FINANCIAL REVIEW

REVIEW OF GROUP'S PROFITABILITY, LIQUIDITY AND STATEMENT OF FINANCIAL POSITION FOR 2016

		2016	2015	2014
Profitability and returns				
Adjusted headline earnings (loss) [1]	$m	**143**	49	(1)
	US cents per share	**35**	12	0
Profit (loss) attributable to equity shareholders	$m	**63**	(85)	(58)
Return on net capital employed [1]	%	**6**	5	4
Dividends declared per ordinary share	SA cents per share	**130**	–	–
	US cents per share	**~10**	–	–
Liquidity, cash flow and net debt				
Net debt at year end [1]	$bn	**1.9**	2.2	3.1
Free cash flow [1]	$m	**278**	141	(112)
Adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA) [1][3]	$bn	**1.5**	1.5	1.6
Net debt to Adjusted EBITDA [1][3]	Times	**1.24**	1.49	1.94
Operational metrics				
Gold produced (from continued and discontinued operations)	Moz	**3.63**	3.95	4.44
Average price received	$/oz	**1,249**	1,158	1,264
Total cash costs [1]	$/oz	**744**	712	785
All-in sustaining costs [1][2]	$/oz	**986**	910	1,020
All-in costs [1][2]	$/oz	**1,071**	1,001	1,114
All-in sustaining cost margin [1][2]	%	**21**	21	19

[1] *Non-GAAP measures*
[2] *Excludes stockpile write-offs*
[3] *The adjusted EBITDA calculation is based on the formula included in the revolving credit facility agreements for compliance with the debt covenant formula*

FINANCIAL REVIEW (CONTINUED)

PROFITABILITY AND RETURNS

Production of 3.628Moz, from continuing operations, was within the original guidance for the year ended 31 December 2016 at a total cash cost of $744/oz, compared to production of 3.830Moz, at a total cash cost of $712/oz for the year ended 31 December 2015. Production was negatively impacted by weaker production from: the South African operations largely as a result of safety-related stoppages; lower grades from: Kibali; a planned decrease in head grades at Tropicana and Geita; and Obuasi being in care and maintenance for all of 2016. Offsetting these negative impacts, Mponeng and Moab Khotsong in South Africa delivered increased production for the year together with Iduapriem and Siguiri in the Continental Africa region, and Sunrise Dam in Australia. Mponeng delivered the largest improvement, with a 16% increase in production and a 14% decrease in the all-in sustaining cost year-on-year.

In the South African region, the decline in production was mainly due to lower underground tonnes mined and lower grades over the period, with the most significant decrease at TauTona. The operational performance for the year under review was predominantly impacted by a range of safety-related stoppages across all operations resulting in an estimated loss of 104,000oz, with TauTona, Moab Khotsong and Kopanang most affected.

The Continental Africa region recorded a solid performance despite no contribution from Obuasi (currently under care and maintenance), operational challenges encountered at Kibali during the first half of 2016 and planned lower recovered grades at Geita, while Morila, nearing closure, is now treating lower grade marginal and tailings grade ore.

Production for 2016 in the Australasia region was impacted by a lower contribution from Tropicana, mainly due to the first phase of grade streaming coming to an end in December 2015. However, the processing plant throughput was higher for the period following completion of the plant optimisation project. Production at Sunrise Dam increased due to higher mill throughput and an increase in head grade as the large Dolly stope was brought into production.

In the Americas region, production volumes were mainly impacted by a lower year-on-year contribution from Brazil, which faced production challenges caused by geotechnical, licensing and geological modelling issues. The mine plan at AGA Mineração was revised accordingly; delivering improved production which helped offset the shortfall from the first half of 2016. The revised mine plan comprised the treatment of additional ore from lower grade zones, partially compensating the production gap with higher tonnage treated. Serra Grande experienced a delay in receiving permits required for the open pit as well as the geotechnical challenges at the ramp to access high-grade areas at underground Mina Nova, in the Pequizao ore body. Cerro Vanguardia in Argentina achieved its highest annual production in 17 years due to higher tonnes treated at the plant following operational and metallurgical improvements, partly offset by lower grades due to the variability of the mining model.

The all-in sustaining cost came in at $986/oz, up from $910/oz in 2015. The all-in sustaining cost reflects the continued cost discipline and weaker local currencies in some jurisdictions, offset by an increase in sustaining capital expenditure, inflation and exploration costs, all against the backdrop of a 15% decline in grade and safety-related stoppages in South Africa, which led to lower year-on-year production levels.

Earnings improved sharply in 2016 from the previous year. Adjusted headline earnings were up to $143m, or 35 cents per share, compared with $49m, or 12 cents per share in 2015. Net profit attributable to equity shareholders during 2016 was $63m compared with a net loss from continuing operations of $85m a year earlier. The increase in earnings was primarily due to the higher gold price received; weaker operating currencies in Argentina, Brazil and South Africa; continued focus on cost control; interest saving; and a lower effective tax rate; and was partially offset by reduced income from associates and joint ventures.

LIQUIDITY, CASH FLOW AND STATEMENT OF FINANCIAL POSITION

Adjusted EBITDA of $1,548m in 2016 increased by $76m, or 5% from the $1,472m recorded in 2015. The adjusted EBITDA margin expanded to 37.9% in 2016, from 36.7% in 2015. The ratio of net debt to adjusted EBITDA at the end of December 2016 was 1.24 times compared with 1.49 times at the end of December 2015, highlighting the success of AngloGold Ashanti's continued efforts to improve financial flexibility as the current net debt to adjusted EBITDA ratio falls in well below the covenant ratio of 3.5 times which applies under our revolving credit facility agreements.

Net debt fell by 13% to $1.916bn in 2016, from $2.190bn at the end of 2015. On 1 August 2016, AngloGold Ashanti redeemed the $503m outstanding on the high-yield bonds due in 2020 by drawing down $330m from the US dollar $1bn revolving credit facility and the balance from cash on hand. The redemption was executed with the purpose of eliminating the group's highest-cost debt, and reducing both interest payments and the concentration of debt maturities in 2020, while improving free cash flow and introducing additional balance-sheet flexibility. Management has since focused on paying down existing revolving credit facilities at a steady pace.

FINANCIAL REVIEW (CONTINUED)

The dividends declared for the year under review of ~10 US cents per share, will result in an estimated cash outflow in March and April 2017 of $43m. We did not declare any dividends for the 2015 year.

Turning to the statement of financial position and the financing facilities available, the group's principal US dollar and Australian dollar debt facilities are listed below:

- Fully drawn rated bonds – $1.75bn in aggregate – that mature in April 2020 ($700m: 5.375%), August 2022 ($750m: 5.125%) and April 2040 ($300m: 6.5%)
- $1bn syndicated revolving credit facility that matures in July 2019, which is currently $50m drawn
- $100m revolving credit facilities that mature in August 2019, which are currently $40m drawn
- A$500m revolving credit facility originally earmarked for the construction of the Tropicana project that matures in July 2019, of which A$235m was drawn at year-end. The facility was utilised during 2016 to contribute to the redemption of the high-yield bonds
- R1.5bn South African revolving credit facility that matures in December 2018, and R1.4bn South African revolving credit facility that matures in July 2019 – the two facilities were R1.2bn drawn at year end
- R500m overnight bank lending rate South African demand facility, which is undrawn

We remain subject to an uncertain tax environment. Across the group, we are due refunds for input tax and fuel duties for an amount of $199m (2015: $195m; 2014: $238m), including attributable amounts of equity accounted joint ventures, which have remained outstanding for periods longer than those provided for in the respective statutes. Considerable effort was made to reduce these outstanding amounts. Disclosure of our taxation exposures across the group further supports the transparency of our taxation policy, where we have adopted a low risk approach.

See also p144 for our tax strategy.

More detailed notes and analyses of the group's income statement, statement of financial position and statement of cash flow for 2016 are available in the group financial statements for 2016.

Picture: Sunrise Dam, Australia

FINANCIAL REVIEW (CONTINUED)

FIVE-YEAR SUMMARIES

SUMMARISED GROUP FINANCIAL RESULTS – INCOME STATEMENT

US dollar million	2016	2015	2014	2013	2012
Gold income	**4,085**	4,015	4,952	5,172	5,943
Cost of sales	**(3,263)**	(3,294)	(3,972)	(3,947)	(3,765)
Gain (loss) on non-hedge derivatives and other commodity contracts	**19**	(7)	13	94	(36)
Gross profit	**841**	714	993	1,319	2,142
Corporate administration, marketing and other expenses	**(61)**	(78)	(92)	(201)	(288)
Exploration and evaluation costs	**(133)**	(132)	(142)	(250)	(390)
Other operating expenses	**(110)**	(96)	(28)	(19)	(47)
Special items	**(42)**	(71)	(260)	(2,951)	(402)
Operating profit (loss)	**495**	337	471	(2,102)	1,015
Dividends received	**–**	–	–	5	7
Interest received	**22**	28	24	39	43
Exchange (loss) gain	**(88)**	(17)	(7)	14	8
Finance costs and unwinding of obligations	**(180)**	(245)	(276)	(293)	(228)
Fair value adjustments on convertible bonds	**9**	66	(17)	307	245
Share of equity-accounted investments' profit (loss)	**11**	88	(25)	(162)	(30)
Profit (loss) before taxation	**269**	257	170	(2,192)	1,060
Taxation	**(189)**	(211)	(225)	237	(285)
Profit (loss) after taxation from continuing operations	**80**	46	(55)	(1,955)	775
Discontinued operations					
(Loss) profit from discontinued operations	**–**	(116)	16	(245)	140
Profit (loss) for the year	**80**	(70)	(39)	(2,200)	915
Allocated as follows:					
Equity shareholders					
– Continuing operations	**63**	31	(74)	(1,985)	757
– Discontinued operations	**–**	(116)	16	(245)	140
Non-controlling interests					
– Continuing operations	**17**	15	19	30	18
	80	**(70)**	**(39)**	**(2,200)**	**915**

FINANCIAL REVIEW (CONTINUED)

SUMMARISED GROUP FINANCIAL RESULTS – STATEMENT OF FINANCIAL POSITION

US dollar million	2016	2015	2014	2013	2012
Assets					
Tangible and intangible assets	**4,256**	4,219	5,088	5,082	8,091
Investments	**1,578**	1,557	1,553	1,459	1,215
Inventories	**756**	736	1,524	1,639	1,823
Cash and cash equivalents	**215**	484	468	648	892
Other assets	**348**	288	501	846	718
Total assets	**7,153**	7,284	9,134	9,674	12,739
Equity and liabilities					
Total equity	**2,754**	2,467	2,871	3,107	5,494
Borrowings	**2,178**	2,737	3,721	3,891	3,583
Provisions	**995**	954	1,199	1,115	1,459
Deferred taxation	**496**	514	567	579	1,084
Other liabilities	**730**	612	776	982	1,119
Total equity and liabilities	**7,153**	**7,284**	**9,134**	**9,674**	**12,739**

FINANCIAL REVIEW (CONTINUED)

SUMMARISED GROUP FINANCIAL RESULTS – STATEMENT OF CASH FLOWS

US dollar million	2016	2015	2014	2013	2012
Cash flows from operating activities					
Cash generated from operations	**1,302**	1,250	1,343	1,307	2,178
Dividends received from joint ventures	**37**	57	–	18	72
Net taxation paid	**(153)**	(163)	(153)	(164)	(453)
Net cash inflow from operating activities from continuing operations	**1,186**	1,144	1,190	1,161	1,797
Net cash (outflow) inflow from discontinued operations	**–**	(5)	30	85	172
Net cash inflow from operating activities	**1,186**	1,139	1,220	1,246	1,969
Cash flows from investing activities					
Capital expenditure	**(711)**	(667)	(849)	(1,431)	(1,916)
Net (payments) proceeds from acquisition and disposal of subsidiaries, associates and joint ventures	**(1)**	(12)	42	(466)	(684)
Net (payments) proceeds from disposal and acquisition of investments, associate loans, and acquisition and disposal of tangible assets	**(12)**	810	(11)	(8)	(70)
Interest received	**14**	25	21	23	36
Decrease (increase) in cash restricted for use	**8**	(17)	24	(20)	(3)
Other	**–**	–	–	–	(50)
Net cash (outflow) inflow from investing activities from continuing operations	**(702)**	139	(773)	(1,902)	(2,687)
Cash outflows from discontinued operations	**–**	(59)	(170)	(138)	(88)
Net cash (outflow) inflow from investing activities	**(702)**	80	(943)	(2,040)	(2,775)
Cash flows from financing activities					
Net (repayments) proceeds from borrowings	**(546)**	(867)	(144)	864	1,221
Finance costs paid	**(172)**	(251)	(246)	(200)	(145)
Dividends paid	**(15)**	(5)	(17)	(62)	(236)
Acquisition of non-controlling interest	**–**	–	–	–	(215)
Other	**(30)**	(61)	(9)	(36)	(28)
Net cash (outflow) inflow from financing activities from continuing operations	**(763)**	(1,184)	(416)	566	597
Cash outflows from discontinued operations	**–**	(2)	(5)	(6)	(6)
Net (outflow) inflow from financing activities	**(763)**	(1,186)	(421)	560	591
Net (decrease) increase in cash and cash equivalents	**(279)**	33	(144)	(234)	(215)
Translation	**10**	(17)	(16)	(30)	(5)
Cash and cash equivalents at beginning of year	**484**	468	628	892	1,112
Cash and cash equivalents at end of year [(1)]	**215**	**484**	**468**	**628**	**892**

[(1)] *The cash and cash equivalent balance at 31 December 2013 includes a bank overdraft included in the statement of financial position as part of other liabilities of $20m.*

FINANCIAL REVIEW (CONTINUED)

RATIOS AND STATISTICS

	Units	2016	2015	2014	2013	2012
Operating review – gold						
Production from continuing operations	000oz	**3,628**	3,830	4,225	3,874	3,697
Production from continuing and discontinued operations	000oz	**3,628**	3,947	4,436	4,105	3,944
Gold sold from continuing operations	000oz	**3,590**	3,850	4,248	3,862	3,707
Gold sold from continuing and discontinued operations	000oz	**3,590**	3,965	4,458	4,093	3,953
Continuing operations						
Closing spot price at year-end	$/oz	**1,247**	1,160	1,266	1,411	1,668
Average gold price received	$/oz	**1,249**	1,158	1,264	1,401	1,664
Total cash costs	$/oz	**744**	712	785	836	842
All-in sustaining costs (1)	$/oz	**986**	910	1,020	1,195	1,285
All-in costs (1)	$/oz	**1,071**	1,001	1,114	1,466	1,623
Earnings						
Gross profit	$m	**841**	714	993	1,319	2,142
Gross margin	%	**21**	18	20	26	36
Adjusted EBITDA (2)	$m	**1,548**	1,472	1,616	1,525	2,486
Adjusted EBITDA margin	%	**38**	37	33	29	42
Interest cover	times	**10**	7	6	6	14
Asset and debt management						
Net debt to adjusted EBITDA (2)	times	**1.2**	1.5	1.9	2.0	0.8
Continuing and discontinued operations						
Profit (loss) attributable to equity shareholders	$m	**63**	(85)	(58)	(2,230)	897
Profit (loss) attributable to equity shareholders	US cents	**15**	(21)	(14)	(568)	232
Headline earnings (loss)	$m	**111**	(73)	(79)	78	1,208
Headline earnings (loss)	US cents	**27**	(18)	(19)	20	312
Adjusted headline earnings (loss)	$m	**143**	49	(1)	599	988
Adjusted headline earnings (loss)	US cents	**35**	12	(0)	153	255
Capital expenditure (3)	$m	**811**	857	1,209	1,993	2,322
Net cash inflow from operating activities	$m	**1,186**	1,139	1,220	1,246	1,969
Free cash inflow (outflow)	$m	**278**	141	(112)	(1,064)	(666)

See footnotes overleaf

FINANCIAL REVIEW (CONTINUED)

RATIOS AND STATISTICS (continued)

	Units	2016	2015	2014	2013	2012
Asset and debt management						
Equity	$m	**2,754**	2,467	2,871	3,107	6,082
Net capital employed	$m	**5,101**	5,190	6,640	5,519	8,420
Net debt	$m	**1,916**	2,190	3,133	3,105	2,061
Net asset value – per share	US cents	**675**	609	711	770	1,580
Market capitalisation	$m	**4,290**	2,877	3,515	4,727	12,025
Return on net capital employed	%	**6**	5	4	12	15
Net debt to equity	%	**70**	89	109	100	34
Other						
Weighted average number of shares	million	**413**	410	408	393	387
Issued shares at year-end	million	**408**	405	404	403	385
Exchange rates						
Rand/dollar average		**14.68**	12.77	10.83	9.62	8.20
Rand/dollar closing		**13.73**	15.46	11.57	10.45	8.45
Australian dollar/dollar average		**1.35**	1.33	1.11	1.03	0.97
Australian dollar/dollar closing		**1.39**	1.37	1.22	1.12	0.96
Brazilian real/dollar average		**3.48**	3.33	2.35	2.16	1.95
Brazilian real/dollar closing		**3.26**	3.90	2.66	2.34	2.05
Argentinean peso/dollar average		**14.78**	9.26	8.12	5.48	4.55
Argentinean peso/dollar closing		**15.89**	12.96	8.55	6.52	4.92

(1) *World Gold Council standard, excludes stockpile write-offs.*
(2) *The adjusted EBITDA calculation is based on the formula included in the revolving credit facility agreements for compliance with the debt covenant formula.*
(3) *Includes attributable share of equity-accounted investments.*