

**PROSPECTORS & DEVELOPERS ASSOCIATION OF  
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**The Challenges of Building a First World Mining  
Company in Developing Africa**

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Ladies and gentlemen, a very good afternoon to you all.

It is a real pleasure for me to be with you today, to deliver the keynote luncheon speech on this last day of the PDAC Convention, and at a time when gold prices are hovering close to US\$400 per ounce, and the PDAC probably best captures the spirit of our industry, our enthusiasm and our eternal optimism!

Today is an important event for me in other respects: This may well be one of the last public speaking engagements I will be making as the Chief Executive of Ashanti Goldfields Company Limited, or “Ashanti”, as it is most often called. Many of you know that Ashanti is merging with AngloGold of South Africa to form AngloGold Ashanti,

which will rank as one of the world's largest gold mining companies. I will become President of AngloGold Ashanti, a responsibility and a challenge that I am looking forward to taking on. More on that, later.

I am here to talk about "The challenges of building a First World Mining Company in Developing Africa", and I promise I will but I thought it would be remiss of me not to use this occasion to share with you the unique opportunities in the mining and minerals business in Africa, and the opportunity to get in at the early stages of the African Renaissance for mining opportunities, and ride the tailwinds of change blowing across the continent. You will see, in effect, that the challenges that Ashanti Goldfields has overcome, have provided the opportunities not just for Ashanti, but for others who have similarly taken the leap into Africa, and these opportunities can do the same for those of you sitting out in the audience wishing to invest in Africa.

I am sure you would agree with me that from where you sit, Africa does not appear to be a pretty place to invest in. In fact, stories about Africa, which are presented in your world, through the lenses of the international media, are pretty negative, and as we know, bad news sells. The continent is presented as the home of unstable political

environments, characterised by wars and famine, overwhelmed by the scourge of HIV/AIDS; non-performing economies with unattractive investment incentives; outdated technology and inadequate infrastructure; and a continent where corruption is so endemic that you would be forgiven for thinking that Enron, Parmalat, Tyco, WorldCom are all Africans.

Of course, some of you know that the reality is in most cases, much better than the image presented. The political scene is fast improving, and continues to do so. There is peace at last in the DRC, and lately, there has been a peaceful transfer of power in Senegal, Zambia, Kenya, and Nigeria. Economic growth is picking up across the continent; there is increased awareness and treatment of HIV/AIDS; and initiatives like NEPAD (or the New Partnership for African Development) will go a long way to improve governance, and increase transparency in the region.

The truth is, that for every story of famine and disaster in Africa, there are a thousand other stories of men and women, waking up every day, going to work without being blown up by landmines, or attacked by wild animals, or starved to death, or killed by HIV/AIDS, who are

part of productive companies like Ashanti Goldfields or AngloGold, creating wealth and value for the larger society, and putting food on the table for their extended families. In fact, I know of 10,000 such stories at Ashanti, spread out across East and West Africa, in Ghana, Guinea, Zimbabwe, and Tanzania, and I suspect there are that many more such stories at AngloGold spread across other parts of Africa!

The further good news, of course, is that there are discerning people, much like yourselves, who are seeing beyond the dramatic headlines, and who see for themselves that Africa is a place where one can reap substantial rewards carrying out a mining enterprise. These are people who are looking for a stable political environment; predictable economic performance; an educated workforce; transparency and the rule of law; sensible tax and regulatory regimes, and modern technology and adequate infrastructure. Really, these people are looking for much the same requirements elsewhere in the world, but, interestingly, the opportunities are bringing them to Africa. People, or rather, companies, like Barrick in Tanzania, Newmont in Ghana, Placer Dome in South Africa. What is bringing these senior gold companies to Africa. What are they discovering, that Ashanti has known all this while?

## **Mineral Endowment: How Africa Stacks Up**

One of the world's best-kept secrets is Africa's prospectivity when compared to the rest of the world. In terms of reserves and resources, over the last seven years, Africa has delineated 67 million ounces of additional reserves and resources, (looking at deposits of more than 3 Moz reserves and 5 Moz resources). This compares with 37 million ounces found in Australia during the same period, 20 million ounces in North America, 10 million ounces in South America, and 5 million ounces found in the Commonwealth of Independent States ("CIS").

In terms of new mines developed and opened over the last seven years, **six** new mines have been developed and opened in Africa (defined as having more than 3 Moz reserves and 5 Moz resources), including Sadiola Hill and Morila in Mali; North Mara, Geita, and Bulyanhulu in Tanzania; and Target in South Africa. This compares with **four** mines in Australia (Sunrise Dam, Ridgeway, Cadia Hill, and Wallaby), **three** in North America (Red Lake, Rodeo, and La Herruda), **two** in South America (Pierina and Vanguardia), and **one** in CIS (Kumtor).

When you look at exploration spending, dollar for dollar, Africa has yielded considerably better returns than the other regions, despite the apparently high political risk that exists in some countries. Over the period 1995-2003, exploration spending in Africa amounted to approximately US\$900 million compared with US\$1.6 billion in Latin America, US\$1.4 billion in North America, and a similar amount in Australia. From the data I have just shared, it means only US\$13 per reserve/resource ounce was spent in Africa during 1995-2003, compared to US\$38 per reserve/resource ounce in Australia, US\$70 per reserve/resource ounce in North America, and a whopping US\$160 per reserve/resource ounce in South America!

So if Ashanti has prospered, focusing exclusively on what is clearly the most prospective continent for gold, you now know the reason why: Bibiani in Ghana, Sigiri in Guinea, Geita in Tanzania. Three mines built in three years, in three different African countries, with total resources of 24.6 million ounces, reserves of 11.2 million ounces, and combined annual production of 1.13 million ounces.

Some of you may not actually appreciate that the Canadian juniors have been at the forefront of the African gold mining renaissance. When Ashanti embarked on its aggressive acquisition strategy to complement the substantial growth we had experienced the ten years previous, two of the companies we acquired, International Gold Resources, and SAMAX Gold Incorporated, to take possession of the Bibiani project in Ghana and the Geita Hill project in Tanzania, respectively, were Canadian companies.

And when I think of some of Africa's notable new mines, Sadiola Hill built by IAMGOLD, Bulyanhulu discovered and developed initially by Sutton Resources, it is clear that there have been some pretty savvy Canadians who are "in" on the world's best kept secret. Indeed, many of you will agree with me that the mines I have cited are all surface mines, "low-hanging fruit" that is easily plucked. Yet these are very same surface expressions that yield the clues to the next great underground mines, the next "Obuasi's" of the world. And so, although I do not wish to rain on the parade of those rushing off to China and Russia, (and, in fact, I wish you all), it is clear to me that Africa's prospectivity remains unequalled, and exploration remains at an early stage in many promising belts.

## **Governance & The Rule of Law**

The next little appreciated fact is the improved and continually improving political and economic governance that is sweeping across Africa. Ashanti has grown and become one of the leading gold producers in the world, because of the improved political and economic governance that is emerging in Africa today. In Ghana, Ashanti was able to grow, because after a period of relative political stability and economic reform launched earlier in the 1980s, the country modernized and liberalized its mining and investment code. Without those key ingredients, Ghana would have seen none of the investment that came in during the period, and it is unlikely Ashanti would have obtained the international commercial loans it needed to launch its modernization and expansion drive.

In fact, the countries Ashanti moved into next, Guinea and Tanzania, used Ghana's mining and investment code as the model to modernize their own codes. The government of Tanzania has improved its code over and above the model developed almost two decades ago in Ghana, and it is no accident that Tanzania is now the destination of choice for international mining investment in Africa, with

several hundred million dollars invested in that country over the last five years. I am happy to note that Ashanti was among the pioneers in Tanzania's recent surge in investment into its mining sector.

Ashanti's ability to expand into various other African countries over the last five years reinforces the fact that more, not fewer, African countries are becoming hospitable and welcoming places to make safe and profitable investments. These countries are learning from decades of misery and experimentation. They are not just developing modern investment codes, they recognize that they must provide the kind of political and macro-economic stability to ensure steady and predictable flow of profits back to shareholders, and due process of law to protect their investments when contractual issues are in dispute. Importantly, their example is encouraging other African countries to emulate them.

The further good news is that initiatives like the New Partnership for African Development, or NEPAD, and the attendant mechanisms for Peer Review, that Ghana, by the way, has volunteered to be the first country to participate in, are entrenching the improving political and economic governance we are witnessing across the continent.

African countries are showing true commitment to these changes, and that means a better environment in which a new mining business can flourish.

### **Infrastructure & the Community**

Another of the continent's great challenges is the lack of generally adequate infrastructure with which to run a successful business. Gold mines tend to locate in far, out-of-the-way places. Ashanti's mines are no exception. Our Siguiiri mine is 900 km from Conakry, the capital of Guinea, and the major port through which the mine's requirements get brought in. Our Geita mine is similarly 1,000 - 1,200 km from the closest ports, Dar-Es-Salaam, or Mombasa. When Ashanti built our Bibiani mine in Ghana, 100 km from the closest urban area, Kumasi, there were less than three taxis in the neighboring village, and there was no phone communication to the village.

When you have to move over US\$165 million of equipment and people into Geita in Tanzania, or US\$85 million of material into Siguiiri, Guinea, you are forced to fix the roads on which the goods have to travel, and often to create the infrastructure for water, for

electricity, and telephones in these towns and villages, that never existed there before. Typically, we are not just mining pioneers in the areas we go into; we are electricity pioneers, and telecommunication pioneers, computer pioneers, and water pioneers.

The need for our companies to provide basic infrastructure to some of these remote locations yields a certain perspective and provides a particular benefit that comes to work to our advantage. Because we are learning to engage these communities at very fundamental levels, we have appreciated how the viability of these communities impacts our own viability as mining enterprises. It is no longer just roads and electricity we provide; we have set up schools and hospitals; agricultural cooperatives to employ the youth; even micro-finance facilities to boost entrepreneurship. And though we can never do enough, we have forged strong connections to the local communities in which we operate, and these communities, in turn, give us strong local support as we carry out our business.

### **People with Vision**

The last theme I want to dwell on, that is little known and even less appreciated, and that speaks both to the challenges Ashanti has

overcome establishing itself in Africa, and the opportunities that present themselves for those of you wishing to do business in Africa, relates to the quality of human resource that one can find on the continent.

Few people know that the (modern) mining culture in some parts of Africa is almost as old as it is in some parts of the Americas. And it is not just in South Africa, where gold was discovered over one hundred and twenty years ago; Ashanti Goldfields Company Limited was first listed on the London Stock Exchange over one hundred and seven years ago, in 1897; and in Tanzania, there was a commercial mine operating at the current Geita concession in the 1930s.

An old mining culture means a pool of labour and expertise that, while sparse by comparison to other parts of the world, has been gradually institutionalised. And it means a government bureaucracy that is not unfamiliar with the regulatory requirements of investors wishing to mine concessions in those countries.

So it may not surprise you that Ashanti Goldfields has been led these past eighteen years by someone who was born and grew up in the

middle of the largest mining town in Ghana, Obuasi. Dare I say it, but that environment was the crucible in which the vision for modern Ashanti Goldfields was formed and tempered.

I take even greater pleasure in recognizing that the company's success has been made possible by a management team, supported by a large number of engineers, technicians, and operators, with very similar backgrounds to myself, born in or around our mines, that we have trained, that we have housed and fed, that we have empowered, to build Ashanti to what it is today.

Ashanti has gone to great lengths to develop its local talent. We run one of the largest underground mine training schools in the world. We have graduated large numbers of MBA's from in-house programs we are co-sponsoring with institutions like the Henley School of Management of the United Kingdom. Many of our senior managers were developed and trained by the company. As an example, our current Chief Operating Officer, was sponsored by the company for his MBA, and is the first black African to ever build a mine and then be asked to run it. And here, I am talking about our Bibiani mine. But we are not just building up our expertise in mining. We are building

up our expertise in finance and accounting, in strategic planning, in communications, in mergers and acquisitions, in corporate law, and in the treasury.

And that is why, you will find when you visit our Obuasi mine, out of a workforce of over 6,500 people, you will find less than 15 who are expatriate, or less than 0.25% of our workforce. That is why Ashanti has been able to build three world-class mines in three years in some of the most remote parts of the African continent, against a backdrop of a generally less well-educated and skilled labour pool by the standards of the West.

My management team and our workforce is international, with North Americans, Europeans, Australians and South Africans working side by side with, and passing on the benefit of their skills to, local Ghanaians, Guineans, Zimbabweans, and Tanzanians. I am proud to say we have exported a few of our senior managers to lead some of your companies in Canada: John Clarke to run Nevsun; Peter Bradford at GoldenStar, Peter Kinver at Barrick.

But our emphasis has always been to empower Africans, and to afford them full capability and assistance, to run Ashanti's businesses. That is why we are already in the second cycle of training and development, sending out Ghanaians to run our mines in Guinea and Tanzania, where the mining culture is not as well developed as it is in Ghana. And that is why, when you go to Geita, site of the largest surface mine in Africa outside of South Africa, where Ashanti and AngloGold are joint shareholders, and have their own respective deep pools of labor resources, both the Chief Financial Officer and the Chief Geologist are Ghanaians, seconded by Ashanti. Respectively, they are the best men for their jobs, as neither company can afford to hire tokens.

People of such quality are being developed in Tanzania, and Mali, and Guinea, and Zimbabwe today, and they are available to help make your mining ventures a success.

## **Conclusion**

Most of you in this room are aware of the US\$12 billion merger between Ashanti and AngloGold of South Africa to create AngloGold Ashanti Limited. The transaction is expected to close around May of this year. In the meantime, we have secured the support of our two major shareholders, Lonmin and the Government of Ghana, who combine to own 45% of current Ashanti Goldfields Company Limited, and we have also secured Ghana regulatory and parliamentary approval to proceed to execute the court-managed scheme of arrangement to effect the merger.

In less than twenty years, Ashanti Goldfields has grown from a small, one mine operation in Ghana, producing 240,000 ounces of gold, and barely registering on the world gold industry radar screen, to, prior the AngloGold transaction, the 9<sup>th</sup> largest gold company in the world, operating seven mines spread out all across Africa. Last year, 2003, Ashanti produced 1.6 million ounces of gold. To create this pan-African company, we have invested more than US\$800 million in capital, mostly at our flagship Obuasi mine, and we have spent almost US\$700 million acquiring six companies and over 25 million

ounces of gold resources. Ashanti currently operates the largest gold mines in four African countries: in Ghana, Zimbabwe, Guinea, and Tanzania. We have a number of exploration projects in four additional countries. We employ over 10,000 people in these eight African countries.

In closing, and on the advent of the AngloGold Ashanti transaction, you will appreciate that I cannot travel this far, and eat your fine food, without earning my keep, and saying a few words about my new employer, AngloGold Ashanti!

AngloGold Ashanti will be one of the world's largest gold mining companies. We expect to produce 7.5 million ounces of gold annually; have reserves of 82 million ounces; and gold resources of 257 million ounces. We expect to have a market capitalization of US\$11.5 billion. We will be operating 22 mines in eleven countries, spanning four continents. We will employ 55,000 people, coming from Africa, Australia, North and South America, and Europe. But at heart, we will remain an African company, listed in New York, headquartered in Africa. And you can be sure that in my role as

President, I will be flying the African flag very high indeed with Bobby Godsell, AngloGold Ashanti's Chief Executive, all over the world!

For some sitting here, it may not be immediately obvious that one of the largest gold companies in the world should have its roots and origins, as well as a large part of its current potential for growth, squarely in Africa. And that relationship, between AngloGold and Ashanti, has been years in the making, nurtured by the shared experiences managing the Geita mine in Tanzania, and by the vision and commitment for Africa shared by both Bobby Godsell and myself. Indeed, I cannot say enough about Bobby's commitment to the gold industry and to Africa, and the leadership he has taken on mining issues in his own South Africa.

And so, Ashanti Goldfields Company Limited has transformed itself into such an international company, through a combination of many things: the force of our vision, the age of our mining culture, the quality of our people, the richness of Africa's resources, the improving governance on the continent. Perhaps you, too, can take a page out of Ashanti's success story building a viable and successful company in Africa, and create one of your own! But of course, if you would

rather own a gold stock, then let me with all the objectivity that I can muster, advise you that that stock has to be AngloGold Ashanti!

Thank-you.

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