Tinti and Eureka Hill orebodies.

Bibiani's contribution to Group production also exceeded expectations this quarter. On that basis, by the end of 2000, we expect, as a group, to be producing 1.7 million ounces of gold at below US\$200 per ounce cash operating cost.

We have also renegotiated the terms of the disposal of our holding in Golden Pride with Resolute to reflect the new gold price levels with the opportunity for further income should the gold price pick up.

Even though we suffered a setback in industrial relations at Obuasi, developments elsewhere in the gold industry, as well as better appreciation of local realities, have assisted the negotiations that have gone on between the management of various Ashanti mines and the respective Unions regarding wage negotiations. On the retrenchment of labour particularly at Obuasi, we have ensured that the whole exercise will be phased over a period of six months and related to the various departments in a manner which will not affect production at the mine. It is significant that all stakeholders, including the Government, the National Union of Mineworkers and the workers' representatives, have come on board in this all-important exercise. Given the efforts we have made and continue to make in our communications with our workers, we do anticipate any further setbacks going forward.

In terms of our results, in the second quarter of the year, group gold production was down to 342,621 ounces mainly as a result of the unofficial work stoppage at Obuasi which cost the Group approximately 63,000 ounces. In spite of this setback, we are confident that the year-end targets will be met as a group.

In the quarter under review, excluding exceptional costs incurred as a result of the strike at Obuasi, we achieved a group cash cost of US\$211 per ounce. This figure is equal to that of the preceding first quarter and represents a 5% fall when compared to US\$222 per ounce in the second quarter of 1998.

The Group recorded earnings of US\$16.4 million (US\$0.15 per share), representing a 6% increase over the second quarter of 1998. This was assisted by exceptional gains on a loan restructuring in Zimbabwe, and on disposals.

In line with the corporate aim of protecting the revenue of the Company in these uncertain times, we have increased our hedging portfolio from 8.75 million ounces at an average price of US\$390 per ounce as at the end of the last quarter, to 11 million ounces representing almost 50% of our reserves and at an average price of US\$389 per ounce. The structure of our portfolio provides substantial flexibility and upside exposure of the gold price.

As indicated on our last roadshow, we are targeting maintain a return on capital of 9% per annum to our shareholders, even at a reduced gold price.