Minerva Neurosciences, Inc.
Form 10-Q
November 03, 2016

f

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 001-36517

Minerva Neurosciences, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	26-0784194 (I.R.S. Employer Identification No.)
1601 Trapelo Road, Suite 284 Waltham, MA	02451

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (617) 600-7373

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO

The number of shares of Registrant's Common Stock, $0.0001 par value per share, outstanding as of October 28, 2016 was 34,807,213.

INDEX TO FORM 10-Q

Unless the context suggests otherwise, references in this Quarterly Report on Form 10-Q, or Quarterly Report, to "Minerva," the "Company," "we," "us," and "our" refer to Minerva Neurosciences, Inc. and, where appropriate, its subsidiaries.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. These forward-looking statements reflect our plans, estimates and beliefs. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “ “should,” “would” and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Because of these risks and uncertainties, the forward-looking events and circumstances discussed in this report may not transpire. These risks and uncertainties include, but are not limited to, the risks included in this Quarterly Report on Form 10-Q under Part II, Item IA, “Risk Factors.”

Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our estimates and assumptions only as of the date of this document. You should read this document with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we do not undertake any obligation to publicly update or revise any forward-looking statements contained in this report, whether as a result of new information, future events or otherwise.

All trademarks, trade names and service marks appearing in this Quarterly Report on Form 10-Q are the property of their respective owners.

PART I – Financial Information

Item 1 – Financial Statements

MINERVA NEUROSCIENCES, INC.

Condensed Consolidated Balance Sheets

(Unaudited)

	September 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$91,853,081	$14,284,054
Marketable securities	-	17,920,632
Restricted cash	80,000	80,000
Prepaid expenses and other current assets	702,359	1,196,136
Total current assets	92,635,440	33,480,822
Equipment, net	13,211	26,170
In-process research and development	34,200,000	34,200,000
Goodwill	14,869,399	14,869,399
Total assets	$141,718,050	$82,576,391
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable - current portion	$4,750,635	$1,434,756
Accounts payable	833,229	1,360,569
Accrued expenses and other current liabilities	980,855	2,524,638
Accrued collaborative expenses	3,533,788	-
Total current liabilities	10,098,507	5,319,963
Notes payable - noncurrent	5,048,733	8,503,111
Deferred taxes	13,433,760	13,433,760
Total liabilities	28,581,000	27,256,834
Commitments and contingencies		
Stockholders' equity		
Preferred stock; $0.0001 par value; 100,000,000 shares authorized; none issued or outstanding as of September 30, 2016 and December 31, 2015, respectively	-	-
Common stock; $0.0001 par value; 125,000,000 shares authorized; 34,807,213 and 24,721,143 shares issued and outstanding as of September 30, 2016 and December 31, 2015, respectively	3,481	2,472
Additional paid-in capital	236,587,739	157,129,947

Accumulated deficit	(123,454,170)	(101,812,862)
Total stockholders' equity	113,137,050	55,319,557
Total liabilities and stockholders' equity	$141,718,050	$82,576,391

See accompanying notes to condensed consolidated financial statements

MINERVA NEUROSCIENCES, INC.

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Expenses				
Research and development	$5,852,121	$3,828,197	$13,941,283	$12,274,090
General and administrative	2,379,809	1,876,458	7,012,057	5,641,387
Total expenses	8,231,930	5,704,655	20,953,340	17,915,477
Loss from operations	(8,231,930)	(5,704,655)	(20,953,340)	(17,915,477)
Foreign exchange losses	(2,578)	(2,280)	(27,552)	(15,432)
Investment income	69,983	37,863	136,960	64,906
Interest expense	(258,764)	(269,950)	(797,376)	(776,400)
Net loss	$(8,423,289)	$(5,939,022)	$(21,641,308)	$(18,642,403)
Net loss per share, basic and diluted	$(0.24)	$(0.24)	$(0.71)	$(0.81)
Weighted average shares outstanding, basic and diluted	34,806,263	24,721,143	30,393,293	22,972,402

See accompanying notes to condensed consolidated financial statements

MINERVA NEUROSCIENCES, INC.

Condensed Consolidated Statement of Changes in Stockholders' Equity

(Unaudited)

	Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balances at January 1, 2015	18,439,482	$ 1,844	$ 126,228,981	$ (74,731,230)	$ 51,499,595
Issuance of common stock and warrants pursuant to a private placement, net of issuance costs of $2,466,984	6,281,661	628	28,532,387	-	28,533,015
Issuance of warrant pursuant to loan agreement	-	-	166,344	-	166,344
Stock-based compensation	-	-	1,510,765	-	1,510,765
Net loss	-	-	-	(18,642,403)	(18,642,403)
Balances at September 30, 2015	24,721,143	$ 2,472	$ 156,438,477	$ (93,373,633)	$ 63,067,316
Balances at January 1, 2016	24,721,143	$ 2,472	$ 157,129,947	$ (101,812,862)	$ 55,319,557
Exercise of common stock warrants	3,850,051	385	22,222,109	-	22,222,494
Exercise of stock options	1,900	-	9,861	-	9,861
Issuance of common stock in a public offering, net of issuance costs of $3,832,004	6,052,631	606	53,667,385	-	53,667,991
Issuance of common stock pursuant to a private placement	181,488	18	999,981	-	999,999
Stock-based compensation	-	-	2,558,456	-	2,558,456
Net loss	-	-	-	(21,641,308)	(21,641,308)
Balances at September 30, 2016	34,807,213	$ 3,481	$ 236,587,739	$ (123,454,170)	$ 113,137,050

See accompanying notes to condensed consolidated financial statements

MINERVA NEUROSCIENCES, INC.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended September 30, 2016	2015
Cash flows from operating activities:		
Net loss	$ (21,641,308)	$ (18,642,403)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	12,959	12,957
Amortization of debt discount recorded as interest expense	270,944	277,025
Amortization of marketable securities premium	102,632	159,680
Stock-based compensation expense	2,558,456	1,510,765
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	473,537	(427,074)
Accounts payable	(527,340)	92,985
Accrued expenses and other current liabilities	(1,543,783)	579,373
Accrued collaborative expenses	3,533,788	(1,222,420)
Other noncurrent liabilities	-	(7,694)
Net cash used in operating activities	(16,760,115)	(17,666,806)
Cash flows from investing activities:		
Purchase of marketable securities	-	(23,279,285)
Proceeds from the maturity and redemption of marketable securities	17,818,000	944,683
Restricted cash	-	(44,986)
Net cash provided by (used in) investing activities	17,818,000	(22,379,588)
Cash flows from financing activities:		
Proceeds from sale of common stock in public offering	57,499,995	-
Costs paid in connection with public offering	(3,832,004)	-
Proceeds from exercise of common stock warrants	22,222,494	-
Proceeds from exercise of stock options	9,861	-
Proceeds from notes payable	-	10,000,000
Repayments of notes payable	(389,203)	-
Costs paid in connection with notes payable	-	(195,656)
Proceeds from sale of common stock in private placement	999,999	30,999,999
Costs paid in connection with private placement	-	(2,466,984)
Net cash provided by financing activities	76,511,142	38,337,359
Net increase (decrease) in cash and cash equivalents	77,569,027	(1,709,035)
Cash and cash equivalents		
Beginning of period	14,284,054	18,545,702
End of period	$ 91,853,081	$ 16,836,667
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 528,750	$ 440,625

See accompanying notes to condensed consolidated financial statements

MINERVA NEUROSCIENCES, INC.

Notes to Condensed Consolidated Financial Statements

As of September 30, 2016 and for the Nine Months Ended September 30, 2016 and 2015

(Unaudited)

NOTE 1 — NATURE OF OPERATIONS AND LIQUIDITY

Nature of Operations

Minerva Neurosciences, Inc. (“Minerva” or the “Company”) is a clinical-stage biopharmaceutical company focused on the development and commercialization of a portfolio of product candidates to treat patients suffering from central nervous system (“CNS”) diseases. The Company has acquired or in-licensed four development-stage proprietary compounds that it believes have innovative mechanisms of action with potentially positive therapeutic profiles. The Company’s lead product candidate is MIN-101, a compound for the treatment of patients with schizophrenia. In addition, the Company’s portfolio includes MIN-202 (also known as JNJ-42847922), a compound the Company is co-developing with Janssen Pharmaceutica NV (“Janssen”), for the treatment of patients suffering from primary and comorbid insomnia; MIN-117, a compound the Company is developing for the treatment of patients suffering from major depressive disorder (“MDD”); and MIN-301, a compound the Company is developing for the treatment of patients suffering from Parkinson’s disease.

In November 2013, the Company merged with Sonkei Pharmaceuticals Inc. (“Sonkei”), a clinical-stage biopharmaceutical company and, in February 2014, the Company acquired Mind-NRG, a pre-clinical-stage biopharmaceutical company. The Company refers to these transactions as the Sonkei Merger and Mind-NRG Acquisition, respectively. The Company holds licenses to MIN-101 and MIN-117 from Mitsubishi Tanabe Pharma Corporation (“MTPC”) with the rights to develop, sell and import MIN-101 and MIN-117 globally, excluding most of Asia. With the acquisition of Mind-NRG, the Company obtained exclusive rights to develop and commercialize MIN-301. The Company has also entered into a co-development and license agreement with Janssen, for the exclusive rights to develop and commercialize MIN-202 in the European Union, subject to royalty payments to Janssen, and royalty rights for any sales outside the Minerva Territory.

Liquidity

The Company has limited capital resources and has incurred recurring operating losses and negative cash flows from operations since inception. As of September 30, 2016, the Company has an accumulated deficit of approximately $123.5 million. Management expects to continue to incur operating losses and negative cash flows from operations. The Company has financed its operations to date from proceeds from the sale of common stock, warrants, loans and convertible promissory notes.

The Company believes that its cash and cash equivalents on hand at September 30, 2016 will be sufficient to fund the Company’s operations into 2018. The timing of future capital requirements depends upon many factors including the size and timing of future clinical trials, the timing and scope of any strategic partnering activity and the progress of other research and development activities.

The Company will need to raise additional capital in order to continue to fund operations and fully fund later stage clinical development programs. The Company believes that it will be able to obtain additional working capital through equity financings or other arrangements to fund future operations; however, there can be no assurance that such additional financing, if available, can be obtained on terms acceptable to the Company. If the Company is unable to obtain such additional financing, future operations would need to be scaled back or discontinued.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim reporting and the requirements of the Securities and Exchange Commission (“SEC”) in accordance with Regulation S-X, Rule 10-01. Under those rules, certain notes and financial information that are normally required for annual financial statements can be condensed or omitted. In the opinion of the Company’s management, the accompanying financial statements contain all adjustments (consisting of items of a normal and recurring nature) necessary to present fairly the financial position as of September 30, 2016 and the results of operations for the three and nine months ended September 30, 2016 and 2015 and cash flows for the nine months ended September 30, 2016 and 2015. The results of operations for the three and nine months ended September 30, 2016, are not necessarily indicative of the results to be expected for the full year. When preparing financial statements in conformity with GAAP, management must make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates. The consolidated balance sheet as of December 31, 2015 was derived from the audited annual financial statements. The accompanying unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the audited financial statements for the years ended December 31, 2015 and 2014 included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 14, 2016.

Consolidation

The accompanying consolidated financial statements include the results of the Company and its wholly-owned subsidiaries, Mind-NRG Sarl and Minerva Neurosciences Securities Corporation. Intercompany transactions have been eliminated.

Significant risks and uncertainties

The Company's operations are subject to a number of factors that can affect its operating results and financial condition. Such factors include, but are not limited to: the results of clinical testing and trial activities of the Company's products, the Company's ability to obtain regulatory approval to market its products, competition from products manufactured and sold or being developed by other companies, the price of, and demand for, Company products, the Company's ability to negotiate favorable licensing or other manufacturing and marketing agreements for its products, and the Company's ability to raise capital.

The Company currently has no commercially approved products and there can be no assurance that the Company's research and development will be successfully commercialized. Developing and commercializing a product requires significant time and capital and is subject to regulatory review and approval as well as competition from other biotechnology and pharmaceutical companies. The Company operates in an environment of rapid change and is dependent upon the continued services of its employees and consultants and obtaining and protecting intellectual property.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash equivalents include short-term, highly-liquid instruments, consisting of money market accounts and short-term investments with maturities from the date of purchase of 90 days or less. The majority of cash and cash equivalents are maintained with major financial institutions in North America. Deposits with these financial institutions may exceed the amount of insurance provided on such deposits; however, these deposits may be redeemed upon demand and, therefore, bear minimal risk.

Restricted cash

Cash accounts with any type of restriction are classified as restricted. The Company maintained restricted cash balances as collateral for corporate credit cards in the amount of $80,000 at September 30, 2016 and December 31, 2015.

Marketable securities

Marketable securities consisted of corporate debt securities maturing in twelve months or less. Based on the Company's intentions regarding its marketable securities, all marketable securities were classified as held-to-maturity and are carried at amortized cost. The Company's investments in marketable securities were classified as Level 2 within the fair value hierarchy. As of September 30, 2016, all marketable securities previously held by the Company have matured or been redeemed.

Research and development costs

Costs incurred in connection with research and development activities are expensed as incurred. These costs include licensing fees to use certain technology in the Company's research and development projects as well as fees paid to consultants and various entities that perform certain research and testing on behalf of the Company and costs related to salaries, benefits, bonuses and stock-based compensation granted to employees in research and development functions. The Company determines expenses related to clinical studies based on estimates of the services received and efforts expended pursuant to contracts with multiple research institutions and contract research organizations that conduct and manage clinical studies on its behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts depend on factors such as the successful enrollment of patients and the completion of clinical trial milestones. In accruing service fees, the Company estimates the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from the estimate, the accrual is adjusted accordingly. The expenses for some trials may be recognized on a straight-line basis if the expected costs are expected to be incurred ratably during the period. Payments for these activities are based on the terms of the individual arrangements, which may differ from the pattern of costs incurred, and are reflected in the consolidated financial statements as prepaid or accrued expenses.

In July 2014, the Company entered into a co-development and license agreement. The Company accounts for the co-development and license agreement as a joint risk-sharing collaboration in accordance with ASC 808, Collaboration Arrangements. Costs between the Company and the licensor with respect to each party’s share of development costs that have been incurred pursuant to the joint development plan are recorded within research and development expenses or general and administrative expenses, as applicable, in the accompanying consolidated financial statements due to the joint risk-sharing nature of the activities. The Company has included $3.5 million in accrued collaborative expenses and $0.1 million in prepaid expenses and other current assets as of September 30, 2016 related to this agreement.

In-process research and development

In-process research and development (“IPR&D”) assets represent capitalized incomplete research projects that the Company acquired through business combinations. Such assets are initially measured at their acquisition date fair values. The initial fair value of the research projects are recorded as intangible assets on the balance sheet, rather than expensed, regardless of whether these assets have an alternative future use.

The amounts capitalized are being accounted for as indefinite-lived intangible assets, subject to impairment testing, until completion or abandonment of research and development efforts associated with the project. An IPR&D asset is considered abandoned when it ceases to be used (that is, research and development efforts associated with the asset have ceased, and there are no plans to sell or license the asset or derive defensive value from the asset). At that point, the asset is considered to be disposed of and is written off. Upon successful completion of each project, the Company will make a determination about the then remaining useful life of the intangible asset and begin amortization. The Company tests its indefinite-lived intangibles, IPR&D assets, for impairment annually on November 30 and more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired. When testing indefinite-lived intangibles for impairment, the Company may assess qualitative factors for its indefinite-lived intangibles to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the asset is impaired. Alternatively, the Company may bypass this qualitative assessment for some or all of its indefinite-lived intangibles and perform the quantitative impairment test that compares the fair value of the indefinite- lived intangible asset with the asset’s carrying amount. There was no impairment of IPR&D for the three and nine months ended September 30, 2016 or 2015.

Stock-based compensation

The Company recognizes compensation cost relating to stock-based payment transactions using a fair-value measurement method, which requires all stock-based payments to employees, including grants of employee stock options, to be recognized in operating results as compensation expense based on fair value over the requisite service period of the awards. The Company determines the fair value of stock-based awards using the Black-Scholes option-pricing model which uses both historical and current market data to estimate fair value. The method incorporates various assumptions such as the risk-free interest rate, expected volatility, expected dividend yield, expected forfeiture rate and expected life of the options.

The date of expense recognition for grants to non-employees is the earlier of the date at which a commitment for performance by the counterparty to earn the equity instrument is reached or the date at which the counterparty's performance is complete. The Company determines the fair value of stock-based awards granted to non-employees similar to the way fair value of awards are determined for employees except that certain assumptions used in the Black-Scholes option-pricing model, such as expected life of the option, may be different and the fair value of each unvested award is adjusted at the end of each period for any change in fair value from the previous valuation until the award vests.

Foreign currency transactions

The Company's functional currency is the US dollar. The Company pays certain vendor invoices in the respective foreign currency. The Company records an expense in US dollars at the time the liability is incurred. Changes in the applicable foreign currency rate between the date an expense is recorded and the payment date is recorded as a foreign currency gain or loss.

Loss per share

Basic loss per share excludes dilution and is computed by dividing net loss by the weighted-average number of shares of common stock outstanding for the period. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that shared in the earnings of the entity. The Company had a net loss in all periods presented, thus the inclusion of stock options and warrants would be anti-dilutive to net loss per share.

Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash, cash equivalents and marketable securities. The Company maintains its cash and cash equivalent balances in the form of business checking accounts and money market accounts, the balances of which, at times, may exceed federally insured limits. Exposure to cash and cash equivalents credit risk is reduced by placing such deposits with major financial institutions and monitoring their credit ratings. Marketable securities consist primarily of corporate bonds, with fixed interest rates. Exposure to credit risk of marketable securities is reduced by maintaining a diverse portfolio and monitoring their credit ratings. As of September 30, 2016, all marketable securities previously held by the Company have matured or been redeemed.

Long-lived assets

The Company reviews the recoverability of all long-lived assets, including the related useful lives, whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset might not be recoverable. If required, the Company compares the estimated undiscounted future net cash flows to the related asset’s carrying value to determine whether there has been an impairment. If an asset is considered impaired, the asset is written down to fair value, which is based either on discounted cash flows or appraised values in the period the impairment becomes known. The Company believes that all long-lived assets are recoverable, and no impairment was deemed necessary at September 30, 2016 and 2015.

Goodwill

The Company tests its goodwill for impairment annually, or whenever events or changes in circumstances indicate an impairment may have occurred, by comparing its reporting unit’s carrying value to its implied fair value. Impairment may result from, among other things, deterioration in the performance of the acquired business, adverse market conditions, adverse changes in applicable laws or regulations and a variety of other circumstances. If the Company determines that an impairment has occurred, it is required to record a write-down of the carrying value and charge the impairment as an operating expense in the period the determination is made. In evaluating the recoverability of the carrying value of goodwill, the Company must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the acquired assets. Changes in strategy or market conditions could significantly impact those judgments in the future and require an adjustment to the recorded balances. The Company tests its goodwill for impairment as of November 30. There was no impairment of goodwill for the three and nine months ended September 30, 2016 and 2015.

Segment information

Operating segments are defined as components of an enterprise (business activity from which it earns revenue and incurs expenses) about which discrete financial information is available and regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company’s chief decision maker, who is the Chief Executive Officer, reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. The Company views its operations and manages its business as one operating segment.

Comprehensive Loss

The Company had no items of comprehensive loss other than its net loss for each period presented.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") and are adopted by the Company as of the specified effective date.

In August 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The new standard requires management to assess the entity's ability to continue as a going concern, and to provide related note disclosures in certain circumstances. The provisions of this guidance are effective for annual periods beginning after December 15, 2016, and for interim periods therein. This guidance is not expected to have an impact on the Company's consolidated financial statements or disclosures.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Refer to Note 9, Commitments and Contingencies, for the Company's current lease commitments. The Company is currently evaluating the impact of the pending adoption of the new standard on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU No 2016-09, Compensation – Stock Compensation (Topic 718). The new standard simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. Under this guidance, a company recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the statement of operations. This change eliminates the notion of the additional paid-in capital pool and reduces the complexity in accounting for excess tax benefits and tax deficiencies. The new standard is effective for public companies for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods; however, early adoption is allowed. The Company is currently evaluating the impact of the pending adoption of the new standard on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU No 2016-15, Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments (Topic 230). The new standard clarifies the treatment of several cash flow categories. In addition, ASU 2016-15 clarifies that when cash receipts and cash payments have aspects of more than one class of cash flows and cannot be separated, classification will depend on the predominant source or use. This update is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted, including adoption in an interim period. The Company is currently evaluating the impact of the pending adoption of the new standard on the Company's consolidated financial statements.

NOTE 3 — ACCRUED EXPENSES

Accrued expenses and other liabilities consist of the following:

	September 30, 2016	December 31, 2015
Research and development costs and other accrued expenses	$ 574,018	$ 1,740,871
Professional fees	192,000	-
Accrued bonus	99,088	725,017
Interest payable	56,463	58,750

Vacation payable	59,286	-
	$ 980,855	$ 2,524,638

NOTE 4 — NET LOSS PER SHARE OF COMMON STOCK

Diluted loss per share is the same as basic loss per share for all periods presented as the effects of potentially dilutive issuances were anti-dilutive given the Company's net loss. Basic loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding. The following table sets forth the computation of basic and diluted loss per share for common stockholders:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net loss	$(8,423,289)	$(5,939,022)	$(21,641,308)	$(18,642,403)
Weighted average shares of common stock outstanding	34,806,263	24,721,143	30,393,293	22,972,402
Net loss per share of common stock – basic and diluted	$(0.24)	$(0.24)	$(0.71)	$(0.81)

12

The following securities outstanding at September 30, 2016 and 2015 have been excluded from the calculation of weighted average shares outstanding as their effect on the calculation of loss per share is antidilutive:

	September 30, 2016	September 30, 2015
Common stock options	3,569,298	3,098,036
Warrants	2,472,400	6,322,451

NOTE 5 — DEBT

Loan and Security Agreement

On January 16, 2015, the Company entered into a Loan and Security Agreement (as amended, the “Loan Agreement”) with Oxford Finance LLC (“Oxford”) and Silicon Valley Bank (“SVB” and, together with Oxford, the “Lenders”), providing for term loans to the Company in an aggregate principal amount of up to $15 million, in two tranches (the “Term Loans”).

The Company drew down the initial Term Loans in the aggregate principal amount of $10 million (the “Term A Loans”), on January 16, 2015. The Term A Loans bear interest at a fixed rate of 7.05% per annum. The Company believes that the Company's debt obligations accrue interest at rates which approximate prevailing market rates for instruments with similar characteristics and, accordingly, the carrying values for these instruments approximate fair value.

In August 2015, the Lenders and the Company entered into a First Amendment to the Loan Agreement, amending certain milestones related to the six month extension of the interest-only repayment period of the Term A Loans. By raising at least $30.0 million in gross capital (including at least $20.0 million from the sale of equity securities) and completing the first dosing of its Phase I/II clinical trial for MIN-117 prior to December 31, 2015, the Company achieved the interest-only milestones under the Loan Agreement and elected to extend the interest-only period an additional six months and reduce the repayment term by six months. Through August 1, 2016, the Company is obligated only to make monthly interest payments on the outstanding principal balance on the Term A Loans, followed by 24 months of equal principal and interest payments.

In June 2016, the Company irrevocably elected not to borrow the additional $5 million available under the Term Loans.

The Company paid a facility fee of $75,000 for access to the Term Loans and will be required to pay a final payment of 5.1% of the total amount borrowed, which has been included as a component of the debt discount and is amortized to interest expense over the term of the loans. The outstanding Term A Loans and debt discount are as follows:

	September 30, 2016
Term A Loans	$9,610,798

Less: debt discount and financing costs	(132,282)
Less: current portion	(4,750,635)
Accrued portion of final payment	320,852
Long-term portion	$5,048,733

For the three months ended September 30, 2016 and 2015, the Company recognized interest expense of $0.3 million in both periods, including $0.1 million in both periods, related to the debt discount. For the nine months ended September 30, 2016 and 2015, the Company recognized interest expense of $0.8 million in both periods, including $0.3 million in both periods related to the debt discount.

The Term Loans mature on August 1, 2018. The Company may prepay all, but not less than all, of the loaned amount upon 30 days' advance notice to the Lenders, provided that the Company will be obligated to pay a prepayment fee equal to (i) 3% of the outstanding balance, if the loan is prepaid within 24 months of the funding date, (ii) 2% of the outstanding balance, if the loan is prepaid between 24 and 36 months of the funding date and (iii) 1% of the outstanding balance, if the loan is prepaid thereafter (each, a "Prepayment Fee"). The expected remaining repayment of the $10.0 million Term A loan principal is as follows:

2016	$1,181,381
2017	4,938,713
2018	3,490,704
Total Term A Loans	$9,610,798

The Company's obligations under the Loan Agreement are secured by a first priority security interest in substantially all of its assets, other than its intellectual property. The Company has also agreed not to pledge or otherwise encumber its intellectual property assets, except that it may grant certain exclusive and non-exclusive licenses of its intellectual property as set forth in the Loan Agreement. In addition, the Company pledged all of its equity interests in Minerva Neurosciences Securities Corporation and 65% of its equity interests in Mind-NRG, Sarl as security for its obligations under the Loan Agreement.

Upon the occurrence of certain events, including but not limited to the Company's failure to satisfy its payment obligations under the Loan Agreement, the breach of certain of its other covenants under the Loan Agreement, or the occurrence of a material adverse change, the Lenders will have the right, among other remedies, to declare all principal and interest immediately due and payable, and will have the right to receive the final payment fee and, if the payment of principal and interest is due prior to maturity, the applicable Prepayment Fee.

NOTE 6 — CO-DEVELOPMENT AND LICENSE AGREEMENT

On February 12, 2014, the Company signed a co-development and license agreement with Janssen, subject to the completion of an initial public offering and the payment of a $22.0 million license fee. Under the agreement, Janssen, the licensor, granted the Company an exclusive license, with the right to sublicense, in the European Union, Switzerland, Liechtenstein, Iceland and Norway, referred to as the Minerva Territory, under (i) certain patent and patent applications to sell products containing any orexin 2 compound, controlled by the licensor and claimed in a licensor patent right as an active ingredient and (ii) MIN-202 for any use in humans. In addition, upon regulatory approval in the Minerva Territory (and earlier if certain default events occur), the Company will have rights to manufacture MIN-202, also known as JNJ-42847922. The Company has granted to the licensor an exclusive license, with the right to sublicense, under all patent rights and know-how controlled by the Company related to MIN-202 to sell MIN-202 outside the Minerva Territory. In consideration of the licenses granted on July 7, 2014, the Company made a license fee payment of $22.0 million, which was included as a component of research and development expense in 2014. The Company will pay a quarterly royalty percentage to the licensor in the high single digits on aggregate net sales for MIN-202 products sold by the Company, its affiliates and sublicensees in the Minerva Territory. The licensor will pay a quarterly royalty percentage to the Company in the high single digits on aggregate net sales for MIN-202 products sold by the licensor outside the Minerva Territory. In accordance with the development agreement, the Company will pay 40% of MIN-202 development costs related to the joint development of any MIN-202 products. However, the Company's share of aggregate development costs shall not exceed (i) $5.0 million for the period beginning from the effective date of the license and ending following the completion of certain Phase Ib clinical trials and animal toxicology studies, and (ii) $24.0 million for the period beginning from the effective date of the license and ending following the completion of certain Phase II clinical trials. The licensor has a right to opt out at the end of certain development milestones, with the first milestone being the completion of a single day Phase I clinical trial in patients with major depressive disorder, or MDD. Upon opt out, the licensor will not have to fund further development of MIN-202 and the Minerva Territory will be expanded to also include all of North America. The Company would then owe the licensor a reduced royalty in the mid-single digits for all sales in the Minerva Territory. The Company has the right to terminate the license following certain development milestones, the first being completion of a certain Phase Ib clinical trial in patients with insomnia and certain toxicology studies in animals. If the Company terminates the license within 45 days of this milestone, the Company must pay a termination fee equal to $3.0 million. If the Company terminates the license at any time following the last development milestone involving a certain Phase IIb clinical trial, the Company will be entitled to a royalty in the mid-single digits from sales of MIN-202 by the licensor. The licensor may also terminate the agreement for the Company's material breach or certain insolvency events, including if the Company is unable to fund its portion of the development costs.

The Company accounts for the co-development and license agreement as a joint risk-sharing collaboration in accordance with ASC 808, Collaboration Arrangements. Payments between the Company and the licensor with respect to each party's share of MIN-202 development costs that have been incurred pursuant to the joint development plan are recorded within research and development expenses or general and administrative expenses, as applicable, in the accompanying consolidated statements of operations due to the joint risk-sharing nature of the activities. The Company has included $3.5 million in accrued collaborative expenses, which has been recorded as a component of research and development expenses, and $0.1 million in other current assets for reimbursable collaborative expense incurred as of September 30, 2016. The Company paid zero and $3.8 million during the nine months ended September 30, 2016 and 2015, respectively, related to this agreement.

On July 6, 2016, the Company and Janssen agreed that the parties had reached “Decision Point 2,” as defined under the co-development agreement. As a result, the Company expects to incur an additional expense of up to $15.5 million and to pay up to an additional $19.0 million, to Janssen as costs are incurred for certain Phase II clinical trials in accordance with the terms of the co-development agreement. The Company and Janssen are planning the next steps in the clinical development program for MIN-202, including potential Phase IIb clinical trials in both insomnia disorder and MDD.

NOTE 7 — STOCKHOLDERS’ EQUITY

Public Offering of Common Stock

On June 17, 2016, the Company closed a public offering of common stock, in which the Company issued and sold 6,052,631 shares of common stock at a public offering price of $9.50, for aggregate gross proceeds to the Company of $57.5 million. All of the shares issued and sold in this public offering were registered under the Securities Act pursuant to a registration statement on Form S-3 (File No. 333-205764) and a related prospectus and prospectus supplement, in each case filed with the Securities and Exchange Commission. The Company incurred $3.8 million in underwriting discounts and commissions and transaction costs, which have been included as a component of additional paid-in capital, resulting in net proceeds of $53.7 million.

Private Placement of Common Stock

On March 17, 2016, the Company entered into a common stock purchase agreement with a member of the Board of Directors, pursuant to which the Company, in a private placement, sold to the director an aggregate of 181,488 shares of the Company’s common stock, at a price per share of $5.51, for gross proceeds of approximately $1 million.

Warrant Exercises

In January, February and June 2016, certain investors in the Company’s March 2015 private placement exercised their warrants at an exercise price of $5.772 per share and received an aggregate of 3,850,051 shares of the Company’s common stock. The Company received gross proceeds of approximately $22.2 million from the exercise of these warrants.

Private Placement of Common Stock and Warrants

On March 18, 2015, pursuant to a securities purchase agreement with certain accredited investors dated March 13, 2015, the Company sold in a private placement 6,281,661 shares of the Company’s common stock at a price per share of $4.81 and warrants to purchase up to an aggregate of 6,281,661 shares of common stock at a purchase price of $0.125 per warrant share, with an initial exercise price of $5.772 per share, resulting in gross proceeds of approximately $31.0 million. The warrants expire on March 18, 2017, two years after the date on which they were initially issued. As of September 30, 2016, warrants to purchase 2,431,610 shares of common stock were outstanding.

The Company incurred $2.5 million for placement agent fees and transaction costs which have been included as a component of additional paid-in capital, resulting in net proceeds of $28.5 million.

In connection with the private placement, the Company also entered into a registration rights agreement (the "Registration Rights Agreement"), dated March 13, 2015 with certain accredited investors. Pursuant to the terms of the Registration Rights Agreement, the Company was obligated to prepare and file with the SEC a registration statement to register for resale the 6,281,661 shares of its common stock issued in the private placement and the 6,281,661 shares of its common stock issuable upon exercise of the warrants on or prior to May 2, 2015. The Company filed a resale registration statement on Form S-1 (File No. 333-203737), which was declared effective by the SEC on May 11, 2015. The Company filed a post-effective amendment to the Form S-1 to convert the filing to a Form S-3 on July 2, 2015. If registration statements are not maintained effective, the Company could be subject to penalties of up to 10.0% of proceeds received in the private placement.

Term Loan Warrants

In connection with the Loan Agreement, the Company issued the Lenders warrants to purchase shares of its common stock upon its draw of each tranche of the Term Loans. The aggregate number of shares of common stock issuable upon exercise of the warrants is equal to 2.25% of the amount drawn of such tranche, divided by the average closing price per share of the Company's common stock reported on the NASDAQ Global Market for the 10 consecutive trading days prior to the applicable draw. Upon the draw of the Term A Loans, the Company issued the Lenders warrants to purchase 40,790 shares of common stock at a per share exercise price of $5.516. The warrants are immediately exercisable upon issuance, and other than in connection with certain mergers or acquisitions, will expire on the ten-year anniversary of the date of issuance. The fair value of the warrants was estimated at $0.2 million using a Black-Scholes model and assuming: (i) expected volatility of 100.8%, (ii) risk free interest rate of 1.83%, (iii) an expected life of 10 years and (iv) no dividend payments. The fair value of the warrants was included as a discount to the Term A Loans and also as a component of additional paid-in capital and will be amortized to interest expense over the term of the loan. All such warrants were outstanding as of September 30, 2016.

NOTE 8 — STOCK OPTION PLAN

The Company adopted the 2013 Equity Incentive Plan (the “Plan”) in December 2013, which provides for the issuance of options, stock appreciation rights, stock awards and stock units. On January 1, 2016, in accordance with the terms of the Plan, the total shares authorized for issuance under the plan increased by 750,000 to 5,031,333. This increase represents the lessor of 750,000 shares or 4% of the total shares outstanding calculated as of the end of the most recent fiscal year. The exercise price per share shall not be less than the fair value of the Company’s underlying common stock on the grant date and no option may have a term in excess of ten years. Stock option activity under the Plan is as follows:

	Shares Issuable Pursuant to Stock Options	Weighted-Average Exercise Price
Outstanding January 1, 2016	3,388,698	$ 5.59
Granted	182,500	$ 9.63
Exercised	(1,900)	$ 5.19
Forfeited	-	$ -
Outstanding September 30, 2016	3,569,298	$ 5.79
Exercisable September 30, 2016	1,597,576	$ 6.07
Available for future grant	1,460,135	

The Company uses the Black Scholes model to estimate the fair value of stock options granted. For stock options granted during the nine months ended September 30, 2016 and 2015, the Company utilized the following assumptions:

	September 30, 2016	September 30, 2015

Expected term (years)	5.5-6.25	5.5-6.25
Risk free interest rate	1.17-1.52%	1.27-1.98%
Volatility	78%	74-110%
Dividend yield	0%	0%
Weighted average grant date fair value per share of common stock	$ 5.53	$ 4.26

Stock-Based Awards Granted to Non-employees-The Company from time to time grants options to purchase common stock to non-employees for services rendered and records expense ratably over the vesting period of each award. The Company estimates the fair value of the stock options using the Black-Scholes valuation model at each reporting date. The Company granted 60,000 stock options to non-employees and recorded stock-based compensation expense of $15,000 during the three and nine months ended September 30, 2016. There were no stock option grants made to non-employees made during the nine months ended September 30, 2015.

For stock options granted to non-employees during the nine months ended September 30, 2016, the Company utilized the following assumptions:

	September 30, 2016
Expected term (years)	9.92
Risk free interest rate	1.60%
Volatility	101%
Dividend yield	0%
Weighted average reporting date fair value per share of common stock	$ 12.76

The Company recognized stock-based compensation expense for the nine months ended September 30, 2016 and 2015 of $2.6 million and $1.5 million, respectively. The weighted average grant-date fair value of stock options outstanding on September 30, 2016 was $4.67 per share. The intrinsic value of options exercised during the nine months ended September 30, 2016 was $13 thousand. The Company received $10 thousand in cash from option exercises during the nine months ended September 30, 2016. Total unrecognized compensation costs related to non-vested awards at September 30, 2016 was approximately $7.6 million and is expected to be recognized within future operating results over a period of 2.6 years. At September 30, 2016, the weighted average contractual term of the options outstanding is approximately 8.4 years. The intrinsic value of outstanding stock options at September 30, 2016 was $29.7 million.

The expected term of the employee-related options was estimated using the "simplified" method as defined by the Securities and Exchange Commission's Staff Accounting Bulletin No. 107, Share-Based Payment. The volatility assumption was determined by examining the historical volatilities for industry peer companies, as the Company did not have sufficient trading history for its common stock. The risk-free interest rate assumption is based on the U.S. Treasury instruments whose term was consistent with the expected term of the options. The dividend assumption is based on the Company's history and expectation of dividend payouts. The Company has never paid dividends on its common stock and does not anticipate paying dividends on its common stock in the foreseeable future. Accordingly, the Company has assumed no dividend yield for purposes of estimating the fair value of the options.

NOTE 9 — COMMITMENTS AND CONTINGENCIES

In September 2014, the Company entered into a lease agreement for 4,043 square feet of office space in Waltham, MA. The term of the lease is approximately two years, and the Company is required to make monthly rental payments commencing December 2014. Estimated annual rent payable under this operating lease is approximately $0.1 million per year in each of the two years.

In April 2016, the Company entered into an agreement to extend the term of the lease through March 31, 2018. Estimated annual rent payable under this agreement is approximately $0.1 million per year.

From time to time, the Company may be subject to various legal proceedings and claims that arise in the ordinary course of the Company's business activities. The Company is not aware of any claim or litigation, the outcome of which, if determined adversely to the Company, would have a material effect on the Company's financial position or results of operations.

NOTE 10 — RELATED PARTY TRANSACTIONS

In January 2016, the Company entered into a services agreement with V-Watch SA ("V-Watch"), for approximately $105,000 for the use of V-Watch's SomnoArt device for monitoring sleep in the MIN-101 Phase IIb and MIN-117 Phase IIa trials. The Company's Chief Executive Officer is the chairman of the board of directors of V-Watch and funds affiliated with stockholder Index Ventures hold greater than 10% of the outstanding capital stock of V-Watch.

Also refer to Note 6 – Co-Development and License agreement and Note 7 – Stockholder’s Equity for additional related party transactions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and with our annual audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015 as filed with the Securities and Exchange Commission on March 14, 2016.

Historical Overview

We are a clinical-stage biopharmaceutical company focused on the development and commercialization of a portfolio of product candidates to treat patients suffering from central nervous system, or CNS, diseases. Leveraging our scientific insights and clinical experience, we have acquired or in-licensed four development-stage proprietary compounds that we believe have innovative mechanisms of action and therapeutic profiles that potentially can address the unmet needs of patients with these diseases.

Our product portfolio and potential indications includes: MIN-101 for the treatment of schizophrenia; MIN-202 (also known as JNJ-42847922), a compound we are co-developing with Janssen Pharmaceutica NV, or Janssen, for the treatment of insomnia disorder and adjunctive major depressive disorder, or MDD; MIN-117 for the treatment of MDD; and MIN-301 for the treatment of Parkinson's disease. We believe our product candidates have significant potential to improve the lives of a large number of affected patients and their families who are currently not well-served by available therapies.

In November 2013, Cyrenaic Pharmaceuticals, Inc., or Cyrenaic, and Sonkei Pharmaceuticals, Inc., or Sonkei, merged, and the combined company was renamed Minerva Neurosciences, Inc. Cyrenaic had been incorporated in 2007 and had exclusively licensed MIN-101 from Mitsubishi Tanabe Pharma Corporation, or MTPC. Sonkei had been incorporated in 2008 and had exclusively licensed MIN-117 from MTPC. We executed the merger as we saw an opportunity to better serve an underserved patient population through combining a portfolio of promising product candidates targeting CNS diseases. As a result of the merger, we have the rights to develop and commercialize MIN-101 and MIN-117 globally, excluding most of Asia.

We further expanded our product candidate portfolio in February 2014 by acquiring the shares of Mind-NRG SA, or Mind-NRG, which had exclusive rights to develop and commercialize MIN-301. In addition, in February 2014 we entered into a co-development and license agreement with Janssen, one of the Janssen Pharmaceutical Companies of Johnson & Johnson. Pursuant to this agreement we are co-developing MIN-202 and have the right to commercialize this compound in Europe, subject to royalty payments to Janssen, with Janssen having commercialization rights outside of the European Union, subject to royalty payments to us. Our relationships with Janssen and MTPC help inform our clinical development and regulatory strategies.

We have not received regulatory approvals to commercialize any of our product candidates, and we have not generated any revenue from the sales or license of our product candidates. We have incurred significant operating losses since inception. We expect to incur net losses and negative cash flow from operating activities for the foreseeable future in connection with the clinical development and the potential regulatory approval, infrastructure development and commercialization of our product candidates.

Clinical Update

MIN-101

In May 2016, we announced top line results from a prospective Phase IIb, 12-week, randomized, double-blind, placebo-controlled parallel clinical trial evaluating the efficacy, safety and tolerability of MIN-101 in patients with negative symptoms of schizophrenia using the pentagonal structure model, or PSM, of the Positive and Negative Syndrome Scale, or PANSS. These negative symptoms, for which no approved treatment is currently available, affect the majority of schizophrenic patients and can persist over their lifetimes. A total of 244 patients were randomized in equal groups to receive daily doses of MIN-101 32 mg, MIN-101 64 mg or placebo at 32 clinical sites in Russia and five European countries. To participate in the trial, patients were required to have stable positive and negative symptoms for three months prior to entry, a PANSS negative sub-score greater than or equal to 20, and scores < 4 on the following PANSS items: excitement, hyperactivity, hostility, suspiciousness, uncooperativeness and poor impulse control. All three cohorts were balanced with respect to demographic and baseline disease characteristics.

The study achieved its primary endpoint, demonstrating the statistically significant benefit of MIN-101 over placebo in improving negative symptoms as measured by the PSM of PANSS. The effect was shown for both doses tested: 32 milligrams (mg): $p \leq 0.022$ with an effect size of 0.45, and 64 mg: $p \leq 0.003$ with effect size of 0.58.

The study also demonstrated statistically significant benefit of MIN-101 over placebo on the PANSS three factors negative symptoms subscale for both doses tested: 32 mg: $p \leq 0.006$, with an effect size of 0.55, and 64 mg: $p \leq 0.001$ with an effect size of 0.70.

Furthermore, the statistically significant benefit of MIN-101 over placebo was demonstrated on the PANSS total score (not significant for the 32 mg dose; $p \leq 0.003$ for the 64 mg dose), with effect sizes of 0.35 and 0.59, respectively.

The consistency and robustness of the effect was also supported by the demonstrated statistically significant benefit of MIN-101 over placebo in multiple secondary endpoints as measured by the following: the PANSS general psychopathology subscale, Brief Negative Symptoms Scale total score, Clinical Global Impression of Severity, Clinical Global Impression of Improvement, Personal and Social Performance total score and Brief Assessment of Cognition in Schizophrenia. Positive symptoms were observed to remain stable, and the absence of extra-pyramidal symptoms throughout the three month trial is consistent with the hypothesis that MIN-101 has a direct and specific effect on negative symptoms rather than an indirect effect mediated by improvements of positive symptoms.

MIN-101 was generally reported to be well tolerated, and the incidence and types of side effects did not differ significantly between the MIN-101 group and the placebo group. Based upon previous non-clinical and clinical experience, QTcF, a measurement of cardiac function, was closely monitored. Discontinuation criteria based on QTcF prolongation were incorporated in the protocol. Two patients out of 162 who received MIN-101 were discontinued based upon these criteria; both of these patients received the higher dose (64 mg).

Patients who completed the 12-week double-blind core phase of this study were provided the opportunity to enter into a 24-week, open-label extension phase. The extension phase was completed during the third quarter of 2016. During the extension phase, all patients received either 32 milligrams (mg) or 64 mg of MIN-101. Patients who received placebo in the core phase were randomized to one of these two doses at the beginning of the extension phase. Data generated during the extension period were intended to provide longer term supportive evidence of efficacy and to complement the statistically significant results obtained during the core phase.

One hundred forty-two patients from the treatment and placebo groups in the core phase entered the extension phase, with 88 patients completing the extension. Seventy patients received 32 mg and 72 patients received 64 mg during the extension.

Negative symptoms, assessed based on the PANSS PSM, were observed to continue to improve during the extension phase, as shown by a reduction from the study start for the 32 and 64 mg-treated groups of 5.5 points and 4.9 points, respectively, and by a reduction of 5.4 points and 5.3 points, respectively, in the PANSS three factors negative symptoms subscale.

Positive symptoms were observed to remain stable throughout the study, as measured by PANSS positive symptom scores. This finding is consistent with the hypothesis that MIN-101 has a direct and specific effect on negative symptoms.

General psychopathology was observed to improve during the extension phase for the 32 and 64 mg groups, as shown by reductions in the PANSS general psychopathology subscale score.

MIN-101 was generally reported to be well tolerated through the entire 36-week period. QTcF was closely monitored throughout the study, and discontinuation criteria based on QTcF prolongation were incorporated in the protocol. As previously announced, two patients out of 162 who received MIN-101 in the core phase were discontinued based upon these criteria; both of these patients received the higher dose (64 mg). In the extension phase no additional patients were discontinued. The extension phase data also confirm that MIN-101 at the doses tested did not have an effect on extra-pyramidal symptoms (EPS), prolactin or weight gain.

We plan to meet with regulatory authorities in the U.S. and Europe regarding the design of pivotal clinical trials with MIN-101, and we expect Phase 3 testing of this compound in schizophrenia to be initiated in mid-2017.

MIN-117

In May 2016, we announced top line results from a Phase IIa clinical trial in MDD with MIN-117, an antidepressant drug candidate with a differentiated mechanism of action targeting adrenergic alpha 1a, alpha 1b, 5-HT1A, 5-HT2A receptors, serotonin and the dopamine transporter. This study was a four-arm, parallel-group, randomized double-blind, placebo- and positive-control trial which tested two daily administered doses of MIN-117: 0.5 mg and 2.5 mg. The study included 84 patients (21 per arm) with moderate to severe MDD in four European countries. The goals of the trial were to test efficacy, safety and tolerability of MIN-117 over six weeks of treatment. The antidepressant paroxetine was used as an active control and confirmed assay sensitivity. Change on the MADRS was used as the main outcome measurement. As established prospectively in the statistical analysis plan, this trial was designed for signal detection and effect size estimation. As such, the study was not powered to demonstrate statistically significant differences between MIN-117 and placebo.

Results demonstrated dose-dependent superiority of MIN-117 over placebo as measured by change in the Montgomery-Asberg Depression Rating Scale, MADRS. Data show that MIN-117 at the 0.5 mg daily dose had an effect size, as compared to the placebo group, of 0.24 while the 2.5 mg daily dose had an effect size of 0.34. This magnitude of effect size is similar to those observed with currently marketed antidepressants. Improvement in MADRS with MIN-117 against placebo was observed at two weeks. Furthermore, data also show that 24% of the patients treated with 2.5 mg of MIN-117 achieved remission as prospectively defined.

Both doses of MIN-117 demonstrated a favorable tolerability profile, and the incidence and types of side effects did not differ significantly between the MIN-117 group and the placebo group. No unexpected adverse events were reported. Preliminary analysis shows that treatment with MIN-117 is not associated with cognitive impairment, sexual dysfunction, suicidal ideation or weight gain.

Pharmacodynamic measurements based on sleep recordings showed that MIN-117 preserved sleep continuity and architecture and therefore is not expected to have detrimental effects on rapid eye movement sleep distribution and duration.

In September 2016, we announced that the U.S. Food and Drug Administration, or FDA, has accepted our Investigational New Drug application, or IND, for MIN-117. FDA acceptance of this IND allows us to begin clinical trials with this compound in the United States, building upon the results from the Phase IIa trial in Europe. Planning is underway for these trials, which are expected to begin in 2017.

MIN-202

In January 2016, we announced top line results from a Phase IIa clinical trial of MIN-202 for the treatment of insomnia disorder. The trial was a randomized, two way, cross-over, placebo-controlled double-blind study to evaluate the effect of MIN-202 on sleep and daytime functioning in 28 patients with insomnia disorder without psychiatric co-morbidity. Patients were given 40 mg of MIN-202 or placebo in a cross-over design for treatment periods of five days, separated by a washout period. The trial was conducted at clinical sites in the United States and Europe. Patients treated with MIN-202 in this trial were observed to have statistically significant improvements in key sleep parameters, compared to patients treated with placebo. These parameters include sleep efficiency, or SE, as measured by objective polysomnography, the primary endpoint of the trial, for which a positive efficacy signal was detected for 40 milligrams MIN-202 versus placebo ($p<0.001$). Additional significant positive efficacy signals were observed for key secondary parameters in this trial, including latency to persistent sleep, or LPS, wake after sleep onset, or WASO, and total sleep time, or TST. Compared to placebo, MIN-202 was observed to significantly improve polysomnography parameters ($p<0.001$) on Days 1 and 5. On Day 5, LPS and WASO were observed to be reduced by 23.2 and 11 minutes, respectively, and TST and SE increased by 39 minutes and 8.12 percent, respectively. Objective and subjective evaluations were significantly correlated. Subjectively estimated TST, LPS, and WASO were also observed to be improved versus placebo by 43.1, -38.8, and -14.8 minutes, respectively. No serious adverse events were observed in this trial, and preliminary data indicate that MIN-202 was well tolerated by patients. The most common treatment-emergent adverse events associated with exposure to MIN-202 during the double-blind phase of the study were somnolence and abnormal dreams.

In February 2016, we announced top line data from a Phase I clinical trial with MIN-202 conducted in Japan. It was observed that single dose morning administration of MIN-202 was well tolerated at all three dose levels tested, 5 mg, 20 mg and 40 mg. The observed plasma pharmacokinetic features were comparable to those observed in previous trials carried out in healthy non-Asian study participants. No clinically relevant safety concerns were observed based on the assessment of multiple safety endpoints. Somnolence was the most frequently reported adverse event at the two higher doses, an expected finding as this compound is being developed as a treatment for patients suffering from insomnia disorder and as adjunctive treatment to concomitant antidepressant drug therapy in MDD. This trial was a single center, double blind, placebo-controlled randomized single ascending dose study to investigate the safety, tolerability and pharmacokinetics of MIN-202 in 24 healthy Japanese adult male study participants.

In March 2016, we announced top line results from the Phase Ib clinical trial in MDD with MIN-202 conducted in Europe. The Phase Ib trial was a randomized, double-blind, parallel group study including 20 mg of MIN-202 administered in the evening, a positive control, 25 mg of diphenhydramine, and placebo, to evaluate treatment with MIN-202 in 48 subjects ages 18 to 65 years with a diagnosis of MDD who could be treated with marketed antidepressants. MIN-202 was observed to be well tolerated by study participants over a one-month treatment duration, with no serious adverse events. Consistently greater improvements in depressive symptomatology were observed in patients randomized to receive MIN-202 compared to those randomized to receive placebo or diphenhydramine, as measured by clinician administered rating scales, including the Hamilton Depression Rating Scale. These findings support the potential of MIN-202 to have a direct effect on mood independent from its effect on sleep. Core symptoms of depression (as measured by the HAM-D 6) were observed to be significantly improved in the MIN-202 arm when compared with PLA. A number of supportive activities and studies are underway in anticipation of the next phase of clinical trials with MIN-202 in both insomnia disorder and MDD, which are anticipated to begin in early 2017.

MIN-301

In January 2015, we announced results from a non-human primate study showing that treatment with an analog of MIN-301 resulted in improvements in a range of symptoms associated with a Parkinson’s disease model in primates. The results confirmed the beneficial effects of MIN-301 in non-primate preclinical models. We believe these data provide support for advancing MIN-301 into clinical trials for the treatment of Parkinson's disease in humans. Building upon these data, we are continuing to conduct preclinical development with MIN-301 as a treatment for Parkinson's disease. We expect that the next steps in the MIN-301 program, after completion of regular toxicology studies and final production of the compound in accordance with current Good Manufacturing Practices, will include the filing of an IND in the United States and/or Investigational Medicinal Product Dossier, or IMPD, in the European Union, with Phase I trials to commence upon acceptance of these filings by regulatory authorities.

Financial Overview

Revenue. None of our product candidates have been approved for commercialization and we have not received any revenue in connection with the sale or license of our product candidates.

Research and Development Expense. Research and development expenses consists of costs incurred in connection with the development of our product candidates, including: fees paid to consultants and clinical research organizations, or CROs, including in connection with our non-clinical and clinical trials, and other related clinical trial fees, such as for investigator grants, patient screening, laboratory work, clinical trial database management, clinical trial material management and statistical compilation and analysis; licensing fees; costs related to acquiring clinical trial materials; costs related to compliance with regulatory requirements; and costs related to salaries, benefits, bonuses and stock-based compensation granted to employees in research and development functions. We expense research and development costs as they are incurred.

In the future, we expect research and development expenses to continue to be our largest category of operating expenses and to increase as we continue our planned pre-clinical and clinical trials for our product candidates and as we hire additional research and development staff.

Completion dates and completion costs can vary significantly for each product candidate and are difficult to predict. We anticipate we will make determinations as to which programs to pursue and how much funding to direct to each program on an ongoing basis in response to the scientific and clinical success or failure of each product candidate, the estimated costs to continue the development program relative to our available resources, as well as an ongoing assessment as to each product candidate's commercial potential. We will need to raise additional capital or may seek additional product collaborations in the future in order to complete the development and commercialization of our product candidates.

General and Administrative Expense. General and administrative expenses consist principally of costs for functions in executive, finance, legal, auditing and taxes. Our general and administrative expenses include salaries, bonuses, facility and information system costs and professional fees for auditing, accounting, consulting and legal services. General and administrative costs also include non-cash stock-based compensation expense as part of our compensation strategy to attract and retain qualified staff.

We expect to continue to incur general and administrative expenses related to operating as a public company, including increased audit and legal fees, costs of compliance with securities, corporate governance and other regulations, investor relations expenses and higher insurance premiums. In addition, we expect to incur additional costs as we hire personnel and enhance our infrastructure to support the anticipated growth of our business.

Foreign Exchange (Losses) Gains. Foreign exchange (losses) gains are comprised primarily of losses and gains of foreign currency transactions related to clinical trial expenses denominated in Euros. Since our current clinical trials are conducted in Europe, we incur certain expenses in Euros and record these expenses in U.S. dollars at the time the liability is incurred. Changes in the applicable foreign currency rate between the date an expense is recorded and the payment date is recorded as a foreign currency loss or gain. We expect to continue to incur future expenses denominated in Euros as certain of our planned clinical trials are expected to be conducted in Europe.

Investment Income. Investment income consists of income earned on our cash equivalents and marketable securities.

Interest Expense. Interest expense consists of interest incurred under our outstanding Term A loans.

Results of Operations

Comparison of Three Months Ended September 30, 2016 versus September 30, 2015

Research and Development Expenses

Total research and development expenses were $5.9 million for the three months ended September 30, 2016 compared to $3.8 million for the same period in 2015, an increase in total expense of $2.1 million. Research and development expense in the three months ended September 30, 2016 and 2015 included non-cash stock-based compensation expenses of $0.3 million and $0.2 million, respectively. Excluding stock-based compensation, total research and development expense related to drug development programs for the three months ended September 30, 2016 and 2015 was $5.6 million and $3.6 million, respectively, an increase of $2.0 million. This increase in research and development expenses primarily reflects higher development expenses under the MIN-202 program for Phase II clinical trial preparation, partially offset by lower costs for our MIN-101 and MIN-117 programs as those clinical trials have concluded.

General and Administrative Expenses

Total general and administrative expenses were $2.4 million for the three months ended September 30, 2016 compared to $1.9 million for the same period in 2015, an increase of approximately $0.5 million. General and administrative expense in the three months ended September 30, 2016 and 2015 included non-cash stock-based compensation expenses of $0.7 million and $0.4 million, respectively. Excluding stock-based compensation, general and administrative expense for the three months ended September 30, 2016 and 2015 was $1.7 million and $1.5 million, respectively. This increase was primarily due to an increase in professional fees during the three months ended September 30, 2016.

Foreign Exchange (Losses) Gains

Foreign exchange loss was $3 thousand for the three months ended September 30, 2016 compared to a loss of $2 thousand for the same period in 2015, an increased loss of $1 thousand. The loss was primarily due to clinical activities denominated in Euros.

Investment Income

Investment income was $70 thousand for the three months ended September 30, 2016 compared to $38 thousand for the same period in 2015, an increase of $32 thousand. The increase was due to investment income on cash equivalents and marketable securities.

Interest Expense

Interest expense was $0.3 million for both the three months ended September 30, 2016 and 2015 as our outstanding loan balance was the same in both periods.

Comparison of Nine Months Ended September 30, 2016 versus September 30, 2015

Research and Development Expenses

Total research and development expenses were $13.9 million for the nine months ended September 30, 2016 compared to $12.3 million for the same period in 2015, an increase in total expense of $1.6 million. Research and development expense in the nine months ended September 30, 2016 and 2015 included non-cash stock-based compensation expenses of $0.7 million and $0.4 million, respectively. Excluding stock-based compensation, total research and development expense related to drug development programs for the nine months ended September 30, 2016 and 2015 was $13.2 million and $11.9 million, respectively, an increase of $1.3 million. This increase in research and development expenses primarily reflects higher development expenses under the MIN-202 program for Phase II clinical trial preparation, increased expenses related to our Phase IIa clinical trial of MIN-117 and increased expenses related to our MIN-301 development. This increase was partially offset by decreased expenses due to the completion of our Phase IIb clinical trial of MIN-101.

General and Administrative Expenses

Total general and administrative expenses were $7.0 million for the nine months ended September 30, 2016 compared to $5.6 million for the same period in 2015, an increase of approximately $1.4 million. General and administrative expense in the nine months ended September 30, 2016 and 2015 included non-cash stock-based compensation expenses of $1.8 million and $1.1 million, respectively. Excluding stock-based compensation, general and administrative expense for the nine months ended September 30, 2016 and 2015 was $5.2 million and $4.5 million, respectively. This increase was primarily due to an increase in personnel costs and professional fees during the nine months ended September 30, 2016.

Foreign Exchange (Losses) Gains

Foreign exchange losses were $28 thousand for the nine months ended September 30, 2016 compared to a loss of $15 thousand for the same period in 2015, an increased loss of $13 thousand. The loss was primarily due to certain expenses of Mind-NRG and clinical activities denominated in Euros.

Investment Income

Investment income was $137 thousand for the nine months ended September 30, 2016 compared to $65 thousand for the same period in 2015, an increase of $72 thousand. The increase was due to investment income on cash equivalents and marketable securities.

Interest Expense

Interest expense was $0.8 million for both the nine months ended September 30, 2016 and 2015 as our outstanding loan balance was the same in both periods.

Liquidity and Capital Resources

Sources of Liquidity

We have incurred losses and cumulative negative cash flows from operations since our inception in April 2007 and, as of September 30, 2016, we had an accumulated deficit of approximately $123.5 million. We anticipate that we will continue to incur net losses for the foreseeable future as we continue the development and potential commercialization of our product candidates and to support our operations as a public company. At September 30, 2016, we had approximately $91.9 million in cash and cash equivalents. We believe that our cash and cash equivalents as of September 30, 2016, will be sufficient to fund our operations into 2018. The timing of future capital requirements depends upon many factors including the size and timing of future clinical trials, the timing and scope of any strategic partnering activity and the progress of other research and development activities.

Sources of Funds

Public Offering of Common Stock

On June 17, 2016, we closed a public offering of common stock, in which we issued and sold 6,052,631 shares of common stock at a public offering price of $9.50, for aggregate gross proceeds to us of $57.5 million. All of the shares issued and sold in this public offering were registered under the Securities Act pursuant to a registration statement on Form S-3 (File No. 333-205764) and a related prospectus and prospectus supplement, in each case filed with the Securities and Exchange Commission. We incurred $3.8 million in underwriting discounts and commissions and transaction costs, which have been included as a component of additional paid-in capital, resulting in net proceeds of approximately $53.7 million.

Private Placement

On March 17, 2016, we entered into a common stock purchase agreement with a member of the Board of Directors, pursuant to which we, in a private placement, sold to the director an aggregate of 181,488 shares of our common stock, at a price per share of $5.51, for gross proceeds of approximately $1 million.

Exercise of Warrants

In January, February and June 2016, certain investors in our March 2015 private placement exercised their warrants and received an aggregate of 3,850,051 shares of our common stock. We received gross proceeds of approximately $22.2 million from the exercise of these warrants.

Private Placement

On March 18, 2015, pursuant to a securities purchase agreement with certain accredited investors dated March 13, 2015, we sold in a private placement 6,281,661 shares of our common stock at a price per share of $4.81 and warrants to purchase up to an aggregate of 6,281,661 shares of our common stock at a purchase price of $0.125 per warrant share, with an initial exercise price of $5.772 per share for gross proceeds of approximately $31.0 million and net proceeds of approximately $28.5 million. The warrants expire on March 18, 2017, two years after the date on which they were initially issued. As of September 30, 2016, warrants to purchase 2,431,610 shares of common stock were outstanding.

Term Loans

On January 16, 2015, we entered into a Loan and Security Agreement with Oxford and SVB, providing for term loans to us in an aggregate principal amount of up to $15 million, in two tranches. We drew down the initial term loans in the aggregate principal amount of $10 million, which we refer to as the Term A Loans, on January 16, 2015. The Term A Loans bear interest at a fixed rate of 7.05% per annum. In August 2015, we entered into a First Amendment to the Loan and Security Agreement, amending certain milestones related to the six month extension of the interest-only repayment period for the Term A Loans.

By raising at least $30.0 million in capital (including at least $20.0 million from the sale of equity securities) and completing the first dosing of our Phase I/II clinical trial for MIN-117 prior to December 31, 2015, we achieved the interest-only milestones under the amended Loan Agreement and elected to extend the interest-only period an additional six months. Through August 1, 2016, we are obligated to make monthly interest payments only on the outstanding principal balance on the Term A Loans, followed by 24 months of equal principal and interest payments.

In June 2016, we irrevocably elected not to borrow the additional $5 million available under the term loans.

Uses of Funds

To date, we have not generated any revenue. We do not know when, or if, we will generate any revenue from sales of our products or royalty payments from our collaboration with Janssen. We do not expect to generate significant revenue from product sales unless and until we obtain regulatory approval of and commercialize any of our product candidates. At the same time, we expect our expenses to increase in connection with our ongoing development activities, particularly as we continue the research, development and clinical trials of, and seek regulatory approval for, our product candidates. We also expect to continue to incur costs associated with operating as a public company. In addition, subject to obtaining regulatory approval of any of our product candidates, we expect to incur significant commercialization expenses for product sales, marketing, manufacturing and distribution.

We anticipate that we will need substantial additional funding in connection with our continuing operations and to fund Phase III clinical trials of our lead product candidates.

Until such time, if ever, as we can generate substantial revenue from product sales, we expect to finance our cash needs through a combination of equity offerings, debt financings, government or other third party funding, commercialization, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our common stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Additional debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through government or other third party funding, commercialization, marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. There can be no assurance that such additional funding, if available, can be obtained on terms acceptable to us. If we are unable to obtain additional financing, future operations would need to be scaled back or discontinued. Based on our current operating plan and existing cash, we expect to be able to fund our operations into 2018. The timing of future capital requirements depends upon many factors including the size and timing of future clinical trials, the timing and scope of any strategic partnering activity and the progress of other research and development activities.

On July 6, 2016, we and Janssen agreed that the parties had reached "Decision Point 2," as defined under the co-development agreement. As a result, we expect to incur an additional expense of up to $15.5 million and to pay up to an additional $19.0 million, to Janssen as costs are incurred for certain Phase II clinical trials in accordance with the terms of the co-development agreement. A number of supportive activities and studies are underway in anticipation of the next phase of clinical trials with MIN-202 in both insomnia disorder and MDD, which are anticipated to begin in early 2017.

Under our $10.0 million Term A Loan, we have made principal repayments of approximately $0.4 million. We expect to make additional principal repayments of approximately $1.2 million in 2016, $4.9 million in 2017 and $3.5 million in 2018, in accordance with the terms of the agreement.

Cash Flows

The table below summarizes our significant sources and uses of cash for the nine months ended September 30, 2016 and 2015:

	Nine Months Ended September 30,	
	2016	2015
	(dollars in millions)	
Net cash provided by (used in):		
Operating activities	$ (16.7)	$ (17.7)
Investing activities	17.8	(22.3)
Financing activities	76.5	38.3
Net increase in cash	$ 77.6	$ (1.7)

Net Cash Used in Operating Activities

Net cash used in operating activities of approximately $16.7 million during the nine months ended September 30, 2016 was primarily due to our net loss of $21.6 million and a $0.5 million decrease in accounts payable, partially offset by stock-based compensation expense of $2.6 million, a $1.9 million net increase in accrued expenses and accrued collaborative expenses, a decrease of $0.5 million in prepaid expense and amortization of investments and debt discount of $0.4 million.

Net cash used in operating activities of approximately $17.7 million during the nine months ended September 30, 2015 was primarily due to our net loss of $18.6 million, a $0.6 million decrease in accounts payable and accrued expenses and a $0.4 million increase in prepaid expenses, partially offset by stock-based compensation expense of $1.5 million and amortization of investments and debt discount of $0.4 million.

Net Cash Provided by (Used in) Investing Activities

Net cash provided by investing activities of approximately $17.8 million during the nine months ended September 30, 2016 was due to the maturity and redemption of marketable securities.

Net cash used in investing activities of approximately $22.3 million during the nine months ended September 30, 2015 was primarily due to the purchase of marketable securities of $23.3 million, partially offset by the redemption of marketable securities of $0.9 million.

Net Cash Provided by Financing Activities

Net cash provided by financing activities of $76.5 million during the nine months ended September 30, 2016 was primarily due to gross proceeds from the June 2016 public stock offering of $57.5 million less costs of $3.8 million, proceeds from the exercise of common stock warrants of $22.2 million and proceeds from the sale of common stock in a private placement of $1.0 million, partially offset by the principal repayments under the Term A loans of $0.4 million.

Net cash provided by financing activities of $38.3 million during the nine months ended September 30, 2015 was primarily due to proceeds from the January 2015 Term Loans of $10.0 million and net proceeds from our March 2015 private placement.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements as defined under SEC rules.

Critical Accounting Policies and Estimates

In our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, our most critical accounting policies and estimates upon which our financial status depends were identified as those relating to stock-based compensation; research and development costs; in-process research and development; net operating losses and tax credit carryforwards; and impairment of long-lived assets. We reviewed our policies and determined that those policies remain our most critical accounting policies for the nine months ended September 30, 2016.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, and are adopted by us as of the specified effective date. Our significant accounting policies are described in Note 2 to our condensed consolidated financial statements appearing elsewhere in this Form 10-Q. Except as described in Note 2, we believe that the impact of other recently issued accounting pronouncements will not have a material impact on consolidated financial position, results of operations, and cash flows, or do not apply to our operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may affect us due to adverse changes in financial market prices and rates. Our market risk exposure is primarily related to fluctuations in interest rates.

Interest rate exposure

Our Term A loans have fixed interest rates and therefore are not subject to interest rate sensitivity.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, or the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2016. Based on the evaluation of our disclosure controls and procedures as of September 30, 2016, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no other changes in internal control over financial reporting during the Company’s latest fiscal quarter that would have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II

Item 1. Legal Proceedings

From time to time, we may be subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Although the results of litigation and claims cannot be predicted with certainty, as of the date of this Quarterly Report on Form 10-Q, we do not believe we are party to any claim or litigation, the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

This Quarterly Report on Form 10-Q contains forward-looking information based on our current expectations. Because our actual results may differ materially from any forward-looking statements that we make or that are made on our behalf, this section includes a discussion of important factors that could affect our actual future results, including, but not limited to, our capital resources, the progress and timing of our clinical programs, the safety and efficacy of our product candidates, risks associated with regulatory filings, risks associated with determinations made by regulatory agencies, the potential clinical benefits and market potential of our product candidates, commercial market estimates, future development efforts, patent protection, effects of healthcare reform, reliance on third parties, and other risks set forth below. The risk factors set forth below with an asterisk (*) next to the title are new risk factors or risk factors containing changes, which may be material, from the risk factors previously disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as filed with the SEC.

Risks Related to Our Financial Position and Capital Requirements

* We have incurred significant losses since our inception. We expect to continue to incur losses over the next several years and may never achieve or maintain profitability.

We are a clinical development-stage biopharmaceutical company. In November 2013, we merged with Sonkei Pharmaceuticals, Inc., or Sonkei, and, in February 2014, we acquired Mind-NRG, which were also clinical development-stage biopharmaceutical companies. Investment in biopharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that any potential product candidate will fail to demonstrate adequate effect or an acceptable safety profile, gain regulatory approval or become commercially viable. As an early stage company, we have limited experience and have not yet demonstrated an ability to successfully overcome many of the risks and uncertainties frequently encountered by companies in new and rapidly evolving fields, particularly the biopharmaceutical area. We have no products approved for commercial sale and have not generated any revenue from product sales to date, and we continue to incur significant research and development and other expenses related to our ongoing operations.

We are not profitable and have incurred losses in each period since our inception in 2007. For the nine months ended September 30, 2016, and 2015, we reported net losses of $21.6 million and $18.6 million, respectively. As of September 30, 2016, we had an accumulated deficit of $123.5 million.

We expect to continue to incur significant losses for the foreseeable future, and we expect these losses to increase as we continue our research and development of, and seek regulatory approvals for, our product candidates. If any of our product candidates fail in clinical trials or do not gain regulatory approval, or if any of our product candidates, if approved, fail to achieve market acceptance, we may never generate revenue or become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. We may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. The size of our future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenues. Our prior losses and expected future losses have had and will continue to have an adverse effect on our stockholders' equity and working capital.

* We will require additional capital to finance our operations, which may not be available to us on acceptable terms, or at all. As a result, we may not complete the development and commercialization of our product candidates or develop new product candidates.

Our operations and the historic operations of Sonkei and Mind-NRG have consumed substantial amounts of cash since inception. We expect our research and development expenses to increase substantially in connection with our ongoing activities, particularly as we advance our product candidates into clinical trials.

As of September 30, 2016, we had cash and cash equivalents of $91.9 million. We believe that our cash and cash equivalents as of September 30, 2016, will fund our projected operating requirements into 2018. However, circumstances may cause us to consume capital more rapidly than we currently anticipate. In any event, we will require significant additional capital to fund future clinical trials of our product candidates, and to obtain regulatory approval for, and to commercialize, our product candidates.

Our future funding requirements, both short and long-term, will depend on many factors, including:

- the initiation, progress, timing, costs and results of pre-clinical studies and clinical trials for our product candidates and future product candidates we may develop;
- the outcome, timing and cost of seeking and obtaining regulatory approvals from the EMA, FDA, and comparable foreign regulatory authorities, including the potential for such authorities to require that we perform more studies than those that we currently expect;
- the cost to establish, maintain, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with licensing, preparing, filing, prosecution, defense and enforcement of any patents or other intellectual property rights;
- the effect of competing technological and market developments;
- market acceptance of any approved product candidates;
- the costs of acquiring, licensing or investing in additional businesses, products, product candidates and technologies; and
- the cost of establishing sales, marketing and distribution capabilities for our product candidates for which we may receive regulatory approval and that we determine to commercialize ourselves or in collaboration with our partners.

When we need to secure additional financing, such additional fundraising efforts may divert our management from our day-to-day activities, which may adversely affect our ability to develop and commercialize our product candidates. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests, and the per-share value of our common stock could decline. If we engage in debt financing, we may be required to accept terms that restrict our ability to incur additional indebtedness and force us to maintain specified liquidity or other ratios. Further, the evolving and volatile global economic climate and global financial market conditions could limit our ability to raise funding and otherwise adversely impact our business or those of our collaborators and providers. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our product candidates. Any of these events could significantly harm our business, financial condition and prospects.

Changes in estimates regarding fair value of intangible assets may result in an adverse impact on our results of operations.

We test goodwill and in-process research and development for impairment annually or more frequently if changes in circumstances or the occurrence of events suggest impairment exists. The test for impairment of in-process research and development requires us to make several estimates about fair value, most of which are based on projected future cash flows. Changes in these estimates may result in the recognition of an impairment loss in our results of operations. An impairment analysis is performed whenever events or changes in circumstances indicate that the carrying amount of any individual asset may not be recoverable. For example, if we or our counterparties fail to perform our respective obligations under an agreement, or if we lack sufficient funding to develop our product candidates, an impairment may result. In addition, any significant change in market conditions, estimates or judgments used to determine expected future cash flows that indicate a reduction in carrying value may give rise to impairment in the period that the change becomes known.

We plan to use potential future operating losses and our federal and state net operating loss, or NOL, carryforwards to offset taxable income from revenue generated from operations or corporate collaborations. However, our ability to use existing NOL carryforwards may be limited as a result of issuance of equity securities.

As of December 31, 2015, we had approximately $36.1 million of Federal NOL carryforwards. These Federal NOL carryforwards will begin to expire at various dates beginning in 2027, if not utilized. We plan to use our operating losses to offset any potential future taxable income generated from operations or collaborations. To the extent we generate taxable income, we plan to use our existing NOL carryforwards and future losses to offset income that would otherwise be taxable. However, under the Tax Reform Act of 1986, the amount of benefits from our NOL carryforwards may be impaired or limited if we incur a cumulative ownership change of more than 50%, as interpreted by the U.S. Internal Revenue Service, over a three year period. We have not performed a detailed analysis to determine whether an ownership change occurred upon consummation of the merger between us and Sonkei, upon the acquisition of Mind-NRG or our initial public offering or the concurrent private placements. However, as a result of these transactions, it is likely that an ownership change has occurred. Therefore, it is likely that some or all of our existing NOL carryforwards would be limited by the provisions of Section 382 of the United States Internal Revenue Code of 1986, as amended. Further, state NOL carryforwards may be similarly limited. We had approximately $28.4 million of state net operating carryforwards at December 31, 2015. It is also possible that future changes in ownership, including as a result of subsequent sales of securities by us or our stockholders, could similarly limit our ability to utilize NOL carryforwards. It is possible that all of our existing NOL carryforwards have been or will be disallowed. Any such disallowances may result in greater tax liabilities than we would incur in the absence of such a limitation and any increased liabilities could adversely affect our business, results of operations, financial condition and cash flow.

Risks Related to Our Business and Industry

We cannot give any assurance that any of our product candidates will receive regulatory approval in a timely manner or at all, which is necessary before they can be commercialized.

The regulatory approval process is expensive and the time required to obtain approval from the EMA, FDA or other regulatory authorities in other jurisdictions to sell any product is uncertain and may take years.

Whether regulatory approval will be granted is unpredictable and depends upon numerous factors, including the substantial discretion of the regulatory authorities. Moreover, the filing of a marketing application, including a New Drug Application, or NDA, requires a payment of a significant user fee upon submission. The filing of marketing applications for our product candidates may be delayed due to our lack of financial resources to pay such user fee.

If, following submission, our NDA or marketing authorization application is not accepted for substantive review or approval, the EMA, FDA or other comparable foreign regulatory authorities may require that we conduct additional clinical or pre-clinical trials, provide additional data, manufacture additional validation batches or develop additional analytical tests methods before they will reconsider our application. If the EMA, FDA or other comparable foreign regulatory authorities requires additional studies or data, we would incur increased costs and delays in the marketing approval process, which may require us to expend more resources than we have available. In addition, the EMA, FDA or other comparable foreign regulatory authorities may not consider sufficient any additional required trials, data or information that we perform or provide, or we may decide, or be required, to abandon the program.

Moreover, policies, regulations, or the type and amount of pre-clinical and clinical data necessary to gain approval may change during the course of a product candidate’s clinical development and may vary among jurisdictions. It is possible that none of our existing product candidates or any of our future product candidates will ever obtain regulatory approval, even if we expend substantial time and resources seeking such approval.

Our product candidates could fail to receive regulatory approval for many reasons, including the following:

- The EMA, FDA or other regulatory authorities may disagree with the design or implementation of our clinical trials. We have not yet consulted with the EMA or the FDA on the design and conduct of the clinical trials that have already been conducted or that we intend to conduct. Thus, the EMA, FDA and other comparable foreign authorities may not agree with the design or implementation of these trials. We intend to seek guidance from the EMA in relation to the European Union clinical trial program and the FDA on the design and conduct of clinical trials of our compounds when we initiate a clinical program in the United States in the future.
- We may be unable to demonstrate to the satisfaction of the EMA, FDA or other regulatory authorities that a product candidate is safe and effective for its proposed indication.
- The results of clinical trials may not meet the level of statistical significance required by the EMA, FDA or other regulatory authorities for approval.
- We may be unable to demonstrate that a product candidate’s clinical and other benefits outweigh any safety risks.
- The EMA, FDA or other regulatory authorities may disagree with our interpretation of data from pre-clinical studies or clinical trials.

- The data collected from clinical trials of our product candidates may not be sufficient to support an NDA or other submission or to obtain regulatory approval in the United States or elsewhere.
- The EMA, FDA or other regulatory authorities may fail to approve the manufacturing processes or facilities of third-party manufacturers with which we contract for clinical and commercial supplies.
- The approval policies or regulations of the EMA, FDA or other regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval.

Even if we obtain approval for a particular product, regulatory authorities may approve that product for fewer or more limited indications, including more limited patient populations, than we request, may require that contraindications, warnings, or precautions be included in the product labeling, including a black box warning, may grant approval contingent on the performance of costly post-marketing clinical trials or other post-market requirements, including risk evaluation and mitigation strategies, or REMS, or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product. Any of the foregoing could materially harm the commercial prospects for our product candidates.

Results of earlier clinical trials may not be predictive of the results of later-stage clinical trials.

The results of pre-clinical studies and early clinical trials of our product candidates may not be predictive of the results of later-stage clinical trials. Interpretation of results from early, usually smaller, trials that suggest positive trends in some subjects, require caution. Results from later stages of clinical trials enrolling more subjects may fail to show the desired safety and efficacy results or otherwise fail to be consistent with the results of earlier trials of the same product candidate. This may occur for a variety of reasons, including differences in trial design, trial endpoints (or lack of trial endpoints in exploratory studies), subject population, number of subjects, subject selection criteria, trial duration, drug dosage and formulation or due to the lack of statistical power in the earlier trials. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier trials.

The results of clinical trials conducted at sites outside the United States may not be accepted by the FDA and the results of clinical trials conducted at sites in the United States may not be accepted by international regulatory authorities.

We plan to conduct our clinical trials outside the United States. Although the FDA may accept data from clinical trials conducted outside the United States, acceptance of this data would be subject to certain conditions imposed by the FDA. For example, the clinical trial must be well-designed and conducted and performed by qualified investigators in accordance with ethical safeguards such as institutional review board, or IRB, or ethics committee approval and informed consent. The study population must also adequately represent the applicable United States population, and the data must be applicable to the American population and medical practice in ways that the FDA deems clinically meaningful. In addition, while clinical trials conducted outside of the United States are subject to the applicable local laws, FDA acceptance of the data from such trials will be dependent upon its determination that the trials were conducted consistent with all applicable United States laws and regulations. There can be no assurance the FDA will accept data from trials conducted outside of the United States as adequate support of a marketing application, and it is not unusual for the FDA to require some Phase III clinical trial data to be generated in the United States. If the FDA does not accept the data from our international clinical trials, it would likely result in the need for additional trials in the United States, which would be costly and time-consuming and could delay or permanently halt the development of one or more of our product candidates.

If we experience delays in clinical testing, we will be delayed in commercializing our product candidates, our costs may increase and our business may be harmed.

We do not know whether our clinical trials will be completed on schedule, or at all. Our product development costs will increase if we experience delays in clinical testing. Significant clinical trial delays also could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before we do, which would impair our ability to successfully commercialize our product candidates and may harm our business, results of operations and prospects.

The commencement and completion of clinical development can be delayed or halted for a number of reasons, including:

- difficulties obtaining regulatory approval to commence a clinical trial or complying with conditions imposed by a regulatory authority regarding the scope or term of a clinical trial;
- delays in reaching or failure to reach agreement on acceptable terms with prospective clinical research organizations, or CROs, and trial sites, which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- deviations from the trial protocol by clinical trial sites and investigators, or failing to conduct the trial in accordance with regulatory requirements;
- failure of our third parties, such as CROs, to satisfy their contractual duties or meet expected deadlines;

While the ultimate cost to be incurred in the future is uncertain, AngloGold has estimated that the total cost for mine rehabilitation and closure, in current monetary terms, will be $248.6 million.

South African operations

Environment: South African law requires that AngloGold calculate its estimated environmental closure and final rehabilitation costs for operations which are subject to the requirements of the law. The law also requires that this estimate be used by AngloGold to make periodic cash contributions to an environmental trust fund (or use some other approved funding mechanism), created in accordance with rehabilitation obligations of those operations. It is anticipated that these estimates are likely to change as additional, operation-specific information is gained and if, and as, closure and final rehabilitation requirements change.

Certain amounts have been contributed to an irrevocable rehabilitation trust under AngloGold's control for rehabilitation of the mines and related facilities located in South Africa. The monies in this trust are invested primarily in interest-bearing debt securities.

AngloGold intends to finance the ultimate rehabilitation costs from the monies invested with the rehabilitation trust fund, from the proceeds on sale of assets and gold from plant clean-up at the time of mine closure as well as from internally generated funds.

97
Estimated rehabilitation liabilities for the South African operations at December 31, 2003 are:

	2003 contribution to trust fund (1)	**Balance in trust fund**	**Total estimated liability**	**Balance in provision**
Vaal River	3.6	22.8	54.2	23.3
West Wits	3.6	12.0	24.1	9.8
Ergo	2.9	17.9	19.3	15.6
Total	**10.1**	**52.7**	**97.6**	**48.7**

(1)
Includes growth in the trust fund of $4.2 million.

Under South African law, mining companies are required to submit Environmental Management Program Reports (EMPRs) to the Government Mining Engineer's office. EMPRs identify individual impacts, mitigation measures and rehabilitation requirements and must also be approved by other South African Government departments, including, but not restricted to, the Department of Water Affairs and Forestry. In response to changed legal requirements in respect of water management issues, AngloGold has applied for and received the required water permits.

In order to maintain compliance with the EMPRs, AngloGold meets periodically with the relevant government departments to review its operations in the light of the provisions contained within the relevant EMPRs.

Since the South Africa region employs by far the most people, and has the largest number of operations, its community and environmental impact is greater there than anywhere else. The aim of the South Africa region is to create a balance between the impact on the natural and social environments in which it operates while at the same time, ensuring that it delivers significant and lasting benefits to employees, their communities and other stakeholders, in partnership with government, international agencies, labor, health and non-governmental organizations. As a result of historical and current social- economic imperatives, the role played by the company in social issues is significant.

An amended Environmental Management Program Report for the West Wits and Vaal River operations was submitted to the Department of Minerals and Energy in November 2002. A number of these reports were approved during 2003 with the outstanding ones still pending administrative processing. Water usage and management remains a key area of focus.

Water balances were updated and redesigned to ensure a more user-friendly and comprehensive system. Water monitoring programs and procedures for ground and surface water were developed and implemented at the Vaal River and West Wits operations and a quarterly reporting and analysis system was rolled out across the region. Geotechnical assessment of rock dumps and tailings storage facilities, indicating pollution potential and associated time periods, were completed. This is the first time such an assessment has been undertaken in the South African gold mining industry. The main focus for 2004 will be the reduction in potable water usage and the treatment of mine water to reduce the contamination potential on water resources.

During 2002, the region committed itself to the development of an internet-based electronic Environmental Management System. The system is based on ISO14001 principles. The first of five phases, involving policy development and planning, was completed in 2003.

During 2003, the region's Environmental Incident Review system was also further refined, with the emphasis placed on implementation within the operations.

Progress was made with rehabilitation trials at the Ergo Daggafontein tailings dam. The dam was decommissioned in December 2001 and will be rehabilitated to environmental closure standards in terms of the Minerals Act. The final closure plan was submitted to the Department Minerals and Energy for approval.

98
Sustainable development and social investment: In South Africa, the company's corporate social investment initiatives are directed by the AngloGold Fund and the AngloGold Educational Trust Fund. During 2003, funds were committed to a range of initiatives, both large and small. The primary area of investment remains education, welfare and development, community health, health projects related to HIV/AIDS and skills and entrepreneurial development. Although the Funds support projects which have a national impact, the focus is on those regions and communities in which the company operates or has a major impact.

East and West African operations

Environment: Mine closure costs and their associated provisions are reviewed on an annual basis. The region is working towards standardizing the approach and assumptions used for closure provision estimation at the various operations. Estimates are revised as the understanding of site-based issues that influence closure provision evolves due to technical studies undertaken in the previous year (for example, techniques required for rehabilitating heap leach stacks at Yatela). The dynamic nature of the operations and ongoing rehabilitation means that closure costs can be revised either up or down. Increased closure provisions at a number of operations reflects the development of new infrastructure (for example, satellite pits at Geita).

At the Navachab operation in Namibia, the final closure provision is currently estimated at is $1.38 million. Navachab is wholly-owned by AngloGold.

At Sadiola in Mali, the mine closure provision has been revised to $12.0 million, which reflects the change in local currency exchange rate. AngloGold owns 38 percent of Sadiola and therefore, its share of mine closure liability is $4.56 million. Other shareholders include IAMGOLD, the IFC and the Malian Government.

Construction of the Yatela project in Mali was completed and production commenced in 2001. Closure liability has been revised from $2.8 million to $8.6 million. AngloGold has a 40 percent interest in Yatela and therefore, its share of mine closure liability is $3.44 million. Other shareholders include IAMGOLD and the Malian Government.

The Morila mine in Mali has revised its mine closure liability estimate from $8.4 million to $12.3 million. The Morila Board approved the new estimate of costs in August 2003. Morila has sent a letter to its financiers, N.M. Rothschild & Sons Limited, to confirm that Morila has fulfilled its obligations regarding the Mechanical Completion Certificate issuance, and that its technical advisors, SRK have indicated that the plan is acceptable. Morila's shareholders include AngloGold, RandGold and the Malian Government. AngloGold has a 40 percent interest in Morila and therefore, its share of mine closure liability is $4.92 million.

The Geita mine in Tanzania is subject to six monthly surveillance audits to maintain its ISO4001 certification. The mine has increased its estimated closure liability from $12 million to $22.2 million. Ashanti is the other shareholder.

Sustainable development and social investment: AngloGold's aim of ensuring sustainable development is particularly pertinent in these regions of Africa, where mining operations are frequently located in inaccessible areas, largely untouched by industrial and economic development. Responsible mining practices, with the full involvement of local communities and governments, can ensure that long-term benefits accrue to the regions, even after mining has ceased.

Structures have been established at each of the operations to deal with the communities. These structures take the form of community committees or boards of executors of trusts with mine management participation. A key focus is the building of capacity within these structures and the creation of a greater sense of ownership which will ensure sustainability after mine closure.

At Sadiola and Yatela Mines an intergrated development plan is being developed which entails the identification of sustainable community-driven projects. At Morila Mine the mine has pledged the $500,000 for the setting up of a community trust fund.

At Geita Mine the Nyakabale agro project has been a remarkable success. It was established in June 2001 and to date 48 farmers from the local community have been trained and registered. Moringa seeds are being sold in Dar Es Salam and vegetables are sold to the mines contract catering company and the broader community. The project is now realizing a profit and is growing from strength to strength.

99
At most of the operations micro lending schemes exist where entrepreneurs from the local community obtain loans from the operations to start up local businesses.

At all operations, as a policy, preference is given to candidates from the local community when employment opportunities arise. Localization programs have been implemented at all operations with the main focus on the implementation of technical and managerial training programs to fast-track the career development of local employees.

North American operations Environment:

The US operations were subject to environmental inspections by major environmental federal and state regulatory authorities during 2003 and were in substantial compliance with permit requirements with the possible exception of a water quality matter at the CC&V operation, which is discussed more fully below.

Activities continued at the CC&V operation in the State of Colorado under approvals previously obtained from various government entities to expand the operations at the Cresson Project. The approvals obtained in August 2000 included an assessment by the State of Colorado of rehabilitation costs for the expanded operation. This estimate requires CC&V to provide financial assurance in the amount of approximately $52.0 million to cover rehabilitation obligations associated with the full build-out of the expansion. The total financial assurance now posted under Colorado law for the CC&V operation is approximately $41.5 million to cover rehabilitation obligations, which amount has been posted with the State of Colorado in the form of surety bonds by AngloGold via major US insurance companies.

Certain allegations were raised by the US Environmental Protection Agency (EPA) in 2001 related to self-reported excursions of CC&V's discharge permits in 1996 - 1999 and alleged discharges without necessary permits. EPA and the Colorado Water Quality Control Division (WQCD) evaluated significant information provided by CC&V relating to the allegations and after months of negotiations entered into two administrative settlements with CC&V and others in September 2002 to resolve EPA's allegations. Notwithstanding various available defenses, no in-stream exceedances and the last alleged excursion occurring nearly three years prior to entering into the settlements, CC&V and its joint venture partners made a conscious decision that attempting to settle the matter, rather than continuing with protracted and divisive litigation, was in the best interests of their employees and the communities where CC&V operates. The two settlement documents became final after public comment in the first quarter 2003 and CC&V has undertaken all required action under the documents.

Activities at the Jerritt Canyon Project in the State of Nevada were continued solely by underground mining at four mines. As noted previously, AngloGold sold its interest in Jerritt Canyon to Queenstake Resources USA Inc. (Queenstake) effective June 30, 2003. With the sale, AngloGold was released of all rehabilitation obligations at Jerritt Canyon due to the assumption of such obligation by Queenstake. As such, the State of Nevada and the United States Forest Service (USFS) released the surety bonds posted by AngloGold via major US insurance companies totalling approximately $33 million.
In Nevada, final rehabilitation activities continued at the Big Springs mine and mill. These rehabilitation activities have progressed to a stage that release of a majority of the posted financial assurance of approximately $3.0 million with the State of Nevada and the USFS can be pursued in 2004.

Activist groups have again threatened to pursue anti-mining initiatives in the State of Colorado in 2004. In 2002 and 2003, anti-mining legislation that would eliminate the use of cyanide heap leaching technologies for gold and silver associated with silver mining was introduced but defeated. In 2000, a similar anti-mining ballot initiative was proposed but unsuccessful. New legislation was required to be filed with the Colorado Senate by January 23, 2004 and the Colorado House by January 28, 2004. No bill was introduced by these deadlines; however, other avenues still exist for introducing legislation by filing a late status bill or amending an existing bill. The legislative session ends on May

5, 2004. A ballot initiative can be filed with the State of Colorado until approximately August 7, 2004 for the November 2004 election. As at March 15, 2004, no ballot initiative has been filed.

Sustainable development and social investment: In North America, AngloGold's operations make a positive contribution to the communities in which they operate. AngloGold supports projects with potential social, economic or environmental benefits. Some examples of such projects include the development, in conjunction with other mining companies and state and federal government agencies, of a voluntary program to reduce mercury air emissions at Nevada mines, and continued support towards the construction of a regional medical center in a community near CC&V.

100

South American operations

Environment: The South American operations were subjected to environmental inspections by state environmental authorities during 2003 and were found in compliance with local, state and federal environmental regulations.
At Morro Velho, work to evaluate the impact of old tailings was concluded and approved by the environmental regulatory authorities. Rehabilitation work is underway and is expected to last throughout the year.

One of the Morro Velho underground mines, Mina Velha, was closed in October 2003. Dismantling and clean up is being undertaken.

Morro Velho was audited during the first quarter and gained a NOSA (Integrated System of Occupational Health, Safety and Environment) 4-star rating. In late 2003, Cerro Vanguardia was re-audited and achieved a NOSA 4-star rating besides maintaining the ISO 14001 certification. Serra Grande was re-audited keeping its NOSA 5-star rating. Both Morro Velho and Serra Grande are seeking to be ISO 14001 certified.

The total anticipated environmental rehabilitation and closure costs for the South American operations is estimated at $42.2 million, of which AngloGold's attributable share is estimated at $38.9 million.

Environmental and social issues continue to receive attention. There is an ongoing environmental program that includes an improved waste collection and recycling campaign during the year, significantly reducing the amount of waste generated by the company.

At Serra Grande, an ongoing partnership project with the Federal Environmental Agency allows the Serra Grande Preservation Centre to house endangers species of birds. The Centre also comprises an indigenous botanical nursery with an annual production of 3,500 plants.

Sustainable development and social investment: In line with AngloGold's policy of sustainable development, the South American operations are actively involved in forming partnerships with local municipalities, communities and other institutions towards the upliftment of communities in which its operations are located. Examples of these are the agreement with the National University of Southern Patagonia for the monitoring of the flora, fauna and soil in the region of Cerro Vanguardia mine, aimed at preserving animal and plant species and maintaining water and soil quality. In addition, 3,101 fourth grade students attended the environmental educational program at The Harry Oppenheimer Centre for Environmental Education in Nova Lima.

Australian operations

Environment: Environmental management and compliance, as well as the promotion of social development in the regions in which the company operates, continued as a matter of priority during 2003. AngloGold Australia reported nine Category 3 incidents during the year compared with two incidents in 2002.

A Health, Safety, Environmental and Community Performance Report covering AngloGold's Australian operations was published. The publication is a requirement for signatories to the Australian Minerals Industry Code for Environmental Management (Code). AngloGold's Australian operations are signatories to the Code. The operations were in substantial compliance with material requirements of applicable Australian law.

The Union Reefs operation closed in late 2003. A detailed closure plan, addressing environmental, stakeholder and community issues, was approved by the Northern Territory Government. Rehabilitation of worked out open-pits, waste rock dumps and tailings disposal areas was advanced during 2003. The Union Reefs mine is on care and maintenance.

The Sunrise Dam operation maintained a strong focus on environmental management, with improvements to the Central Tailings Discharge area, internal auditing of cyanide management and continued compliance with license conditions. Statutory approvals were received for the development of an underground mine and the construction of associated infrastructure. Where possible at Sunrise Dam during 2003, disturbed land was progressively rehabilitated.

The Boddington oxide operation closed during the final quarter of 2001. Rehabilitation of those parts of the operation that will not be affected by the future expansion operations was undertaken during 2002. Redundant plant and equipment were disposed of and progressively removed from site.

The Tanami process plant and associated service and tailings disposal facilities were leased to a third party for processing third party ore for a period of up to four years from 2001. The Tanami joint venture partners are not liable for the impact of these third party activities. Those parts of the Tanami operation that were not subject to the lease agreement are progressively being rehabilitated.

Estimated closure rehabilitation liabilities for the Australian operations at December 31, 2003 are:

Mine	**2002 $ 000** (1)	**2003 $ 000** (1)
Boddington	9,898	13,327
Union Reefs	1,343	1,040
Tanami	2,518	3,390
Sunrise Dam	10,351	13,936
Other	-	-
Total	24,110	31,693
Total (A$ 000)	A$43,091	A$42,072

(1)
Figures shown in $ thousands converted from Australian dollars at an exchange rate of A$1.3275 = $1 (2002: A$1.7873 = $1).

Sustainable development and social investment: The company was involved in a number of community development and support initiatives during the year and maintained its commitment to training, employment and business support in indigenous communities. In recognition of its positive contribution to indigenous issues. AngloGold Australia and Carey Mining Ltd were awarded the Best New Sponsor Award for their partnership with the Art Gallery of Western Australia. AngloGold Australia and Carey Mining jointly sponsor the newly-created position of Trainee Indigenous Education Officer at the Gallery.

For further discussions of AngloGold's property, plants and equipment, see "Item 4B.: Business overview" as well as note 16 to the consolidated financial statements "Provision for environmental rehabilitation".

Item 5: Operating and financial review and prospects

The following operating and financial review and prospects are based on the US GAAP financial statements of AngloGold for the years ended and as at December 31, 2003, 2002 and 2001 which are included under Item 18 of this annual report.

Overview

For the year ended December 31, 2003, AngloGold produced approximately 5.6 million ounces of gold. Headquartered in Johannesburg, South Africa, AngloGold has a global presence with 19 operations comprising open-pit and underground mines and surface metallurgical plants in eight countries (Argentina, Australia, Brazil, Mali, Namibia, South Africa, Tanzania and the United States of America), supported by extensive, yet focused exploration activities in 11 countries. As at December 31, 2003, AngloGold had Proven and Probable Ore Reserves of approximately 63.1 million ounces on an attributable basis.

AngloGold's main product is gold. An insignificant portion of its revenue is derived from the sales of silver, uranium oxide and sulphuric acid. AngloGold sells its products on world markets.

AngloGold divides its worldwide operations into five geographic regions: South Africa (which comprises eight operations), East and West Africa (which encompasses five operations), North America (which encompasses one operation), South America (which encompasses three operations) and Australia (which encompasses two operations). For more information on AngloGold's business and operations, see "Item 4B.: Business overview -- Products, operations and geographical locations".

5A.

Operating results

Introduction

AngloGold's revenues are derived primarily from the sale of gold produced at its mines. An insignificant portion of its revenue is derived from the sales of silver, uranium oxide and sulphuric acid. As a result, AngloGold's operating results are directly related to the price of gold which can fluctuate widely and are affected by numerous factors beyond its control, including industrial and jewellery demand, expectations with respect to the rate of inflation, the strength of the US dollar (the currency in which the price of gold is generally quoted) and of other currencies, interest rates, actual or expected gold sales by central banks, forward sales by producers, global or regional political or economic events, and production and cost levels in major gold-producing regions such as South Africa. In addition, the price of gold sometimes is subject to rapid short-term changes because of speculative activities. The current demand for and supply of gold may affect gold prices, but not necessarily in the same manner as current supply and demand affect the prices of other commodities. The supply of gold consists of a combination of new production from mining and existing stocks of bullion and fabricated gold held by governments, public and private financial institutions, industrial organizations and private individuals.

As the amounts produced in any single year constitute a very small portion of the total potential supply of gold, normal variations in current production do not necessarily have a significant impact on the supply of gold or on its price. If revenue from gold sales falls for a substantial period below AngloGold's cost of production at its operations, AngloGold could determine that it is not economically feasible to continue commercial production at any or all of its operations or to continue the development of some or all of its projects. AngloGold's weighted average total cash costs per ounce of equity attributable production for its world-wide operations was $229 per ounce of gold produced in 2003, $161 in 2002 and $178 in 2001.

On March 15, 2004, the afternoon fixing price for gold on the London Bullion Market was $398.10 per ounce.

AngloGold's costs and expenses consist primarily of production costs, royalties and depreciation, depletion and amortization. Production costs are incurred on labor, consumable stores which include explosives, timber, other consumables and utilities incurred in the production of gold. Labor is the largest component of production costs as AngloGold's mining operations consists mainly of a combination of the use of both deep level underground mining methods as well as open-pit operations, which are labor intensive.

AngloGold is a global company, with operations in several regions on several continents, including South Africa, East and West Africa, North and South America and Australia, and is therefore exposed to a number of factors, which could impact on its profitability, resulting from exchange rate fluctuations, inflation and other risks relating to these specific countries. These factors are inherent in conducting mining operations on a global basis, and AngloGold applies measures, such as hedging instruments, intended to reduce its exposure to these factors.

In conducting mining operations, AngloGold recognizes the inherent risks and uncertainties of the industry, and the wasting nature of assets. The costs and expenses relating to the production of gold are either expensed or capitalized to mining assets. Recoverability of capitalized amounts is reviewed on a regular basis.

103

Effect of exchange rate fluctuations

Currently, the majority of AngloGold's revenues are generated in South Africa, and to a lesser extent in South America and Australia, and most of its production costs, therefore, are denominated in local currencies, such as the South African rand, the Brazilian real, the Argentinean peso and the Australian dollar. In 2003, AngloGold derived 77 percent of its revenues from these countries and incurred 80 percent of its production costs in these local currencies. In 2003, the weakening of the US dollar against these local currencies accounted for nearly $47 per ounce, or 69 percent of the total increase in total cash costs per ounce from 2002. As the price of gold is denominated in US dollars and AngloGold realizes the majority of its revenues in US dollars, devaluation of these local currencies against the US dollar improves AngloGold's profitability in the short-term. Mainly as a result of its hedging instruments, a small portion of AngloGold's revenues are denominated in South African rand and Australian dollar, which partially offsets the effect of the US dollar's strength or weakness on AngloGold's profitability. Based upon average rates during the respective years, the rand and the real strengthened by 28 percent and 4 percent respectively, against the US dollar in 2003 compared to 2002. The Argentinean peso traded freely against the US dollar from January 1, 2002 and had devalued to 3:1 against the US dollar by January 31, 2004. The Australian dollar, based on the average rates during the respective years, strengthened by 16 percent against the US dollar in 2003 compared to 2002.

In addition, to fund local operations and comply with South African exchange controls, AngloGold holds funds in local currencies, such as the rand and Australian dollar. The US dollar value of these currencies may be affected by exchange rate fluctuations and, as a result, AngloGold's cash and cash equivalents reported in US dollars could change. At December 31, 2003, approximately 63 percent of AngloGold's cash and cash equivalents were held in such currencies.

Certain exchange controls are currently in force in South Africa. Although the exchange rate of the rand is primarily market determined, its value at any time may not be considered a true reflection of the underlying value of the rand while exchange controls exist. The government has indicated its intention to lift exchange controls over time. When this occurs, rand exchange rates will be more closely tied to market forces. It is not possible to predict when this will occur or the future value of the rand. For a detailed discussion of these exchange controls, see "Item 10D.: Exchange controls".

Effect of inflation

AngloGold's operations have not been materially adversely affected by inflation in recent years. However, AngloGold is unable to control the prices at which it sells its gold (except to the limited extent that it utilizes commodity instruments) and it is possible, therefore, that if, there is to be significant inflation in South Africa, and to a lesser extent in South America and Australia, without a concurrent devaluation of the local currency or an increase in the price of gold, there could be a material adverse effect upon AngloGold's results and financial condition.

The rand/US dollar exchange rate, based upon average rates during the respective years, and the local annual inflation rate, as measured by the South African Producer Price Index (PPI), are set out in the table below**:**

Year ended December 31	**2003**	**2002**	**2001**
The average South African rand/US$ exchange rate (strengthened)/weakened by:	(28.0)	21.6	27.1

PPI (inflation rate) increase:
1.7
14.2
8.4
Net effect
(29.7)
(1)
7.4
18.7
(
1)
The decrease in the inflation rate from 2002, is outweighed by the impact of the strengthening of the rand relative to the US dollar over 2002
Effect of commodity instruments

AngloGold has utilized commodity instruments to protect the selling price of some of its anticipated gold production. Although the use of these instruments may protect a company against low gold prices, it will only do so for a limited period and only to the extent the hedge book can be sustained. The use of such instruments may also prevent full participation in subsequent increases in the market price for gold with respect to covered production. For a discussion of AngloGold's commodity instruments, see "Item 11.: Quantitative and qualitative disclosures about market risk".

Acquisitions and dispositions

The global gold mining industry has experienced active consolidation and rationalization activities in recent years. Accordingly, AngloGold has been, and expects to continue to be, involved in a number of acquisitions and dispositions as part of this global trend and to identify value-adding Business Combination and acquisition opportunities.

In February 2001, AngloGold sold its Deelkraal and Elandsrand mines at the West Wits operations in South Africa and in July 2001 sold its interest in No. 2 Shaft at the Vaal Reefs operations also in South Africa.

In November 2001, AngloGold announced the sale of its Free State operations in South Africa effective January 1, 2002. The sale closed in April 2002. AngloGold also announced the sale of its Normandy shares in January 2002 after its offer to purchase all of the outstanding share capital of Normandy Mining Limited in Australia expired without it obtaining control of Normandy.

During July 2002, AngloGold acquired an additional 46.25 percent interest in the Cerro Vanguardia mine in Argentina doubling its interest in this operation to 92.5 percent. The transaction was effective from July 1, 2002. With effect from October 1, 2002 AngloGold disposed of its wholly-owned subsidiary, Stone and Allied Industries, to a joint venture of that company's existing management and a group of black entrepreneurs.

On May 23, 2003, AngloGold announced that it had signed an agreement to sell its wholly-owned Amapari Project to Mineracao Pedra Branca do Amapari. The effective date of the transaction was May 19, 2003. The Amapari project is located in the State of Amapa, North Brazil. Since acquiring the property as part of the Minorco transaction, the Company has sought to prove up additional reserve ounces in order to get it to a size and life that would justify the management resources needed to run it effectively. This was not achieved and AngloGold, on receiving an offer from a purchaser who could constructively turn this orebody to account, agreed to sell.

On June 6, 2003, AngloGold announced that it had finalized the sale of its 49 percent stake in the Gawler Craton Joint Venture, including the Tunkillia project located in South Australia to Helix Resources Limited. Helix's proposed acquisition of AngloGold's rights to the Tarcoola Project, 60 kilometres to the south, was excluded from the final agreement. This resulted in a restructure of the original agreement terms, as announced on April 8, 2003.

On July 2, 2003, AngloGold announced that it had concluded the sale of its interest in the Jerritt Canyon Joint Venture to Queenstake Resources USA Inc. effective June 30, 2003. This followed negotiations originally announced on February 27, 2003. Queenstake accepted full closure and reclamation liabilities. The shares acquired by AngloGold in this transaction were issued by Queenstake Resources Limited, a subsidiary of Queenstake, and represents approximately 9.2 percent of that company's issued share capital. AngloGold disposed of its entire interest in Queenstake during November 2003.

On July 8, 2003 AngloGold disposed of its entire investment of 8,348,600 shares held in East African Gold Mines Limited and in the second half of 2003 AngloGold disposed of 952,481 shares in Randgold Resources Limited.

On September 18, 2003 AngloGold and Gold Fields Limited jointly announced that agreement had been reached on the sale by Gold Fields Limited of a portion of the Driefontein mining area in South Africa to AngloGold.

On November 14, 2003 AngloGold announced that it had entered into an agreement with Greater Pacific Gold Limited for the sale of its Union Reefs Gold Mine at Pine Creek, which closed in October 2003, together with associated assets and tenements. The sale is dependent upon Greater Pacific Gold Ltd meeting the staged payments schedule and various other related performance criteria. The effective date of the sale has not yet been finalized. The financial effects of this sale are not included in the consolidated financial statements as at and for the year ended December 31, 2003. See note 30 to the consolidated financial statements "Subsequent events". AngloGold does not expect that the sale will have a material impact on its earnings and financial position.

On November 24, 2003 AngloGold announced its agreement to sell its Western Tanami Project to Tanami Gold NL. The Western Tanami Project comprises an established exploration camp and associated equipment, a number of Exploration Licences in northern Western Australia and includes the Coyote gold project. The sales agreement was concluded on January 20, 2004. Except for a non-refundable deposit made on November 24, 2003 the financial effects of this sale are not included in the consolidated financial statements as at and for the year ended December 31, 2003. See note 30 to the consolidated financial statements "Subsequent events". AngloGold does not expect that the sale will have a material impact on its earnings and financial position.

Acquisitions have been accounted for as purchase business combinations under US GAAP. The consolidated financial statements reflect the operations and financial condition of AngloGold, assuming that acquisitions and dispositions took place on the effective date of these transactions. Therefore, the consolidated financial statements are not necessarily indicative of AngloGold's financial condition or results of operations for future periods. For a more detailed discussion of these transactions, see "Item 4A.: History and development of the company".

105

Overview of the AngloGold-Ashanti Business Combination

On May 16, 2003, AngloGold and Ashanti confirmed that they were in discussions regarding a proposed Business Combination of the two companies and on August 4, 2003 the companies announced that they had agreed the terms of a recommended Business Combination at an exchange ratio of 0.26 ordinary shares for every Ashanti share. On the same date, AngloGold entered into the Lonmin Support Deed, pursuant to which Lonmin, which currently holds 27.6 percent of Ashanti's issued share capital, agreed, among other things, to vote its Ashanti shares in favor of the Business Combination. After further discussions with AngloGold and detailed, careful consideration of a competitive proposal, and following the increase by AngloGold in the offer consideration from 0.26 to 0.29 ordinary shares, the Ashanti Board announced on October 14, 2003 that it was recommending the improved final offer from AngloGold. On October 28, 2003, the Government of Ghana, which currently holds 16.8 percent of Ashanti's issued share capital, announced its support for the AngloGold offer, as well as the principal terms of a stability undertaking which the Government of Ghana intended to enter into with AngloGold. On December 12, 2003, AngloGold and the Government of Ghana entered into the Government Support Deed, pursuant to which the Government of Ghana agreed, among other things, to vote its Ashanti shares in favor of the Business Combination. Following the approval by the Parliament of Ghana of the terms of the Stability Agreement on February 18, 2004, AngloGold and the Government of Ghana executed the Stability Agreement.

The Business Combination is to be effected by means of a scheme of arrangement under Ghanaian law which requires the approval of not less than three-fourths of the votes cast by Ashanti shareholders present and entitled to vote either in person or by proxy, and the confirmation of the High Court of Ghana. The extraordinary meeting of Ashanti's shareholders required to approve the scheme of arrangement is set to take place on April 7, 2004. Under the terms of the Business Combination, holders of Ashanti securities will receive for every Ashanti share or Ashanti GDS, 0.29 ordinary shares or 0.29 ADSs of AngloGold.

Following the Business Combination, Ashanti will become a private company and a wholly-owned subsidiary of AngloGold. AngloGold has agreed to convene a general meeting of its shareholders to consider a special resolution to change its name to AngloGold Ashanti Limited as of completion of the Business Combination. This special resolution will need to be passed at a general meeting of AngloGold at which shareholders representing no less than one-fourth of the total votes of all of the shareholders entitled to vote thereat are present in person or by proxy, and the resolution will need to be approved, on a show of hands, by no less than three-fourths of AngloGold's shareholders present in person or by proxy or, where a poll has been demanded, by no less than three-fourths of the total votes that shareholders present in person or by proxy are entitled to cast. The board of directors of AngloGold has recommended that its shareholders vote in favor of this special resolution. AngloGold has received an undertaking from its largest shareholder, AA plc, which currently holds approximately 56 percent of AngloGold's issued share capital, to vote its shares in favor of this special resolution.

The Business Combination is subject to a number of conditions including the approval by the requisite majority of Ashanti shareholders of the Ghanaian Scheme of Arrangement and the relevant special resolution proposed at its extraordinary general meeting, the confirmation of the Scheme by the High Court of Ghana, the receipt of certain regulatory approvals and third party consents and the absence of any material adverse change to the business, financial condition, results of operations, assets or liabilities of Ashanti since December 31, 2002 (other than as publicly disclosed or announced by Ashanti prior to the date of the Transaction Agreement). If the conditions to the Business Combination are not satisfied or (if permissible) waived on or before May 31, 2004 or such later date as may be agreed by AngloGold or Ashanti, AngloGold and Ashanti may terminate the Transaction Agreement, in which case the Ghanaian Scheme of Arrangement will not become effective and the Business Combination will not be completed. AngloGold and Ashanti are not obliged to extend the period for the satisfaction or (if permissible) waiver of the conditions to the Business Combination beyond May 31, 2004. At this stage there is no guarantee that the conditions to the Business Combination will be satisfied and that the Business Combination will be completed.

Following the completion of the Business Combination, AngloGold will continue to be a growth focused, leading global gold producer. It will have one of the largest gold Ore Reserves bases in the industry, a significant and well diversified production base and the financial and technical resources to maximise organic growth from the existing asset base as well as to capitalize on further acquisition opportunities.

AngloGold expects that following completion of the Business Combination, a dedicated project team will undertake a feasibility study regarding Obuasi Deeps with anticipated expenditure for exploration and feasibility studies of $44 million over the next five years. Including this amount, the total capital expenditure for Obuasi Deeps is estimated to be $570 million in real terms over the expected life of mine. For the Existing Obuasi Mine, AngloGold intends to invest $110 million in real terms over the next five years on underground equipment, infrastructure and environmental and planning systems. This amount will be in addition to capital expenditure already planned by Ashanti and is in addition to the $44 million to be spent upon exploration of Obuasi Deeps, as referred to above. Under the Stability Agreement, AngloGold proposes to spend $220 million on the Existing Obuasi Mine over the next five years, which amount includes the $110 million referred to immediately above. AngloGold management anticipates that these initiatives will improve underground working conditions and mine planning, thereby increasing efficiencies with the objective of reducing anticipated cash operating costs at Obuasi by an estimated $20 per ounce in real terms over the next five years.
Following completion of the Business Combination, AngloGold intends to accelerate its exploration programs, particularly at Obuasi and at Siguiri. AngloGold also expects that its stronger balance sheet, combined with its proved capital raising capability, will support the funding of the above development projects at Obuasi and, in 2004, the CIP installation at Siguiri.
With respect to Ore Reserves, upon completion of the Business Combination AngloGold will have 83.8 million ounces of attributable Provenand Probable Ore Reserves based on AngloGold's and Ashanti's Proven and Probable Ore Reserves as at December 31, 2003 (which Ore Reserves were already adjusted for the sale by AngloGold of Amapari, the Western Tanami assets and its 70 percent interest in the Jerritt Canyon Joint Venture during 2003, as well as the closure in 2003 of Union Reefs). This represents approximately a 33 percent pro forma increase in AngloGold's Provenand Probable Ore Reserves as at December 31, 2003.
In terms of production, AngloGold expects the Business Combination to reinforce its position as one of the world's largest gold producers with a combined gold production of 6.9 million ounces. based upon AngloGold's and Ashanti's individual attributable production for 2003 (adjusted for the sale during 2003 by AngloGold of its 70 percent interest in the Jerritt Canyon Joint Venture as well as the closure of Union Reefs in 2003). This represents a 28 percent increase in AngloGold's attributable production level for the year ended December 31, 2003, similarly adjusted for the sale of Jerritt Canyon and the closure of Union Reefs.
Following completion of the Business Combination, AngloGold will have a portfolio of long-life, low-cost assets and different orebody types in key gold producing regions. Six operations in five countries will have combined Proven and Probable Ore Reserves of 41.2 million ounces with current life of mine plans of 15 years or longer. Finally, AngloGold's asset portfolio will be well diversified, comprising a balance of open-pit and underground production from a total of 24 operations (following the sale during 2003 by AngloGold of its interests in the Jerritt Canyon Joint Venture, as well as the closure in 2003 of Union Reefs) distributed across 11 countries in the principal gold producing regions of the world.
For a detailed discussion of AngloGold's Business Combination with Ashanti, including a description of the contractual arrangements in connection with the Business Combination and an overview of Ashanti's business, see Item "4A.: History and development of the company-Overview of the AngloGold-Ashanti Business Combination".

Projects and growth opportunities

In addition to continuously monitoring and evaluating prospective acquisitions including the Business Combination, AngloGold's management has identified a number of medium- to long-term organic growth opportunities for the company. For a discussion of these projects and opportunities, see "Item 5D.: Trend information - Growth opportunities".

South African political, economic and other factors

AngloGold is a South African company and a majority of its operations are in South Africa. As a result, AngloGold is subject to various economic, fiscal, monetary and political factors that affect South African companies generally.
South African companies are subject to exchange control regulations. Governmental officials have from time to time stated their intentions to lift South Africa's exchange control regulations when economic conditions permit such action. From 1998, certain aspects of exchange controls for financial institutions and individuals have been incrementally relaxed. It is, however, impossible to predict when the South African Government will remove

exchange controls in their entirety. South African companies remain subject to restrictions on their ability to export and deploy capital outside of the Southern African Common Monetary Area, unless dispensation has been granted by the South African Reserve Bank. For a detailed discussion of exchange controls, see "Item 10D.: Exchange controls".

107
In October 2002, the President of South Africa assented to the Mineral and Petroleum Resources Development Act ("MPRDA"), which was passed by the parliament of South Africa in June 2002 . It will take effect on a date to be proclaimed by the President, which is expected to be during 2004. The MPRDA vests custodianship of South Africa's mineral rights in the State, which will issue prospecting rights or mining rights to applicants in the future. The existing common law prospecting, mining and mineral rights will cease to exist, but transitional arrangements are provided in order to give holders of existing rights the opportunity to convert their current rights into new rights. The new rights will be subject to a State royalty calculated on gross revenue as proposed in the draft Mineral and Petroleum Royalty Bill, 2003, which was released in March 2003 for comment and which proposes a royalty payment of 3 percent of gross revenue per annum, payable quarterly, in the case of gold. The company is currently evaluating and have not yet established the impact of the MPRDA and the draft Mineral and Petroleum Royalty Bill, 2003 on its earnings and financial position. For a detailed discussion of the MPRDA see "Item 4B.: Business Overview - Rights to mine and titles to properties - Mineral and Petroleum Resources Development Act".

Gold market in 2003

In 2003, the spot price of gold opened at $346 per ounce in January and closed at $415 per ounce in December, an increase of 20 percent, compared with $279 per ounce in January 2002 and $348 per ounce in December 2002. At its lowest, the spot price was $319 per ounce in 2003, 15 percent higher than $277 per ounce, the lowest spot price of gold for 2002. During 2003, the highest spot price of gold was $417 per ounce compared to a high of $354 per ounce for 2002. The average spot price of gold was $363 per ounce during 2003, $53 per ounce, or 17 percent, higher than $310 per ounce, the average spot price in 2002.

AngloGold believes that the primary mover in gold continues to be strong speculator and investor interest in the metal, driven by a number of fundamental economic circumstances. Among these circumstances is the anticipated further decline in the value of the US dollar. These same influences have pushed up prices of base metals and other commodities, although the extent of investor interest in precious metals is relatively high compared with the rest of the metals sector. The fourth quarter of 2003 again saw higher levels of open positions on the New York Commodity Exchange (Comex), reaching a high of 19 million ounces, or almost 600 tonnes, net long in futures and options contracts combined.

During the final quarter of 2003, the spot gold price tracked the US dollar/euro exchange rate. AngloGold believes that this exchange rate is an indicator rather than a determinant of gold price direction, at least in part, because many of the same economic fundamental issues affect the dollar as they do the gold market.

Investor and speculator interest in gold kept increasing throughout most of 2003, reflected particularly in the recorded statistics of Comex. Overall open interest and the net open position on that exchange are both at all-time high levels since the exchange commenced trading gold over twenty years ago.

During the final quarter of 2003 the World Gold Council launched the Gold Bullion Securities (GBS) product on the London Stock Exchange, a gold-backed fund enabling institutional and private investors to invest directly in gold through a traded instrument. This product followed the launch of a similar fund in Australia earlier in 2003. This new product attracted purchases amounting to 25 tonnes of bullion, and has since established two-way liquidity in the London market.

Physical demand for gold continued to decrease in the face of a rising gold price. Whilst gold offtake in jewellery for 2003 was lower by 7 percent year-on-year, in the second half of 2003 alone, demand fell by over 11 percent compared with 2002. India responded immediately to higher prices, and much of the expected seasonal demand in that region was negated by the Indian trade's unwillingness to buy gold in a rising market. With the spot price retracement in mid-January 2004, some recovery in seasonal buying might still occur in that market.

However, many other gold jewellery markets have also declined in this period. Lower levels of producer de-hedging added to the reduced demand. After six quarters of material levels of de-hedging, the second half of 2003 saw significantly less activity in this area, notwithstanding the announcement late in 2003 by Barrick Gold Corporation of its intention to cease new hedges and to reduce its hedge book. However, a substantial increase in implied net investment demand helped to balance the physical market.

On the supply side, mine production in 2003 was slightly higher than in 2002. However, scrap sales increased again, and at a little less than 1,000 tonnes for 2003, constitute almost a quarter of the supply of gold to the current market. Central bank sales of 591 tonnes in 2003 reached their highest level in a decade, but there was little negative response in the markets to this level of selling.

The physical market remains important as it provides a floor of support when investment interest weakens and prices soften. Whilst making every effort to encourage investor demand for gold in the current market, attention should also be paid to the health of the wider physical market in the medium and longer term.

The Washington Agreement on sales of gold by European central banks expires in less than nine months' time. Public statements by a number of senior European central bank officials at the Dubai meeting of the International Monetary Fund in 2003 indicate that there is little doubt that the agreement will be renewed, and good reason to expect that the behaviour of the signatories to this agreement will follow the precedent of the behaviour of these banks over the past four years.

Comparison of operating performance in 2003, 2002 and 2001

The following table presents operating data for the AngloGold group for the three year period ended December 31, 2003:

Operating data for AngloGold

Year ended December 31	**2003**	**2002**	**2001**
Gold production (thousand ounces)	5,616	5,939	6,983
Total cash costs ($/oz)	229	161	178
Total production costs ($/oz)	288	218	235
Production costs (million US dollars)	1,206	910	1,245
Capital expenditure (million US dollars)	363	271	298

'

Gold production

For the year ended December 31, 2003, AngloGold's total gold production decreased by 323,000 ounces or 5 percent, to 5.62 million ounces from 5.94 million ounces produced in 2002. Gold production from operations located in South Africa decreased by 4 percent from 3,412,000 ounces produced in 2002 to 3,281,000 ounces in 2003. This is attributable to lower stopping widths, lower reef developments, lower vamping and lower grades at Great Noligwa, lower volumes at Savuka, and at Ergo, a dwindling reserve tonnage base. Gold production in East and West Africa decreased by 10 percent from 1,085,000 ounces in 2002 to 981,000 ounces in 2003, mainly due to the reduction in gold grade primarily at Morila. Gold production in the North America region decreased by 16 percent from 462,000 ounces in 2002 to 390,000 ounces in 2003, primarily due to the disposal of AngloGold's 70 percent interest in the Jerritt Canyon Joint Venture with effect from June 30, 2003. Production at Cripple Creek & Victor increased by 58,000 ounces in 2003, due to additional product from expanded processing facilities, as a result of the completion of the expansion project at the Cresson Mine in the third quarter of 2002. South America's production increased from 478,000 ounces in 2002 to 532,000 ounces in 2003, due to the additional 46.25 percent interest acquired by AngloGold in Cerro Vanguardia in July 2002, as well as increased production at Morro Velho. The Australian operations produced 432,000 ounces of gold during 2003, compared with 502,000 ounces in 2002, as a result of the closure of Union Reefs and lower production at Sunrise Dam due to lower grades.

For the year ended December 31, 2002, AngloGold's total gold production decreased by 1,044,000 ounces, or about 15 percent, to 5.94 million ounces from 6.98 million ounces produced in 2001. Gold production from operations located in South Africa decreased by 27 percent from 4,670,000 ounces produced in 2001 to 3,412,000 ounces in 2002. This was mainly the result of the disposal of the Free State assets, which produced 1,199,000 ounces in the year ended December 31, 2001, as well as the disposal of Deelkraal and Elandsrand, which produced 35,000 ounces in 2001. Excluding production from these operations, total gold production would have increased by 3 percent from 5,749,000 ounces produced in 2001 to 5,939,000 ounces produced in 2002 and South African gold production would have decreased by 1 percent from 3,436,000 ounces produced in 2001 to 3,412,000 ounces produced in 2002. Gold production in East and West Africa increased by 25 percent or 217,000 ounces from 868,000 ounces in 2001 to 1,085,000 ounces in 2002. The main contributors were Morila where gold production increased by 169,000 ounces due to an unusually high recovered grade during 2002; Geita, where gold production increased by 17,000 ounces in 2002; the Yatela project in Mali, where gold production increased by 55,000 ounces; and Sadiola where gold production decreased by 22,000 ounces during 2002. Gold production in the North America region decreased by 7 percent or 34,000 ounces from 496,000 ounces in 2001 to 462,000 ounces in 2002.

This decrease in gold production was mainly due to Jerritt Canyon where gold production decreased by 45,000 ounces. Cripple Creek & Victor's gold production increased by 11,000 ounces in 2002 partially offsetting the decrease at Jerritt Canyon. South American operations recorded increasing gold production of 478,000 ounces in 2002, compared with 441,000 ounces in 2001, due mainly to the acquisition during the third quarter of 2002 of an additional 46.25 percent interest in the Cerro Vanguardia mine located in Argentina. The Australian operations produced 502,000 ounces of gold during 2002, compared with 508,000 ounces in 2001. This is mainly as a result of the closure of operations at Boddington and Tanami during 2001 and 2002, which produced a total of 100,000 ounces of gold in 2001 compared with 2,000 ounces of gold in 2002. The decrease in gold production was partially offset by an 87,000 ounce increase in gold produced at Sunrise Dam.

A more detailed review of gold production at each of AngloGold's operations is provided under "Item 4B.: Business overview".

Total cash costs and total production costs

The total cash cost for the year ended December 31, 2003 was $229 per ounce, $68 per ounce, or 42 percent higher than cash costs of $161 per ounce recorded in 2002. This change was mainly due to a combination of stronger local currencies against the US dollar in most operating regions and lower ore grade in several of these regions. Stronger currencies increased total cash costs by $47 per ounce and lower ore grade by a further $17 per ounce. Total cash costs for the South African, Australian and East and West African regions increased by 60 percent, 26 percent and 36 percent, respectively, in 2003, compared to 2002. The increases in total cash costs at the South African and Australian operations were mainly due to the strengthening of the South African rand and the Australian dollar against the US dollar (based on the average exchange rates of the rand against the US dollar of R7.55 and R10.48 and the Australian dollar against the US dollar of A$1.54 and A$1.84, during the year ended December 31, 2003 and 2002, respectively). East and West African operations recorded higher total cash costs in 2003 mainly due to lower recovered grades achieved at all operations when compared with 2002. Total cash costs for the North American region in 2003 remained mostly unchanged from 2002 while the South American region recorded an increase in total cash costs of 17 percent from 2002 due to costs associated with wet ore at Cerro Vanguardia and higher maintenance costs for mining equipment at Morro Velho and Serra Grande.

The total cash cost for the year ended December 31, 2002 was $161 per ounce, $17 per ounce, or 10 percent, lower than cash costs of $178 per ounce recorded in 2001. Of the $17 per ounce reduction in total cash costs over 2002, $24 per ounce related to the weakening of the South African rand against the US dollar. This change is mainly due to substantially lower cash cost recorded in the South African operations which decreased by 14 percent in 2002 when compared with 2001. Total cash costs at the South African operations decreased mainly for two reasons in 2002: firstly, due to the devaluation of the South African rand relative to the US dollar and, secondly, due to the disposal of relatively high cost producing operations, such as the disposal in February 2001 of Deelkraal and Elandsrand that recorded cash costs of $331 per ounce and $362 per ounce, respectively, in 2001, as well as the disposal of the Free State assets and Joel in January 2002. North America's total cash cost increased by 5 percent from 2001, mainly due to the higher usage and pricing of consumables and contract services focused on achieving higher production. East and West African, South American and the Australian regions recorded a decrease in total cash costs of 2 percent, 6 percent and 1 percent, respectively, in 2002 when compared with 2001.

Total production costs per ounce increased from $218 per ounce to $288 per ounce over 2003 and decreased from $235 per ounce to $218 per ounce over 2002.

A more detailed review of total cash costs and total production costs at each of AngloGold's operations is provided under "Item 4B.: Business overview".

Reconciliation of total cash costs and total production costs to financial statements

Total cash costs and total production costs are calculated in accordance with the guidelines of the Gold Institute industry standard and are not US GAAP measures. The Gold Institute is a non-profit international association of miners, refiners, bullion suppliers and manufacturers of gold products, which has developed a uniform format for reporting total production costs on a per ounce basis. The standard was first adopted in 1996 and revised in November 1999.

Total cash costs, as defined in the Gold Institute industry standard are production costs as recorded in the statement of operations, less offsite (i.e. central), general and administrative expenses (including head office costs charged to the mines, central training expenses, industry association fees, refinery charges and social development costs) and rehabilitation costs, plus royalties and employee termination costs.

Total cash costs as calculated and reported by AngloGold include costs for all mining, processing, administration, royalties and production taxes, as well as contributions from by-products, but exclusive of depreciation, depletion and amortization, rehabilitation, employment severance costs, corporate administration costs, capital costs and exploration costs. Total cash costs per ounce are calculated by dividing attributable total cash costs by attributable ounces of gold produced. Total cash costs have been calculated on a consistent basis for all periods presented.

Total production costs, as defined in the Gold Institute industry standard are total cash costs, as calculated using the Gold Institute industry standard, plus amortization, depreciation and rehabilitation costs.

Total production costs as calculated and reported by AngloGold include total cash costs, plus depreciation, depletion and amortization, employee severance costs and rehabilitation and other non-cash costs. Total production costs per ounce are calculated by dividing attributable total production costs by attributable ounces of gold produced. Total production costs have been calculated on a consistent basis for all periods presented.

Total cash costs and total production costs should not be considered by investors in isolation or as alternatives to production costs, net income/(loss) applicable to common stockholders, income/(loss) before income tax provision, net cash provided by operating activities or any other measure of financial performance presented in accordance with US GAAP or as an indicator of the company's performance. While the Gold Institute has provided definitions for the calculation of total cash costs and total production costs, the calculation of total cash costs, total cash costs per ounce, total production costs and total production costs per ounce may vary significantly among gold mining companies, and by themselves do not necessarily provide a basis for comparison with other gold mining companies. However, the company believes that total cash costs and total production costs in total by mine and per ounce by mine are useful indicators to investors and management of a mine's performance as they provide:

an indication of a mine's profitability, efficiency and cash flows;
the trend in costs as the mining operations mature over time on a consistent basis; and
an internal benchmark of performance to allow for comparison against other mining companies.

A reconciliation of production costs as included in the company's audited financial statements to total cash costs and to total production costs for each of the three years in the period ending December 31, 2003 is presented below. In addition the company has also provided below detail of the attributable ounces of gold produced by mine for each of those periods.

For the year ended December 31, 2003

South African operations

(6)
(in $ millions, except as otherwise noted)
Mponeng
Tau Tona
Savuka
Great
Noligwa
Ko panang
Tau Lekoa
ERGO
Surface
operations
Corporate
(5)
Production costs
118
122
85
168
130
91
73
22
(22)
Less:
Rehabilitation costs & other non-cash costs
-
(1)
(2)
(2)
(1)
-
(4)
-
-
Plus:
Inventory movement
-
(3)
(1)
2
(2)
-
-
-
-
Royalties

-
-
-
-
-
-
-
-
-
Related party transactions
(1)
5
7
2
9
5
4
2
1
-
Adjusted for:
Minority interests
(2)
-
-
-
-
-
-
-
-
-
Non-gold producing companies and adjustments
-
-
-
-
-
-
-
-
28
Total cash costs
123
125
84
177
132
95
71
23

6

Plus:

Depreciation, depletion and amortization
22
15
6
19
14
16
19
3
4
Employee severance costs
1
-
2
-
-
1
-
-
-
Rehabilitation and other non-cash costs
-
1
2
2
1
-
4
-
-
Adjusted for:
Minority interests
(2)
-
-
-
-
-
-
-
-
-
Non-gold producing companies and adjustments
-
-
-
-
-
-

-
-
(2)
Total production costs
146
141
94
198
147
112
94
26
8
Gold produced (000' ounces)
(3)
499
646
187
812
497
322
203
115
-
Total cash costs per ounce
(4)
247
194
448
218
266
294
349
200
-
Total production costs per ounce
(4)
293
218
503
244
296
348
463
226
-
111

For the year ended December 31, 2003
East and West African, North American, South American and Australian operations
(in $ millions, except as otherwise noted)
EAST AND WEST AFRICA
NORTH
AMERICA
SOUTH AMERICA
AUSTRALIA
Sadiola
Navachab
Geita
Morila
Yatela
Cripple
Creek &
Victor
Jerritt
Canyon
(8)
Cerro
Vanguardia
Morro
Velho
Serra
Grande
Sunrise
Dam
Boddington
(
9)
Union
Reefs
T
anami
(9)
Production costs
31
20
59
27
19
50
30
26
33
20
81
-
23
-

Less:
Rehabilitation costs & other non-cash costs
-
(1)
(1)
(1)
(1)
5
-
(1)
(1)
-
(1)
-
(1)
-
Plus:
Inventory movement
1
1
-
-
-
21
(1)
2
-
-
(1)
-
(2)
-
Royalties
4
-
3
7
2
2
-
6
-
-
3
-
-
-
Related party transactions
(1)
-
-

-
1
-
-
-
-
-
-
-
-
-
-
Adjusted for:
Minority interests
(2)
-
-
-
-
-
-
-
(3)
-
(10)
-
-
-
-
Total cash costs
36
20
61
34
20
78
29
30
32
10
82
-
20
-
Plus:
Depreciation, depletion and amortization
15
3
14
26
12

37
10
28
14
14
24
-
6
-
Employee severance costs
-
-
-
-
-
-
-
-
-
-
-
-
-
-
Rehabilitation and other non-cash costs
-
1
1
1
1
(5)
-
1
1
-
1
-
1
-
Adjusted for:
Minority interests
(2)
-
-
-
-
-
-
-
(2)
-

(5)
-
-
-
-
Total production costs
51
24
76
61
33
110
39
57
47
19
107
-
27
-
Gold produced (000' ounces)
(3)
172
73
331
318
87
283
107
209
228
95
358
-
74
-
Total cash costs per ounce
(4)
210
274
183
108
235
(7)
199
270
143
141
109
228
-

272

-

Total production costs per ounce

(4)

297

329

230

192

379

389

364

273

206

200

299

-

365

-

112

113
For the year ended December 31, 2003
AngloGold operations - Total
(in $ millions, except as otherwise noted)
Total
Production costs per financial statements
1,206
Less:
Rehabilitation costs & other non-cash costs
(13)
Plus:
Inventory movement
17
Royalties
27
Related party transactions
(1)
36
Adjusted for:
Minority interests
(2)
(13)
Non-gold producing companies and adjustments
28
Total cash costs
1,288
Plus:
Depreciation, depletion and amortization
321
Employee severance costs
4
Rehabilitation and other non-cash costs
13
Adjusted for:
Minority interests
(2)
(7)
Non-gold producing companies and adjustments
(2)
Total production costs
1,617
Gold produced (000' ounces)
(3)
5,616
Total cash costs per ounce
(4)
229
Total production costs per ounce
(4)
288
(1)

Related party transactions is a separately disclosed item on AngloGold's consolidated statements of income. However, this expense relates solely to production costs as included in the company's consolidated financial statements and has, accordingly, been included in total production costs and total cash costs.

(2)

Adjusting for minority interest of items included in calculation, to disclose the attributable portions only.

(3)

Attributable production only.

(4)

In addition to the operational performances of the mines, total cash costs per ounce and total production costs per ounce are affected by fluctuations in the currency exchange rate. AngloGold reports total cash costs per ounce and total production costs per ounce calculated to the nearest US dollar amount and gold produced in ounces.

(5)

Corporate includes non-gold producing subsidiaries.

(6)

Excludes Elandsrand & Deelkraal and the Free State mines as these were sold effective February 1, 2001 and January 1, 2002, respectively.

(7)

Total cash costs per ounce calculation includes inventory change.

(8)

Jerritt Canyon Joint Venture was sold effective June 30, 2003. Results are included for the six months ended June 30, 2003.

(9)

There was no production attributable to AngloGold in 2003.

For the year ended December 31, 2002
South African operations
(6)
(in $ millions, except as otherwise noted)
Production costs
77
79
56
101
83
57
53
15
13
Less:
Rehabilitation costs & other non-cash costs
-
(1)
-
(1)
(2)
(1)
(7)
(1)
-
Plus:
Inventory movement
1
1
-
2
(1)
1
-
-
-
Royalties
-
-
-
-
-
-
-
-
-
Related party transactions
(1)
5
6
2

7
4
3
3
-
-
Adjusted for:
Minority interests
(2)
-
-
-
-
-
-
-
-
-
Non-gold producing companies and adjustments
-
-
-
-
-
-
-
-
(12)
Total cash costs
83
85
58
109
84
60
49
14
1
Plus:
Depreciation, depletion and amortization
29
12
13
15
12
15
17
3
4
Employee severance costs
-

1
-
-
1
1
-
-
-
Rehabilitation and other non-cash costs
-
1
-
1
2
1
7
1
-
Adjusted for:
Minority interests
(2)
-
-
-
-
-
-
-
-
-
Non-gold producing companies and adjustments
-
-
-
-
-
-
-
-
(3)
Total production costs
112
99
71
125
99
77
73
18
2
Gold produced (000' ounces)

(3)
466
643
236
880
511
311
264
101
-
Total cash costs per ounce
(4)
178
132
245
124
165
192
184
139
-
Total production costs per ounce
(4)
240
154
301
142
194
248
277
178
-
114

For the year ended December 31, 2002
East and West African, North American, South American and Australian operations
(in $ millions, except as otherwise noted)
Production costs
27
12
49
23
17
30
61
18
27
18
65
-
29
-
Less:
Rehabilitation costs & other non-cash costs
-
-
(1)
-
(1)
10
(2)
(1)
-
-
(1)
-
(3)
-
Plus:
Inventory movement
-
-
-
-
1
19
-
(1)
-
(1)
1
-
-
-
Royalties

3
-
3
8
2
2
-
4
-
-
3
-
-
-
Related party transactions
(1)
-
-
-
-
-
-
-
-
-
-
-
-
-
-
Adjusted for:
Minority interests
(2)
-
-
-
-
-
-
-
(1)
-
(8)
-
-
-
-
Total cash costs
30
12
51

31
19
61
59
19
27
9
68
-
26
-
Plus:
Depreciation, depletion and amortization
15
6
14
31
7
37
21
19
15
15
19
-
14
-
Employee severance costs
-
-
-
-
-
-
-
-
-
-
-
-
-
-
Rehabilitation and other non-cash costs
-
-
1
-
1
(10)
2
1

-
-
1
-
3
-
Adjusted for:
Minority interests
(2)
-
-
-
-
-
-
-
-
-
(6)
-
-
-
-
Total production costs
45
18
66
62
27
88
82
39
42
18
88
-
43
-
Gold produced (000' ounces)
(3)
182
85
290
421
107
225
237
179
205
94
382

2
118
-
Total cash costs per ounce
(4)
163
147
175
74
175
(7)
187
249
104
131
100
177
-
224
-
Total production costs per ounce
(4)
247
212
228
147
252
391
346
218
205
191
230
-
364
-
115

116
For the year ended December 31, 2002
AngloGold operations - Total
(in $ millions, except as otherwise noted)
Total
Production costs per financial statements
910
Less:
Rehabilitation costs & other non-cash costs
(12)
Plus:
Inventory movement
23
Royalties
25
Related party transactions
(1)
30
Adjusted for:
Minority interests
(2)
(9)
Non-gold producing companies and adjustments
(12)
Total cash costs
955
Plus:
Depreciation, depletion and amortization
333
Employee severance costs
3
Rehabilitation and other non-cash costs
12
Adjusted for:
Minority interests
(2)
(6)
Non-gold producing companies and adjustments
(3)
Total production costs
1,294
Gold produced (000' ounces)
(3)
5,939
Total cash costs per ounce
(4)
161
Total production costs per ounce
(4)
218
(1)

Related party transactions is a separately disclosed item on AngloGold's consolidated statements of income. However, this expense relates solely to production costs as included in the company's consolidated financial statements and has, accordingly, been included in total production costs and total cash costs.

(2)

Adjusting for minority interest of items included in calculation, to disclose the attributable portions only.

(3)

Attributable production only.

(4)

In addition to the operational performances of the mines, total cash costs per ounce and total production costs per ounce are affected by fluctuations in the currency exchange rate. AngloGold reports total cash costs per ounce and total production costs per ounce calculated to the nearest US dollar amount and gold produced in ounces.

(5)

Corporate includes non-gold producing subsidiaries.

(6)

Excludes Elandsrand & Deelkraal and the Free State mines as these were sold effective February 1, 2001 and January 1, 2002, respectively.

(7)

Total cash costs per ounce calculation includes inventory change.

(8)

There was no production attributable to AngloGold in 2002.

For the year ended December 31, 2001
South African operations
(in $ millions, except as otherwise noted)
Production costs
78
7
89
57
4
112
83
58
92
65
44
42
70
23
40
Less:
Rehabilitation costs
& other non-cash costs
-
-
-
-
-
(1)
(1)
-
(2)
(1)
(1)
-
(2)
-
-
Plus:
Inventory movement
-
-
-
-
-
(1)
-
(3)
-
-
(1)
-

(1)
(1)
-
Royalties
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
Related party transactions
(1)
4
-
7
3
-
12
6
3
5
4
2
2
4
2
-
Adjusted for:
Minority interests
(2)
-
-
-
-
-
-
-
-
-
-
-
-

-
-
-
Non-gold producing companies and
adjustments
-
-
-
-
-
-
-
-
-
-
-
-
-
-
(36)
Total cash costs
82
7
96
60
4
122
88
58
95
68
44
44
71
24
4
Plus:
Depreciation, depletion
and amortization
20
-
15
24
1
12
11
13
11
14
29
9

13
10
2
Employee severance
costs
1
-
1
1
-
1
1
-
3
1
10
3
-
-
-
Rehabilitation and other
non-cash costs
-
-
-
-
-
1
1
-
2
1
1
-
2
-
-
Adjusted for:
Minority interests
(2)
-
-
-
-
-
-
-
-
-
-
-

-
-
-
-
Non-gold producing companies and
adjustments
-
-
-
-
-
-
-
-
-
-
-
-
-
-
(3)
Total production costs
103
7
112
85
5
136
101
71
111
84
84
56
86
34
3
Gold produced (000' ounces)
(3)
366
20
622
240
13
1,004
494
286
412
383
188
127

332
182
-
Total cash costs per ounce
(4)
223
362
154
248
331
122
178
203
230
178
236
345
215
132
-
Total production costs per ounce
(4)
281
362
180
354
385
135
204
248
269
219
447
441
259
187
-
117

For the year ended December 31, 2001

East and West African, North American, South American and Australian operations
(in $ millions, except as otherwise noted)

Production costs
22
14
41
22
8
37
65
17
33
21
49
16
29
7
Less:
Rehabilitation costs & other non-cash costs
-
-
(1)
-
-
3
(2)
-
(3)
-
(1)
-
(1)
-
Plus:
Inventory movement
1
-
(2)
-
(1)
12
-
-
(3)
-
(4)
(2)
(2)

(1)
Royalties
4
-
2
4
1
-
-
3
-
-
1
1
-
-
Related party transactions
(1)
-
-
-
-
-
-
-
-
-
-
-
-
-
-
Adjusted for:
Minority interests
(2)
-
-
-
-
-
-
-
(2)
-
(11)
-
-
-
-
Total cash costs
27

14
40
26
8
52
63
18
27
10
45
15
26
6
Plus:
Depreciation, depletion and amortization
16
7
13
22
4
22
19
14
13
15
16
3
17
6
Employee severance costs
-
-
-
-
-
-
-
-
-
-
-
-
-
-
Rehabilitation and other non-cash costs
-
-
1
-
-
(3)

2
-
3
-
1
-
1
-
Adjusted for:
Minority interests
(2)
-
-
-
-
-
-
-
-
-
(6)
-
-
-
-
Total production costs
43
21
54
48
12
71
84
32
43
19
62
18
44
12
Gold produced (000' ounces)
(3)
204
87
273
252
52
214
282
136
209

96
295
78
114
22
Total cash costs per ounce
(4)
131
164
147
103
149
(6)
187
223
133
127
107
153
190
230
278
Total production costs per ounce
(4)
211
241
198
190
231
332
298
235
206
198
210
231
386
545
118

119
For the year ended December 31, 2001

AngloGold operations - Total
(in $ millions, except as otherwise noted)

Total
Production costs per financial statements
1,245
Less:
Rehabilitation costs & other non-cash costs
(13)
Plus:
Inventory movement
(9)
Royalties
16
Related party transactions
(1)
54
Adjusted for:
Minority interests
(2)
(13)
Non-gold producing companies and adjustments
(36)
Total cash costs
1,244
Plus:
Depreciation, depletion and amortization
371
Employee severance costs
22
Rehabilitation and other non-cash costs
13
Adjusted for:
Minority interests
(2)
(6)
Non-gold producing companies and adjustments
(3)
Total production costs
1,641
Gold produced (000' ounces)
(3)
6,983
Total cash costs per ounce
(4)
178
Total production costs per ounce
(4)

235

(1)

Related party transactions is a separately disclosed item on AngloGold's consolidated statements of income. However, this expense relates solely to production costs as included in the company's consolidated financial statements and has, accordingly, been included in total production costs and total cash costs.

(2)

Adjusting for minority interest of items included in calculation, to disclose the attributable portions only.

(3)

Attributable production only.

(4)

In addition to the operational performances of the mines, total cash costs per ounce and total production costs per ounce are affected by fluctuations in the currency exchange rate. AngloGold reports total cash costs per ounce and total production costs per ounce calculated to the nearest US dollar amount and gold produced in ounces.

(5)

Corporate includes non-gold producing subsidiaries.

(6)

Total cash costs per ounce calculation includes inventory change.

120

Capital expenditure

Total capital expenditure during the year ended December 31, 2003 was $363 million, compared to $271 million in 2002, which represents a $92 million, or 34 percent, increase in capital expenditure on a group level. In South Africa, capital expenditure increased from $106 million spent in 2002 to $242 in 2003, mainly due to the Moab Khotsong and Mponeng shaft deepening projects, the acquisition of a portion of the Driefontein mining area, known as 1C11, from Gold Fields Limited during September 2003 and the strengthening of the South African rand against the US dollar. Capital expenditure in the North American and Australian regions, decreased from $74 million and $31 million spent in 2002, to $27 million and $21 million, respectively, in 2003.

The decrease in North America was mainly due to the completion of the Cresson Mine expansion at Cripple Creek & Victor in the third quarter of 2002. East and West African and South American regions recorded capital expenditure of $26 million and $43 million in 2003, compared to $27 million and $27 million, respectively, in 2002. Capital expenditures on other minor projects decreased from $6 million in 2002 to $4 million in 2003. Total capital expenditure during the year ended December 31, 2002 was $271 million compared with $298 million in 2001, which represents a $27 million, or 9 percent, decrease in capital expenditure on a group level. In South Africa, capital expenditure increased from $96 million spent in 2001 to $106 million for 2002, mainly due to the construction of the Vaal River number 8 mill which was mainly completed in 2003 to be used by both Great Noligwa and Moab Khotsong. Capital expenditure in the North American and Australian regions, decreased from $93 million and $42 million spent in 2001 to $74 million and $31 million spent in 2002, respectively, mainly due to the completion of the expansion projects at Cripple Creek and Victor (in the US) during 2002 and Sunrise Dam in the Australian region in May 2001. East and West African and South American regions recorded capital expenditures of $27 million and $27 million in 2002, compared to $34 million and $23 million, respectively, in 2001. Capital expenditures on other minor projects decreased from $10 million in 2001 to $6 million in 2002.

A more detailed review of capital expenditure at each of AngloGold's operations is provided under "Item 4B.: Business overview".

Comparison of financial performance on a segment basis for 2003, 2002 and 2001

AngloGold produces gold as its primary product and does not have distinct divisional segments in terms of principal business activity, but manages its business on the basis of five different geographic segments.

Revenues

Year ended December 31
(in millions)
2003
$
%
2002
$
%
2001
$
%
Category of activity
Total revenues
Product sales
2,026
1,761
2,041

Interest, dividends and other
36
38
25
Total revenues
2,062
1,799
2,066
Geographical area data
Total revenues
South Africa
1,206
58
966
54
1,308
63
East and West Africa
343
17
333
19
258
12
North America
129
6
153
9
163
8
South America
227
11
192
11
182
9
Australia
157
8
155
7
155
8
Total revenues
2,062
100
1,799
100
2,066

100

121

In 2003, 58 percent of AngloGold's total revenues were derived from its operations in South Africa, compared to 54 percent in 2002, mainly as a result of a higher unit price of gold during 2003. Operations in East and West Africa and North America contributed 17 percent and 6 percent of AngloGold's total revenues during 2003, compared to 19 percent and 9 percent, respectively, in 2002. This decrease in East and West African and North American revenues as a percentage of total revenues was mainly due to lower gold production during 2003 and the disposal of AngloGold's 70 percent interest in the Jerritt Canyon Joint Venture with effect from June 30, 2003. In 2003, South America and Australia accounted for approximately 11 percent and 8 percent of total revenues compared with 11 percent and 7 percent, respectively, in 2002.

In 2002, 54 percent of AngloGold's total revenues were derived from its operations in South Africa, compared to 63 percent in 2001. Operations in East and West Africa accounted for 19 percent of AngloGold's total revenues during 2002, compared to 12 percent in 2001. This decrease in South African and increase in East and West African revenues as a percentage of total revenues is due to three reasons: first, the divestiture at the beginning of 2002 of the Free State assets situated in South Africa; second, revenue derived from the Yatela project in Mali where gold production commenced in the third quarter of 2001; and third, revenue derived from the Morila operations as mining intersected a localized area of high grade ore in the third quarter of 2002. During the year ended December 31, 2002, revenues generated from Yatela and Morila amounted to $33 million and $130 million, compared to $16 million and $69 million in 2001. In 2002, North America, South America and Australia accounted for approximately 9 percent, 11 percent and 7 percent of total revenues compared with 8 percent, 9 percent and 8 percent, respectively, in 2001. The increase in revenues from the South American operations as a percentage of total revenues is due mainly to the full year impact of the additional 46.25 percent interest acquired in July 2002 in the Cerro Vanguardia mine located in Argentina.

Assets

Year ended December 31 (in millions)	**2003**		**2002**		**2001**	
	$	***%***	**$**	***%***	**$**	***%***
Geographical area data						
Total segment assets						
South Africa	3,120	56	2,243	49	1,731	46
East and West Africa	810	15	837	18	769	

20
North America
416
7
557
12
546
14
South America
584
10
455
10
310
8
Australia
649
12
485
11
432
12
Total segment assets
5,579
100
4,577
100
3,788
100
At December 31, 2003, 56 percent of AngloGold's total assets were located in South Africa, compared with 49 percent at the end of 2002. The increase in the value of the South African assets as a percentage of total assets was mainly due to the strengthening of the South African rand relative to the US dollar in 2003 by 22 percent (based on the exchange rates of R8.58 and R6.67 per US dollar on January 1, 2003 and December 31, 2003, respectively). East and West African assets of AngloGold represented 15 percent of AngloGold's total assets at December 31, 2003 while at the end of the same period in 2002 this share was 18 percent. North American assets accounted for 7 percent of total assets at December 31, 2003 compared with 12 percent at December 31, 2002. The decrease in the value of North American assets relative to the total assets is largely due to the disposal of AngloGold's 70 percent interest in the Jerritt Canyon Joint Venture with effect from June 30, 2003. South American and Australian assets accounted for 10 percent and 12 percent, respectively, of total assets at December 31, 2003 compared with 10 percent and 11 percent, respectively, at December 31, 2002.

At December 31, 2002, 49 percent of AngloGold's total assets were located in South Africa, compared with 46 percent at the end of 2001. East and West African assets of AngloGold represented 18 percent of AngloGold's total assets at December 31, 2002 while at the end of the same period in 2001 this share was 20 percent. The increase in the value of the South African assets as a percentage of total assets was mainly due to the strengthening of the South African rand relative to the US dollar in 2002, when compared with 2001, which increased the value of South African assets relative to the value of total assets in US dollar terms. The increase in the value of the South African assets is partially offset by the absolute decrease in South African assets consequent on divestiture of the Free State assets at the beginning of 2002. As part of this transaction, as at December 31, 2001, the value of the Free State assets was written down by $173 million to the net selling price as negotiated with Harmony and African Rainbow Minerals Gold Limited.

North American, South American and Australian assets accounted for 12 percent, 10 percent and 11 percent, respectively, of total assets at December 31, 2002 compared with 14 percent, 8 percent and 12 percent, respectively, at December 31, 2001. The increase in the value of South American assets relative to the total assets is largely due to the acquisition during the third quarter of 2002 of an additional 46.25 percent interest in the Cerro Vanguardia mine located in Argentina.

Comparison of financial performance in 2003 with 2002

Revenues
Revenues from product sales and other income increased from $1,799 million in 2002 to $2,062 million in 2003 representing a 15 percent increase over the period. This increase was mainly the result of a higher unit price of gold during 2003, as the average spot price of gold was $363 per ounce, $53 per ounce, or 17 percent, higher than $310 per ounce, the average spot price in 2002. The increase in revenue was partly offset by a 5 percent decrease in gold production from 2002. The majority of product sales consisted of US dollar-denominated gold sales. Revenues from the South African operations increased by $249 million to $1,179 million from $930 million realized in 2002, a 27 percent increase, mainly as a result of the higher gold price. The increase in revenues was partly offset by reduced gold production at the South African operations (4 percent lower in 2003 compared with 2002). Revenues derived from the East and West African operations in 2003, increased by $9 million or 3 percent to $338 million from $329 million being recorded in 2002. Revenues from the North American operations decreased by $24 million or 16 percent from $152 million in 2002 to $128 million in 2003, primarily due to the disposal of AngloGold's 70 percent interest in the Jerritt Canyon Joint Venture with effect from June 30, 2003. The South American operations recorded revenues of $224 million in 2003 compared to $195 million in 2002. The increase of $29 million revenues from the South American operations over 2002 is mainly due to the impact of the additional 46.25 percent interest acquired during July 2002 in the Cerro Vanguardia mine in Argentina as well as an increase in production at Morro Velho (11 percent) and Serra Grande (1 percent). Revenues from the Australian operations amounted to $157 million during 2003, compared to $155 million in 2002.

Production costs
Production costs increased by 33 percent from $910 million in 2002 to $1,206 million in 2003. This increase was a result of the strengthening of local currencies against the US dollar in most of the countries in which AngloGold operates and lower gold grade ore mined or recovered at certain operations.

Production costs in AngloGold's South African operations, increased by $253 million to $787 million in 2003 from $534 million in 2002, primarily due to the strengthening of the South African rand relative to the US dollar. About 65 percent of AngloGold's total production costs were denominated in South African rands in 2003.

Wages constituted approximately half of South African production costs in 2003 and negotiated pay increases, as part of a two-year wage and productivity agreement, resulted in an increase of 10 and 9.5 percent effective from July 2003. This agreement covers a significant majority of AngloGold's employees in South Africa and will expire June 30, 2005. Approximately 87 percent of AngloGold's workforce is located in South Africa, of which approximately 86 percent belong to registered and unregistered trade unions in South Africa.

Production costs at Ergo in the South African operations were negatively impacted by an increased loss on acid by-products from the lower-than-planned sulphur grades and the impact of lower production (23 percent).

Production costs relating to East and West Africa increased from $128 million in 2002 to $156 million in 2003, mainly as a result of: throughput being affected by damage to the SAG mill motor causing a 39-hour plant shutdown, delays in the commissioning of the plant expansion project at Morila, increased reagent costs associated with increased treatment of sulphide material and increased metallurgical plant maintenance costs at Sadiola and at Yatela, where the installation in June 2003 of new crushers to replace the mineral sizers led to increased throughput in the second half of the year, despite the initial problems experienced with the commissioning of the new crusher circuit.

Production costs relating to the North American operations decreased from $91 million in 2002 to $80 million in 2003, mainly as a result of the disposal of AngloGold's 70 percent interest in the Jerritt Canyon Joint Venture with effect from June 30, 2003. The South American and Australian operations recorded production costs of $79 million and $104 million in 2003, compared to $63 million and $94 million in 2002, respectively.

123

Exploration costs

Exploration costs increased from $28 million in 2002 to $40 million in 2003. During 2003, the exploration focus continued in countries in which AngloGold already has operations, namely in Argentina, Australia, Brazil, Tanzania, Mali, Namibia, South Africa and the United States. In addition, exploration was pursued in highly prospective areas in Alaska, Canada and Peru. Exploration commenced within the "frontier" area of Mongolia, while exploration activities was terminated in Nevada and Tanzania and curtailed within Australia, where further exploration expenditure is considered to have reached the point of diminishing returns. For a discussion of AngloGold's exploration activities in 2003, see "Item 4B.: Business overview - Global exploration".

Related party transactions

Related party transactions in 2003 amounted to $36 million compared with $40 million recorded in 2002. Of the total charges recorded in 2003, transactions with subsidiaries of Anglo American plc (AA plc) and with associates of AngloGold amounted to $36 million, an increase of $6 million, or 20 percent, from $30 million in 2002. The additional charges of $10 million included under related party transactions for 2002 relate to the settlement by AngloGold of a claim in respect of an alleged breach of contract. For a detailed discussion of related party transactions, see "Item 5B.: Liquidity and capital resources - Related party transactions".

General and administrative

General and administrative expenses increased from $30 million in 2002 to $43 million in 2003, mainly as a result of the strengthening of the South African rand relative to the US dollar, which negatively impacted on general and administrative expenses as approximately 86 percent of these costs are South African rand denominated.

Royalties

Royalties paid increased from $25 million in 2002 to $27 million in 2003, with royalties in East and West Africa, North America, South America and Australia amounting to $16 million, $2 million, $6 million and $3 million, respectively, in 2003 compared with $16 million, $2 million, $4 million and $3 million, respectively, in 2002. In East and West Africa royalties are payable to the Malian (for Semos, Morila and Yatela) and Tanzanian (for Geita) governments calculated as a percentage of revenues. In addition, at Yatela royalties are paid to the Government of Mali based on ounces produced from the Sadex license area calculated at $2.50 per ounce produced. The Sadex license area is estimated to contain 35 percent of the total Yatela life of mine ounces. In North America royalties are payable to a small number of private claim holders based on ounces produced and percentage ownership of the specific claim being mined. In South America royalties are payable to Fomicruz a State owned company in the Santa Cruz Province, being the minority shareholder of the Cerro Vanguardia operation calculated as a percentage of revenues. Australian royalties are payable to the Government as specified in the relevant legislation in each State of Territory based on ounces produced.

Market development costs

Market development costs increased from $17 million in 2002 to $19 million in 2003. During 2003, approximately 55 percent (2002: 73 percent) of these costs were spent through the World Gold Council (WGC). For a detailed discussion on market development costs, see "Item 4B. : Business overview - Gold marketing".

Research and development

Research and development decreased from $1 million in 2002 to $nil million in 2003. For a detailed discussion on research and development, see "Item 4B. : Business overview - Research and development".

124

Depreciation, depletion and amortization

Depreciation, depletion and amortization expense decreased by 4 percent from $333 million in 2002 to $321 million in 2003. Lower depreciation, depletion and amortization charges were recorded in the South African, East and West African and Australian operations ($118 million, $70 million and $30 million, respectively, in 2003 compared with $120 million, $73 million and $33 million, respectively, in 2002) in line with lower production. In North America, depreciation, depletion and amortization expense decreased by 19 percent from $58 million in 2002 to $47 million in 2003, principally due to the disposal of AngloGold's 70 percent interest in the Jerritt Canyon Joint Venture with effect from June 30, 2003. The South American operations recorded an increase in depreciation, depletion and amortization expense during 2003 to $56 million compared to $49 million in 2002. This was mainly due to the full year impact of the additional 46.25 percent interest acquired during July 2002 in the Cerro Vanguardia mine in Argentina.

Impairment of assets

An impairment of assets of $78 million was recorded in 2003 which consists of: the Savuka assets in South Africa ($59 million), various exploration assets in the Australian region ($9 million), mining equipment in South America ($1 million) and $9 million relating to investments. The Savuka assets were impaired as a result of the lower rand gold price achieved by the South African operations during 2003 when compared with 2002. No impairment of assets was recorded in 2002.

Interest expense

Interest expense increased by $5 million from $44 million recorded in 2002 to $49 million in 2003, an 11 percent increase. The increase in interest expense from 2002 was mainly due to finance charges paid on the senior unsecured bonds issued in August 2003 (the corporate bond), being partly offset by lower prevailing LIBOR rates to which most of AngloGold's debt is pegged. Approximately 99 percent (2002: 99 percent) of AngloGold's debt (exclusive of the rand denominated corporate bond) is denominated in US dollars in 2003.

Accretion expense

Accretion expense of $2 million was recorded in 2003 relating to the adoption of SFAS 143 "Accounting for Asset Retirement Obligations (ARO's)", with effect from January 1, 2003. Accretion relates to the unwinding of discounted future reclamation obligations to present values and increases the reclamation obligations to its future estimated payout.

Employment severance cost

Employment severance costs increased to $4 million in 2003 from $3 million in 2002. The 2003 expense related to retrenchments in the South African region reflecting mainly downsizing at Savuka mine.

Profit/loss on sale of assets

The profit on sale of assets of $55 million recorded in 2003 comprises: a profit on the sale by AngloGold of its 70 percent interest in the Jerritt Canyon Joint Venture in North America to Queenstake Resources USA Inc. ($10 million), a profit on the sale of the Queenstake investment held by North America ($3 million), a profit on the sale of shares held in East African Gold Mines Limited ($25 million), a gain on the sale of shares held in Randgold Resources Limited ($17 million), a profit on sale of a helicopter at Vaal River ($3 million) and a loss of $3 million on the sale of its wholly owned Amapari Project to Mineracao Pedra Branca do Amapari located in the State of Amapa, North Brazil. The loss on the sale of assets of $11 million recorded in 2002 relates to the sale of the investment in Normandy, during January 2002. See note 4 to the consolidated financial statements "Costs and expenses - (Profit)/loss on sale of assets".

Non-hedge derivative gain/loss

A gain on non-hedge derivatives of $119 million was recorded in 2003 compared to a gain of $73 million in 2002 relating to the use of commodity instruments that are not classified as hedging instruments for financial reporting purposes.

125
Deferred income and mining tax expense
Deferred income and mining tax expense increased by $84 million from a net tax charge of $62 million recorded in 2002 to a net tax charge of $146 million in 2003. Deferred income and mining tax expense includes both charges for current tax and deferred tax. Charges for current tax decreased from $124 million in 2002 to $67 million in 2003 owing to the reduced earnings for the year and a lower mining tax formula in South Africa. Charges for deferred tax in 2003 amounted to a net tax charge of $79 million compared to a net tax benefit of $62 million in 2002. Deferred tax charges in 2003 included tax charges of $40 million related to non-hedge derivatives and tax benefits of $26 million related to asset impairments compared with tax benefits related to non-hedge derivatives of $5 million and $nil million related to asset impairments, respectively, during 2002.
Cumulative effect of accounting change
The cumulative effect of a change in accounting policy on adoption of SFAS 143 "Accounting for Asset Retirement Obligations (ARO's)" with effect from January 1, 2003 amounts to $3 million (net of provision for deferred taxation).
Net income/loss
As a result of the factors discussed above, net income decreased by $109 million to $247 million in 2003 from $356 million recorded in 2002.
Comparison of financial performance in 2002 with 2001
Revenues
Revenues from product sales and other income decreased from $2,066 million in 2001 to $1,799 million in 2002 representing a 13 percent reduction over the period mainly as a result of lower gold production from South Africa, partially offset by a higher unit price of gold and increase in revenues from East and West Africa. The majority of product sales consisted of US dollar- denominated gold sales. Revenues from the South African operations decreased by $368 million to $930 million from $1,298 million realized in 2001, a 28 percent decrease. This decrease was mainly the result of reduced gold production at the South African operations (27 percent lower in 2002 compared with 2001) due to the sale of the Free State assets effective from January 1, 2002. The Free State assets recorded revenues of $341 million in 2001. At AngloGold's Ergo operations, revenues decreased by 21 percent, from $91 million to $72 million over the same period, mainly as a result of a decrease in grade and production being sourced from clean-up operations where high tonnages were more difficult to sustain. Revenues derived from East and West African operations increased by $79 million (32 percent) to $329 million over 2002 from $250 million in 2001, as a result of a $61 million increase in revenue from Morila due to an unusually high increase in recovered grade, and a $17 million increase in revenue from Yatela where gold production commenced in the third quarter of 2001. Revenues from North America, South America and Australia amounted to $152 million, $195 million and $155 million during 2002, compared to $161 million, $177 million and $155 million in 2001. The increase of $18 million revenues from the South American operations over 2001 is mainly due to revenues attributable to the additional 46.25 percent interest in the Cerro Vanguardia mine that AngloGold acquired during the third quarter of 2002. Lower revenues at the North American operations are mainly the result of lower production in 2002 compared to 2001 (7 percent).
Production costs
Production costs decreased by 27 percent from $1,245 million in 2001 to $910 million in 2002. This decrease is primarily due to lower production costs in AngloGold's South African operations, which decreased by $330 million to $534 million in 2002 from $864 million in 2001. This decrease is due to the sale of the Free State assets located in South Africa, effective from January 1, 2002, which recorded production costs of approximately $243 million in 2001 and the devaluation of the South African rand against the US dollar during the first six months of 2002. In the second half of the current year, the South African rand did however, strengthen against the US dollar, which negatively impacted on production costs. To a lesser extent, the devaluation of the Brazilian real and Argentinean peso has also contributed to the overall decrease in AngloGold's production cost. About 76 percent of AngloGold's total production costs were denominated in South African rands and these other currencies in 2002.
Wages constituted approximately half of South African production costs in 2002. In South Africa, negotiated pay increases were settled at a minimum of 8 percent as part of a two-year wage and productivity agreement for 2002. This agreement covers a significant majority of AngloGold's employees in South Africa and will expire in July 2003. In addition, on January 22, 2003, AngloGold signed a two-year salary agreement with the United Association of South Africa (UASA) and the National Union of Mineworkers (NUM) which provides for an annual pay increase of 9

percent to all employees under this agreement, plus merit increases ranging from 0.5 - 2 percent annually, with effect from January 2003 and an annual pay increase of 8 percent to all employees under this agreement with effect from January 2004. There was no decision reached on payment of merit increases for 2004. This agreement covers 4,500 employees in AngloGold's South African operations.

126

In addition, the cumulative effects of a number of damaging seismic events during the second quarter of 2002 at the Great Noligwa mine continued to be felt in the third and fourth quarters of 2002. Consequently, production costs were negatively impacted due to costs incurred following the seismic events. Production costs relating to East and West Africa increased from $107 million in 2001 to $128 million in 2002, mainly as a result of increased production costs at the Geita operations. At Geita, transport costs increased over 2002 because mining increased at the Kukuluma pit, which is located at a greater distance from the Geita plant than the other pits. At the Yatela operations, production costs increased in 2002, largely as a result of higher maintenance costs on the mineral sizers as a result of harder materials being treated. In addition, gold production only commenced in the third quarter of 2001. The North and South American and Australian operations recorded production costs of $91 million, $63 million and $94 million in 2002, compared to $102 million, $71 million and $101 million in 2001, respectively.

Exploration costs

Exploration costs increased from $26 million in 2001 to $28 million in 2002. During 2002, the exploration focus continued in countries in which AngloGold already has operations, namely in Argentina, Australia, Brazil, Tanzania, Mali, Namibia, South Africa and the United States. In addition, exploration was pursued in highly prospective areas in Alaska, Canada and Peru. For a discussion of AngloGold's exploration activities in 2002, see "Item 4B.: Business overview - Global exploration".

Related party transactions

In 2002, charges for related party transactions were $40 million, compared to $54 million in 2001. Of the total charges recorded in 2002, transactions with subsidiaries of Anglo American plc (AA plc) and with associates of AngloGold amounted to $30 million, a decrease of $24 million, or 44 percent, from $54 million in 2001, primarily because the value of transactions with Mondi Limited decreased by approximately $7 million, when compared to 2001 due to lower contract work generated by AngloGold's development activities, as well as a decrease of $12 million in transactions with Shaft Sinkers (Proprietary) Limited from 2001 which is no longer considered to be a related party of AngloGold. The additional charges of $10 million included under related party transactions for 2002 relate to the settlement by AngloGold of a claim in respect of an alleged breach of contract. For a detailed discussion of related party transactions, see "Item 5B.: Liquidity and capital resources - Related party transactions".

General and administrative

General and administrative expenses increased from $24 million in 2001 to $30 million in 2002, mainly as a result of once off consulting fees and fees associated with AngloGold's review of the corporate office structure in South Africa.

Royalties

Royalties paid increased from $16 million in 2001 to $25 million in 2002, with royalties in East and West Africa, North and South America and Australia amounting to $16 million, $6 million and $3 million, respectively, in 2002 compared with $11 million, $3 million and $2 million, respectively, in 2001. This increase over 2001 is due in part to the increase in production and higher gold prices and resultant increase in revenues in East and West Africa, with royalties payable to the Malian and Tanzanian governments, calculated at a percentage of revenues.

Market development costs

Market development costs increased from $16 million in 2001 to $17 million in 2002. For a detailed discussion on market development costs, see "Item 4B. : Business overview - Gold marketing".

Research and development

Research and development decreased from $2 million in 2001 to $1 million in 2002. For a detailed discussion on research and development, see "Item 4B. : Business overview - Research and development".

127

Depreciation, depletion and amortization

Depreciation, depletion and amortization expense decreased by 10 percent from $371 million in 2001 to $333 million in 2002. In South Africa, depreciation, depletion and amortization expense decreased by 10 percent from $184 million in 2001 to $120 million in 2002 principally for two reasons: first, the disposal of the Free State assets in respect of which AngloGold incurred deprecation, depletion and amortization expense of $63 million in 2001 and, second, the devaluation of the South African rand against the US dollar. Lower depreciation, depletion and amortization expense recorded at the South African operations during 2002 was partially offset by higher depreciation, depletion and amortization charges for the East and West African and North American operations ($73 million and $58 million, respectively, in 2002 compared with $62 million and $41 million, respectively, in 2001). Higher depreciation, depletion and amortization charges were mainly due to increased production at the East and West African operations and accelerated depreciation charges on old crusher assets at the North American operations. The South American and Australian operations recorded depreciation, depletion and amortization expenses of $49 million and $33 million, respectively, in 2002, compared to $42 million and $42 million, respectively, in 2001.

Impairment of assets

AngloGold did not record any impairment charge in 2002, compared with $173 million in 2001. The $173 million recorded in 2001 reflected the write-down of the value of the Free State assets to the net selling price agreed with Harmony Gold and African Rainbow. The write down was recorded in 2001 based on the net selling price, despite the fact that the sale became effective on January 1, 2002 and the transaction closed in April 2002.

Goodwill amortized

AngloGold adopted SFAS 142 "Accounting for Goodwill and Intangible assets" with effect from January 1, 2002. In accordance with the provisions of SFAS 142, no amortization of goodwill is recorded for 2002, compared to $27 million recorded in 2001.

Interest expense

Interest expense decreased by $28 million, or 39 percent, to $44 million in 2002 compared to $72 million in 2001. The decrease from 2001 was due to both lower prevailing LIBOR rates to which most of AngloGold's debt is pegged and the refinancing by AngloGold over 2002 of its debt with lower interest rate facilities. During 2002, AngloGold used $128 million of the $158 million proceeds received on the sale of the investment in Normandy, during January 2002, to repay indebtedness. Approximately 99 percent, compared to 96 percent in 2001, of AngloGold's debt is denominated in US dollars in 2002.

Employment severance cost

Employment severance costs decreased to $3 million in 2002 from $22 million in 2001. The 2001 expense related to retrenchments in the South African region reflecting mainly rationalization of operations, including closure of ageing shafts at Matjhabeng and downsizing at Joel, in AngloGold's Free State operations.

Loss on sale of mining assets

The loss on sale of mining assets of $4 million recorded in 2001, related to the disposal of Deelkraal and Elandsrand and Vaal Reefs No. 2 Shaft. See note 24 to the consolidated financial statements "Sales of shafts".

Profit/loss on sale of assets

The loss on sale of assets of $11 million recorded in 2002 relates to the sale of the investment in Normandy, during January 2002. See note 4 to the consolidated financial statements "Costs and expenses - (Profit)/loss on sale of assets".

128

Non-hedge derivative gain/loss

A gain on non-hedge derivatives of $73 million was recorded in 2002, compared to a loss on non-hedge derivatives of $5 million in 2001, relating to the use of commodity instruments that are not classified as hedging instruments for financial reporting purposes. The gains were partly due to the higher US dollar market price of gold and the strengthening of the South African rand against the US dollar in the second half of 2002.

Deferred income and mining tax expense

Deferred income and mining tax expense was $62 million in 2002 compared to $163 million in 2001. Deferred income and mining tax expense includes both charges for current tax and deferred tax. Charges for current tax in 2002 amounted to $124 million compared to $154 million recorded in 2001. The 2001 expense included an amount of $52 million relating to tax charges which arose for tax obligations resulting from the sale of the Free State assets. Charges for deferred tax in 2002 amounted to a net tax benefit of $62 million compared to a net tax charge of $9 million in 2001. Charges for deferred tax in 2002 included net tax benefits of $20 million related to derivatives.

Cumulative effect of accounting change

AngloGold adopted SFAS133 "Accounting for derivative instruments and hedging activities" and SFAS138 "Accounting for certain derivative instruments and certain hedging activities" with effect from January 1, 2001. This resulted in a cumulative change in accounting policy effect of $10 million (net of provision for deferred taxation of $2 million) reflected in the year ended December 31, 2001.

Net income/loss

As a result of the factors discussed above, net income increased from a loss of $173 million in 2001 to a profit of $356 million in 2002.

5B.

Liquidity and capital resources

Operating activities

2003

Net cash provided by operating activities was $453 million in 2003, 24 percent lower than the 2002 amount of $594 million. The decrease in net cash provided by operating activities over 2002 is mainly the result of a decrease in AngloGold's profitability due to higher unit cash costs per ounce, being offset by higher unit prices of gold during 2003 when compared with 2002.

Net cash outflow from operating working capital items amounted to $106 million in 2003, compared with net cash outflow from operating working capital items of $16 million in 2002. The increase in cash outflow from operating working capital items over 2002 is mainly due to the impact of exchange rate fluctuations in South Africa and Australia relative to the US dollar, as well as inventory build-up at Cripple Creek & Victor and Nufcor International Limited.

A detailed discussion of the movement in net income is included in the comparison of 2003 with 2002 under "Item 5A.
Operating results".

2002

Net cash provided by operating activities was $594 million in 2002, 19 percent higher than the 2001 amount of $501 million. The increase in net cash provided by operating activities over 2001 is mainly the result of the increase in AngloGold's profitability due to higher unit prices of gold and lower unit cash costs per ounce during 2002 compared with 2001.

129
Net cash outflow from operating working capital items amounted to $16 million in 2002, compared with net cash inflow from
operating working capital items of $26 million in 2001.
A detailed discussion of the movement in net income is included in the comparison of 2002 with 2001 under "Item 5A. Operating results".
Investing activities
2003
Investing activities in 2003 resulted in a net cash outflow of $307 million compared with a net cash outflow of $91 million in 2002. This increase in cash outflows was the net result of additions to property, plant and equipment which included capital expenditure of $363 million, compared to $271 in 2002, as a result of major capital projects, including Moab Khotsong, the Mponeng deepening project and four projects at TauTona mine including the purchase of the mining area of Gold Fields Limited's Driefontein mine known as 1C11 during September 2003. The proceeds of $56 million on sale of investments were the result of the sale of the investment in East African Gold Mines Limited, RandGold Resources Limited and the shares held in Queenstake Resources USA Inc. The disposal of subsidiaries includes the sale of a 70 percent interest in the Jerritt Canyon Joint Venture, which was sold to Queenstake Resources USA Inc. effective June 30, 2003. The consideration of $12 million received for the sale was paid in the form of $1 million in cash and 32 million shares of Queenstake Resources USA Inc. common stock valued at $5 million and $6 million in deferred payments.
2002
Investing activities in 2002 resulted in a net cash outflow of $91 million compared with an outflow of $148 million in 2001. This decrease in cash outflows was the net result of acquisitions and disposals of operations and investments and the additions to property, plant and equipment. The disposals include, during 2001 the sale of Deelkraal and Elandsrand to Harmony Gold Mining Company Limited for a net cash consideration of $109 million in February 2001 and during 2002, the net cash consideration of $140 million received by AngloGold in April 2002 for the disposal of the Free State assets and proceeds of $158 million received by AngloGold for the Normandy investment it sold in January 2002. The effect of cash received from these transactions on cash used in investing activities during 2002 was partially offset by the acquisition of an additional 46.25 percent interest in the Cerro Vanguardia mine in Argentina in July 2002 for a net cash consideration of $97 million, excluding cash of $8 million acquired as part of this acquisition. During 2002, $34 million (2001: $4 million) was paid for acquiring non-current investments of which the major portion related to the Normandy investment.
Additional cash outflows for investing activities during 2002 were additions to property, plant and equipment which included capital expenditure in the amount of $271 million compared to $298 million in 2001. The main part of total capital expenditure in 2002 relates to the following capital projects: Moab Khotsong $36 million; Mponeng $33 million; TauTona $11 million; Cripple Creek & Victor Expansion $66 million; and Sunrise Dam Project $26 million.
Financing activities
2003
Net cash used in financing activities decreased by $249 million from an outflow of $356 million in 2002 to an outflow of $107 million in 2003. This net decrease in cash used in financing activities was the result of lower borrowings repaid, partly offset by lower borrowings drawn. Repayments comprised normal scheduled payments in terms of other loan facilities of $135 million and the repayment of $30 million under the $400 million unsecured syndicated loan facility (repayable in May 2004). No further drawings or repayments were made under the $600 million borrowing facility which AngloGold entered into in 2002. In addition, on August 21, 2003, AngloGold issued a senior unsecured fixed rate corporate bond in an aggregate principle amount of R2 billion ($300 million), with semi-annual coupons payable at a rate of 10.5 percent per annum. The corporate bond will be repayable on August 28, 2008. The corporate bond is listed on the Bond Exchange of South Africa. During 2003, the loan facility of A$50 million arranged with the Australia and New Zealand Banking Group Limited, at 0.35 percent over the Bank Bill Swap Reference Rate on October 14, 2002, and originally repayable by September 2003, was extended to September 2004. At December 31, 2003, A$10 million ($7 million) had been drawn under this facility.

During 2003, AngloGold issued 514,320 ordinary shares, of which 508,020 ordinary shares were issued pursuant to the AngloGold Share Incentive Scheme and 6,300 ordinary shares were issued in terms of the Acacia Employee Option Plan. Proceeds from the above issuances amounted to $10 million in 2003. Dividends paid increased from $260 million (113 US cents or 1,225 South African cents per share) in 2002 to $314 million (133 US cents or 1,050 South African cents per share) in 2003.

AngloGold declares interim dividends at the time of announcing its interim results and declares and pays final dividends in the following year based on the previous year's results.

2002

Net cash used in financing activities increased by $58 million from $298 million in 2001 to $356 million in 2002. This net increase in cash used in financing activities was the result, on the one hand, of the repayment of $654 million of maturing debt, including $121 million to Credit Agricole and $355 million on the matured unsecured syndicated loan facility, while the balance of loan repayments comprised normal scheduled payments in terms of loan agreements. On the other hand, $585 million was drawn and $120 million was repaid under the $600 million unsecured syndicated borrowing facility which AngloGold entered into on February 7, 2002 and $175 million was drawn and $120 million was repaid under the existing $400 million unsecured syndicated loan facility during 2002. In addition, on October 14, 2002, a new loan facility of A$50 million was arranged with the Australia and New Zealand Banking Group Limited for AngloGold. The loan is repayable by September 2003. At December 31, 2002, A$15 million ($9 million) had been drawn under this facility.

During 2002, AngloGold issued 7,353,906 ordinary shares as follows: 478,720 ordinary shares were issued pursuant to the AngloGold Share Incentive Scheme, 66,598 ordinary shares were issued in terms of the Acacia Employee Option Plan, 278,196 ordinary shares were issued as part of the odd-lot offer by AngloGold, 6,403,236 ordinary shares were issued in terms of the Normandy offer and 127,156 ordinary shares were issued in respect of the top-up facility in terms of the Normandy offer in 2001. Proceeds from the above issuances of common stock amounted to $18 million in 2002.

Dividends paid increased from $167 million in 2001 to $260 million in 2002. AngloGold declares interim dividends at the time of announcing the interim results and declares and pays final dividends in the following year based on the previous year's results. The increase is due to a total dividend payment of 113 US cents (1,225 South African cents) per ordinary share in 2002, compared with 84 US cents (675 South African cents) per ordinary share in 2001.

Liquidity

AngloGold's revenues are derived primarily from the sale of gold produced at its mines. Cash generated by operating activities is therefore, the function of gold produced sold at a specific price. As the market price of gold can fluctuate widely, this may negatively impact on the profitability of AngloGold's operations and the cash flows generated by these operations. AngloGold uses a number of products, including derivatives to manage gold price and foreign exchange risks, that arise out of the group's core business activities to limit the impact on the profitability of AngloGold's operations and generated cash flows.

AngloGold's cash and cash equivalents increased to $505 million at December 31, 2003 compared with $413 million at December 31, 2002. In accordance with South African Reserve Bank regulations, cash generated by South African operations is held in rands. At December 31, 2003, approximately 28 percent of AngloGold's cash and cash equivalents were held in US dollars, 62 percent were held in South African rands, 1 percent were held in Australian dollars and 9 percent were held in other currencies.

131
AngloGold's short-term debt increased to $351 million at December 31, 2003 from $84 million at December 31, 2002. The amount of short-term debt is the portion of long-term debt that falls due in 2004. Included in the short-term debt at December 31, 2003, was:
·
the drawn portion of a $400 million US dollar-based syndicated loan facility, repayable in May 2004;
·
a loan of $10 million repayable in monthly installments commencing March 2004 and terminating in September 2004; and
·
a US dollar-based syndicated project finance loan terminating in December 2004.
AngloGold's long-term debt decreased to $807 million at December 31, 2003 compared with $842 million at December 31, 2002. As at December 31, 2003, AngloGold had the following attributable borrowings outstanding:
Unsecured loans:
·
$469 million is repayable under the $600 million syndicated loan facility (interest charged at LIBOR plus 0.7 percent per annum; the loan is repayable in February 2005 and is US dollar-based);
·
$308 million is outstanding on the corporate bond (fixed semi-annual coupon of 10.5 percent per annum; the corporate bond is repayable on August 28, 2008 and is ZAR-based);
·
$233 million is repayable under the $400 million syndicated loan facility (interest charged at LIBOR plus 0.75 percent per annum; the loan is repayable in May 2004 and is US dollar-based);
·
A loan of $40 million from RMB International (Dublin) Limited (interest charged at LIBOR plus 0.82 percent per annum; the loan is of a short-term nature and has no fixed repayment date and is US dollar-based);
·
A loan of $10 million from Banco Europeu para a America Latina-Brussels (interest charged at LIBOR plus 1.75 percent per annum; the loan is repayable in monthly installments commencing March 2004 and terminating in September 2004 and is US dollar-based);
·
$7 million is repayable under the A$50 million syndicated loan facility from Australia and New Zealand Banking Group Limited (interest charged at Bank Bill Swap Reference Rate plus 0.35 percent per annum; the loan is repayable by September 2004 and is Australian dollar-based); and
·
A loan of $2 million from the Government of Mali (interest charged at LIBOR plus 2 percent per annum; there are no fixed repayment terms and the loan is US dollar-based).
Secured loans:
·
$33 million is repayable under the Geita syndicated project finance loan (interest charged at LIBOR plus 1.7 percent per annum, the loan is repayable half-yearly until 2007, is US dollar-based and the loan is secured by a pledge over the shares of the project company);
·
$24 million is repayable under the Cerro Vanguardia syndicated project finance loan (interest charged at LIBOR plus 1.75 percent per annum, the loan is repayable in half-yearly installments terminating in December 2004, is US dollar-based and the loan is secured by a fixed and floating charge over the project assets, the major project contracts and a pledge over the shares in the project company);
·
$7 million is repayable under the Morila syndicated project finance loan (interest charged at LIBOR plus 2 percent per annum, the loan is repayable in half-yearly installments terminating in December 2004, is US dollar-based and the loan is secured by a fixed and floating charge over the project assets, the hedging contracts and a pledge over the

shares in the project company);
&#183
$15 million is repayable under the Senstar Capital Corporation loans (interest charged at an average rate of 6.89 percent per annum, the loans are repayable in monthly installments terminating in November 2009, are US dollar-based and the equipment financed is used as security for these loans);
&#183
$7 million is repayable under the Rolls Royce loan (interest is index linked to the United Kingdom Consumer Price Index (CPI), the loan is repayable in monthly installments terminating in December 2010, is US dollar-based and the equipment financed is used as security for this loan);
&#183
$2 million is repayable under the Investec loan (interest charged at 6.5 percent per annum, the loan is repayable in half- yearly installments terminating in June 2006, is US dollar-based and the loan is guaranteed by AngloGold); and
&#183
$1 million is repayable under the Kudu Finance Company loan (interest charged at LIBOR plus 2 percent per annum, the loan is repayable in monthly installments terminating in December 2010, is US dollar-based and the equipment financed is used as security for this loan).

132

On August 21, 2003, AngloGold issued a senior unsecured fixed rate corporate bond of an aggregate principle amount of R2 billion ($300 million), with semi-annual coupons payable at a rate of 10.5 percent per annum. The corporate bond will be repayable on August 28, 2008, subject to early redemption at AngloGold's option. The corporate bond is listed on the Bond Exchange of South Africa. The net proceeds of the bond are for general corporate purposes. At the time of this bond issue, AngloGold received a favorable credit rating (AA) from Fitch Southern Africa (Proprietary) Limited. AngloGold is not aware of any events which may have a negative impact on this rating.

As at December 31, 2003, AngloGold's total long-term debt, including the short-term portion maturing within 2004, was made up as follows:

	$ (million)
Unsecured loans	1,069
Secured loans	89
Total	1,158
Less: Short-term maturities	351
Long-term debt	**807**

Debt repayments are scheduled as follows:

	$ (million)
2004	351
2005	482
2006	15
2007	5
2008	300
2009 onwards	5
Total	**1,158**

AngloGold currently expects to repay debt maturing in 2004 from existing cash resources, cash generated by operations, other debt facilities and the proceeds of the launch of $1 billion 2.375 percent Convertible Bonds which are due in 2009, as announced on February 19, 2004 and exercised on February 25, 2004.

At December 31, 2003 the currencies in which the borrowings were denominated were as follows:

	$ (million)
Australian dollars	7
South African rands	308
United States dollars	843

Total	**1,158**

Repayments of short-term and long-term borrowings amounted to $125 million and $40 million, respectively, in 2003.

At December 31, 2003 and January 31, 2004, AngloGold had the following undrawn borrowing facilities:

	at December 31, 2003	**at January 31, 2004**
	$ (million)	**$ (million)**
Syndicated loan ($400 million) - US dollar (1)	168	168
Syndicated loan ($600 million) - US dollar (2)	135	135
Australia and New Zealand Banking Group Limited - Australian dollar	30	27
Total	**333**	**330**

(1) *Expires May 2004.*

(2) *Expires February 2005.*

133

AngloGold had no other committed lines of credit as of December 31, 2003 or January 31,2004.

On October 14, 2002, AngloGold arranged a loan facility of A$50 million with the Australia and New Zealand Banking Group Limited, at 0.35 percent over the Bank Bill Swap Reference Rate. This facility, originally repayable by September 2003, was extended to September 2004. The undrawn portion of the facility as at January 31, 2004 was $27 million which is reflected in the table above.

AngloGold's acquisitions during the past three years, including the acquisition of an additional 46.25 percent interest in Cerro Vanguardia in 2002, were financed with debt. As a result of the increase in cash from $413 million as at December 31, 2002 to $505 million as at December 31, 2003 resulting from operating, investing and financing activities, AngloGold reported total net indebtedness of $653 million (net of cash) at December 31, 2003, compared to $513 million as at December 31, 2002.

On February 27, 2004, AngloGold Holdings plc, a wholly-owned subsidiary of AngloGold, issued $1,000,000,000 2.375 per cent guaranteed Convertible Bonds due 2009, (the "Convertible Bonds"), convertible into AngloGold ADSs and guaranteed by AngloGold.

Subject to certain restrictions, holders of Convertible Bonds are entitled to convert each Convertible Bond into one AngloGold ADS at the then applicable conversion price, at any time from April 8, 2004 to February 20, 2009, or, if the Convertible Bonds are called for redemption earlier than February 27, 2009, the seventh business day prior to the date of early redemption.

If the Convertible Bonds have not been converted by February 20, 2009, they will be redeemed at par on February 27, 2009. AngloGold Holdings plc has the option of calling an early redemption of all the Convertible Bonds 3 years after their issuance, if the price of the ADSs exceeds 130 percent of the conversion price for more than 20 days during any period of 30 consecutive trading days.

The initial conversion price for the Convertible Bonds is $65.00 per AngloGold ADS. The conversion premium to the reference volume weighted average price of the ADSs on the New York stock exchange of $40.625 on February 19, 2004, when the issue of the Convertible Bonds was announced, was 60 per cent. If all holders of Convertible Bonds exercise the option to convert their Convertible Bonds into ADSs and assuming no adjustments are made to the initial conversion price, up to 15,384,615 new ADSs will be issued. The conversion ratio is subject to adjustment for various corporate events, including share splits and capital distributions.

The proceeds of the offering of the Convertible Bonds will be used to repay outstanding indebtedness, to pay transaction costs relating to the proposed Business Combination with Ashanti Goldfields Company Limited and for general corporate purposes, including planned capital expenditure. As at March 15, 2004, $432 million was used to repay existing drawings against AngloGold's two revolving credit facilities.

The Convertible Bonds have been admitted to the Official List of the United Kingdom Listing Authority and to trading on the London Stock Exchange's market for listed securities.

AngloGold expects net capital expenditure to be $477 million for 2004, excluding Ashanti's capital expenditure for the same year which is expected to be $119 million. AngloGold expects to finance this expenditure from existing cash resources, cash generated by operations and its debt facilities. The costs, charges and expenses of, and incidental to, the Business Combination are estimated to amount to approximately $85 million. Included in this amount is $5 million which AngloGold has agreed to pay to the Government of Ghana in cash, promptly after the implementation of the Business Combination. Furthermore, in consideration for the various regulatory undertakings as part of the Stability Agreement as approved by the Ghanaian Parliament, AngloGold agreed to issue 2,658,000 New AngloGold ordinary shares and to pay the Government an additional $5 million in cash. This amount is not included in the transaction costs of the Business Combination of $85 million.

With the agreement of AngloGold, a $30 million distribution was paid by the Geita mine to Ashanti in order to finance its cash commitments with respect to the expansion of the Siguiri mine until the completion of the Business Combination. AngloGold has also agreed to provide an additional $14.1 million to Ashanti by purchasing at face value a residual intercompany loan provided by Ashanti in respect of the Geita Joint Venture and to provide an additional unsecured facility of up to $20 million to Ashanti. These arrangements are not conditional upon the completion of the Business Combination.

As at January 31, 2004 AngloGold estimated its total cash on December 31, 2004 to be as follows:

Cash balance (in millions)	**At December 31, 2003 $**	**Operating activities $**	**Investing activities $**	**Financing activities $**	**Translation (1) $**	**Forecast balance at December 31, 2004 (2) $**
South Africa	305	336	(298)	135	(14)	464
East and West Africa	96	131	(31)	(116)	1	81
North America	9	(45)	(16)	81	-	29
South America	92	12	(84)	53	-	73
Australia						

3
34
(26)
(7)
(1)
3
Total
505
468
(455)
146
(14)
650
(1)
Represents effect on exchange rate changes on cash.
(2)
Includes net proceeds from the issuance of the $1 billion Convertible Bond offering. Estimated cash flows of Ashanti after implementation of the Business Combination have been excluded.
The management of AngloGold believes that working capital is sufficient for the company's present requirements.
Capital commitments and contingencies
The following significant capital commitments and contingencies are applicable to AngloGold over the periods shown below:
&#183
Capital commitments and contingent liabilities of AngloGold include total contracted capital expenditure of approximately $98 million and total authorized capital expenditure not yet contracted of approximately $627 million. The expenditure is expected to be financed from existing cash resources, cash generated by operations and debt facilities.
&#183
AngloGold has given collateral to certain bankers for satisfactory contract performance in relation to exploration and development tenements and mining operations in Australia amounting to $12 million.
&#183
AngloGold has signed as surety in favor of the bankers on the Yatela loan for $6 million. This loan is included in Long- term debt in AngloGold's consolidated balance sheet as at December 31, 2003.
&#183
Pursuant to US environmental regulations, gold mining companies are obliged to close their operations and rehabilitate the lands that they mine in accordance with these regulations. AngloGold North America has posted rehabilitation bonds aggregating approximately $45 million with various federal and governmental agencies to cover potential environmental obligations. AngloGold has provided a guarantee for these obligations which would be payable in the event of AngloGold North America not being able to meet their environmental obligations. The environmental obligations will expire upon completion of such rehabilitation. There are no recourse provisions that would enable AngloGold to recover from third parties any of the amounts paid under the guarantee.
&#183
Pursuant to the assignment of equipment leases to Queenstake Resources USA Inc., as a result of the sale of Jerritt Canyon effective June 30, 2003, AngloGold North America has become secondarily liable in the event of a default by Queenstake Resources USA Inc. in the performance of any of the lessee's obligations arising under the lease. These agreements have an approximate term of 3 years and the maximum potential amount of future payments amounts to $1 million.
&#183
AngloGold has provided a letter of credit for $19 million, in favor of the Geita project finance lenders. The letter of credit may be called if Geita Mining Company Limited fails to perform under the relevant project finance agreement. See note 15 to the consolidated financial statements - "Long-term debt - Geita Project Finance". In this event, Geita

Gold Mining Company Limited would be liable to AngloGold.
&#183
AngloGold North America has a potential liability of $2 million in respect of preference claims of a third party for gold shipments returned by the third party to AngloGold North America, which the bankruptcy trustee is claiming should not have been returned and final shipments that should not have been paid as the third party had filed for protection under Chapter 11 of the U.S. Bankruptcy Code.
&#183
During September 2003, AngloGold Offshore Investments Limited a wholly-owned subsidiary of AngloGold increased its existing guarantee of 50 percent of the Nufcor International Limited loan facility with RMB International (Dublin) Limited from $25 million to $40 million. AngloGold has a 50 percent interest in its subsidiary Nufcor International Limited. This loan is included in Long-term debt in AngloGold's consolidated balance sheet as at December 31, 2003.
&#183
Discussions are underway with the Mali Government as to the validity of tax claims, the final outcome of which cannot be determined at present. The claims including interest and penalties amount to $6 million and have arisen due to new legislation that is in conflict with AngloGold's prior mining convention stability agreements and different interpretations of the legislation.
&#183
Various equipment tax claims in South America amounting to $3 million.

135

These capital commitment and contingencies can be summarized as follows:

	Expiration per Period				
Commitment (in millions)	**Total amount $**	**Less than 1 year $**	**1 - 3 years $**	**4 - 5 years $**	**Over 5 years $**
Capital expenditure (contracted and not yet contracted)	725	632	74	19	-
Guarantees	104	47	20	10	27
Standby letters of credit	19	19	-	-	-
Other commercial commitments	11	1	10	-	-
Line of credit	-	-	-	-	-
Total					

859
699
104
29
27
Derivatives accounted for at fair value
The group does not acquire, hold or issue derivatives for economic trading purposes. A number of products, including derivatives, are used to manage gold price and foreign exchange risks that arise out of the group's core business activities.
The estimated fair values of financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The following table represents the change in fair value of all derivatives used as a financial instrument:
$ (million)
Fair value of derivatives at January 1, 2003
(447)
Derivatives realized or otherwise settled during the year
138
Fair value of new contracts entered into during the year
(1)
Change in fair value of derivatives during the year
(1)
(349)
Fair value of all derivatives at December 31, 2003
(659)
(1)
Net losses on revaluation of derivatives.
The fair value of the on-balance sheet derivatives at December 31, 2003 included:
$ (million)
Derivatives - current assets
377
Derivatives - long term assets
94
Derivatives - current liabilities
(441)
Derivatives - long term liabilities
(329)
Derivatives - net liabilities
(299)
The difference between the fair value of all derivatives and the fair value of on-balance sheet derivatives represents the fair value of off-balance sheet derivatives totalling negative $360 million.
The maturity of the fair value of derivatives as at December 31, 2003 was as follows:
Fair value of derivatives at December 31
Source of fair value (in millions)
Maturity
less than
1 year
$
Maturity
1 - 3
years
$

Maturity
4 - 5
years
$
Maturity
excess of
5 years
$
Total Fair
Value
$
Prices actively quoted
-
-
-
-
-
Prices provided by other external sources
-
-
-
-
-
Prices based on models and other valuation methods
(1)
(119)
(221)
(177)
(142)
(659)
(1)
Fair value is calculated using the Black - Scholes option formulas and other formula, using ruling market prices and interest rates which are
obtained from international banks and are liquid and actively quoted across the full time horizon of the tenor of the hedging contracts.

136
&#183
Sensitivity analysis
The following table shows the approximate sensitivities of the $ marked-to market value of the hedge book at December 31, 2003 (actual changes in the timing and amount of the following variables may differ from the assumed changes below):

Sensitivity analysis Variables	**Change in Rate (+)**	**Change in Fair value (1)**	**Change in Rate (-)**	**Change in Fair value (1)**
Currency (R/$)	+1.0	(62.5)	-1.0	69.7
Currency (A$/$)	+0.05	40.3	-0.05	(38.7)
Gold price ($/oz)	+10	(84.8)	-10	83.8
US Interest Rate (%)	+0.1	(5.8)	-0.1	5.8
ZAR Interest Rate (%)	+0.1	(1.0)	-0.1	1.0
Aus Interest Rate (%)	+0.1	(1.5)	-0.1	

1.5
Gold Interest Rate (%)
+0.1
7.6
-0.1
(7.7)
(1)
In $ million.
Related party transactions

As at December 31, 2003 Anglo American plc (AA plc) and its subsidiaries held an effective 54.45 percent (2002: 51.41 percent) interest in AngloGold.

The group had the following transactions with related parties during the years ended December 31, 2003 and 2002:

December 31, 2003
December 31, 2002
(in millions)
Purchases
from related
party
$
Amounts
owed to
related party
$
Purchases
from related
party
$
Amounts
owed to
related party
$
Related party transactions with fellow subsidiaries of
AA plc
Boart Longyear Limited - mining services
11
1
9
-
Mondi Limited - forestry
11
1
18
(1)
1
Scaw Metals - A division of Anglo Operations Limited -
steel and engineering
12
1

11
1
Related party transactions with associates
Rand Refinery Limited - gold refinery
2
-
2
-
(1)
Includes $10 million as settlement by AngloGold of a claim in respect of an alleged breach of contract.
These related party transactions were concluded in the ordinary course of business of AngloGold. Transaction prices are agreed upon, predetermined and stipulated in agreements with related parties. These agreements are the responsibility of AngloGold's procurement department, which is tasked with ensuring that contractual obligations, as per agreements concluded, are fulfilled. Renewals and discontinuation of existing contracts, as well as new contracts, are handled by the procurement department. Contractual and any other commitments are stipulated in the agreements, and expire/cease upon conclusion/discontinuation of a service/contract.

Recently adopted accounting policies and pending adoption of new accounting standards

AngloGold's accounting policies are described in note 3 to the consolidated financial statements "Significant accounting policies". New accounting policies and recent pronouncements are described in note 3.19 to the consolidated financial statements "Recent pronouncements".

137

Accounting for Asset Retirement Obligations (AROs)

As described in note 4 to the consolidated financial statements "Asset retirement obligations", AngloGold has adopted SFAS143, "Accounting for Asset Retirement Obligations (AROs)" with effect from January 1, 2003 as follows:

The statement provides accounting and reporting guidance for legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction or normal operations of long-lived assets. SFAS143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction and/or the normal operation of a long-lived asset.

Under SFAS143 the fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred. When the liability is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is increased to reflect an interest element (accretion) considered in its initial measurement at fair value, and the capitalized cost is amortized over the useful life of the related asset. Where the obligation is operational of nature, and does not give rise to future economic benefit, the capitalized cost is amortized in the period incurred. Upon settlement of the liability, a gain or loss will be recorded if the actual cost incurred is different than the liability recorded.

The adoption of SFAS143 on January 1, 2003 resulted in an increase in Property, plant and equipment of $1 million, an increase in Provision for environmental rehabilitation of $4 million and a cumulative effect of adoption which decreased net income and stockholder's equity by $3 million. No increase in Deferred income and mining tax was recorded upon the adoption of SFAS143.

Recent pronouncements

In January 2003, the FASB issued FASB interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51". FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

In December 2003, the FASB revised FIN 46 ("the Revised Interpretation").
In the Revised Interpretation the FASB agreed to a revised model for adoption of the Interpretation's provisions. Effective dates now differ based on whether variable interests (1) are held by public companies and the entities under evaluation were previously evaluated using the provisions of EITF Topic No. D-14, "Transactions involving Special-Purpose Entities", or EITF Issue No. 90-15, "Impact of Nonsubstantive Lessors, Residual Value Guarantees, and Other Provisions in Leasing Transactions" (such interests were generally held in entities previously commonly referred to as SPEs), (2) are held by public companies that are filers under Regulation S-B and (3) are held by non-public companies.

Based on the FASB's decisions, all public companies must apply the provisions of Interpretation or the Revised Interpretation to variable interests in SPEs (created before February 1, 2003) no later than the end of periods ending after December 15, 2003 (December 31, 2003 for calendar year end companies). Public companies may choose to apply the provisions of the Interpretation or the Revised Interpretation to interests held in SPEs created prior to February 1, 2003 in financial statements for periods ending after December 15, 2003 (that is, December 31, 2003 financial statements). However, if a Company chooses to report using the Interpretation's provisions, it must apply the Revised Interpretation's provisions to those variable interests in financial statements for periods ending after March 15, 2004.

Public companies that have applied the Interpretation's provisions to variable interests in entities newly created subsequent to January 31, 2003, or have early adopted the Interpretation's provisions for some or all variable interests in entities created prior to February 1, 2003 may continue to apply the Interpretation's provisions in financial statements for periods ending after December 15, 2003, or may choose to early adopt the Revised Interpretation's provisions. AngloGold does not have any SPE's as defined in the Interpretation or the Revised Interpretation that were created prior to February 1, 2003. AngloGold has not created any variable interest entities between January 31, 2003 and December 31, 2003. AngloGold does not expect to identify any variable interest entities that were created prior to February 1, 2003, for which the adoption date is the first interim or annual reporting period after March 15, 2004.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS149"). SFAS149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. The statement requires that contracts with comparable characteristics be accounted for similarly to achieve more consistent reporting of contracts as either derivative or hybrid instruments. The company adopted SFAS149 for contracts entered into or modified after June 30, 2003, and hedging relationships designated after June 30, 2003.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS150"). SFAS150 provides guidance regarding classification of freestanding financial instruments as liabilities (or assets in some circumstances). SFAS150 is generally effective for financial instruments entered into or modified after May 31, 2003, otherwise at the beginning of the first interim period beginning after June 15, 2003 and is to be applied prospectively. Nonpublic companies originally were not required to apply the provisions of SFAS150 to mandatorily redeemable financial instruments until the first fiscal period for which GAAP financial statements are prepared beginning after December 15, 2003.

The provisions of SFAS150 that are not yet effective for AngloGold are not expected to have a material impact on AngloGold's earnings and financial position.

In December 2003, the FASB issued Statement of Financial Accounting Standards No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits an amendment of FASB Statements No. 87, 88, and 106" ("SFAS132") (revised 2003).

SFAS132 (revised 2003) revises employers' disclosures about pension plans and other postretirement benefit plans. It does not change the measurement or recognition of those plans required by FASB Statements No. 87, "Employers' Accounting for Pensions", No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", and No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". This Statement retains the disclosure requirements contained in FASB Statement No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits", which it replaces. It requires additional disclosures to those in the original SFAS132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The required information should be provided separately for pension plans and for other postretirement benefit plans.

The provisions of the original SFAS132 remain in effect until the provisions of SFAS132 (revised 2003) are adopted. Except as noted below, SFAS132 (revised 2003) is effective for financial statements with fiscal years ending after December 15, 2003. The interim-period disclosures required by this Statement are effective for interim periods beginning after December 15, 2003. Disclosure of information about foreign plans, estimated future benefit payments and certain information for nonpublic entities is effective for fiscal years ending after June 15, 2004. The disclosures for earlier annual periods presented for comparative purposes should be restated for (a) the percentages of each major category of plan assets held, (b) the accumulated benefit obligation, and (c) the assumptions used in the accounting for the plans. The disclosures for earlier interim periods presented for comparative purposes should be restated for the components of net benefit cost. As at December 31, 2003, AngloGold has adopted the disclosures as required by SFAS132 (revised 2003).

Critical accounting policies

AngloGold's accounting policies are described in note 3 to the consolidated financial statements "Significant accounting policies". The preparation of AngloGold's financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The following are considered to be the accounting policies that are most critical to AngloGold's results of operations, financial condition and cash flows.

139
Using of estimates and making of assumptions
The most critical accounting estimates upon which AngloGold's financial reporting depends are those requiring estimates of Proven and Probable Reserves, recoverable ounces therefrom, and/or assumptions of future gold prices. Such estimates and assumptions affect the value of inventories (which are stated at the lower of average cost or net realizable value) and the potential impairment of long-lived assets and intangibles as detailed below. These estimates and assumptions also affect the rate at which depreciation and amortization are charged to earnings. Commodity prices significantly affect AngloGold's profitability and cash flow. On an ongoing basis, management evaluates its estimates and assumptions; however, actual amounts could differ significantly due to the ultimate conclusion of uncertainties.
Ore reserves and life of mines
AngloGold estimates on an annual basis its ore reserves at its mining operations. There are a number of uncertainties inherent in estimating quantities of reserves, including many factors beyond AngloGold's control. Ore reserve estimates are based upon engineering evaluations of assay values derived from samplings of drill holes and other openings. Additionally, declines in the market price of gold may render certain reserves containing relatively lower grades of mineralization uneconomic to mine. Further, availability of permits, changes in operating and capital costs, and other factors could materially and adversely affect ore reserves. AngloGold uses its ore reserve estimates in determining the unit basis for mine depreciation and closure rates, as well as in evaluating mine asset impairments. Changes in ore reserve estimates could significantly affect these items. At least annually, AngloGold reviews mining schedules, production levels and asset lives in AngloGold's life of mine planning for all of AngloGold's operating and development properties. Significant changes in the life of mine plans may occur as a result of mining experience, new ore discoveries, changes in mining methods and rates, process changes, investment in new equipment and technology and gold prices. Based on the life of mine analysis AngloGold reviews its accounting estimates and adjusts depreciation, amortization, deferred mining and reclamation costs and evaluation of each mine for impairment where necessary. Accordingly, this analysis and the estimates made therein have a significant impact on AngloGold's operating results.
Accounting for derivatives
In accordance with the provisions of SFAS133 AngloGold accounts for derivatives as follows:
&#183
Commodity based ("normal purchases or normal sale") contracts that meet the requirements of SFAS138 are recognized in earnings when they are settled by physical delivery.
&#183
Where the conditions in SFAS133 for special hedge accounting are met, the derivative is recognized on the balance sheet as either a derivative asset or derivative liability, and recorded at fair value. The group enters into cash flow hedges whereby the effective portion of fair value gains or losses are recognized in equity (other comprehensive income) until the underlying transaction occurs, then the gains or losses are recognized in earnings. The ineffective portion of change in fair value is reported in earnings as gains or losses on derivatives in the period in which they occur.
&#183
All other derivatives are measured at their estimated fair value, with the changes in estimated fair value at each reporting date being reported in earnings as gains or losses on derivatives in the period in which they occur.
The estimated fair values of derivatives are determined at discrete points in time based on the relevant market information. These estimates are calculated with reference to the market rates using the Black - Scholes option formulas and other industry standard valuation techniques.
AngloGold does not acquire, hold or issue derivative instruments for economic trading purposes. A number of products, including derivatives, are used to manage gold price and foreign exchange risks, that arise out of the group's core business activities. Forward sales contracts and call and put options are used by the group to manage its exposure to gold price and currency fluctuations.
Revenue recognition
AngloGold's revenues are derived primarily from the sale of gold produced at its mines. Revenue from product sales is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered,

the seller's price to the buyer is fixed or determinable and collectability is reasonably assured. Gold is a liquid commodity that is dealt with on the international markets, and gold produced by AngloGold's mining operations is processed to saleable form at various precious metals refineries.

Contingencies

AngloGold accounts for contingencies in accordance with SFAS No. 5, "Accounting for Contingencies". SFAS No. 5 requires the recording of an estimated loss for a loss contingency when information available indicates that it is probable that an asset has been impaired or a liability has been incurred, and the amount of the loss can be reasonably estimated. Accounting for contingencies such as legal and income tax matters requires the use of judgement to determine the amount to be recorded in the financial statements. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur and typically those events will occur a number of years in the future. AngloGold assess such contingent liabilities, which inherently involves the exercise of significant management judgement and estimates of the outcome of future events. Also see "Deferred income and mining tax" discussed below.

Mining joint ventures

Interests in mining joint ventures in which AngloGold has joint control are reported using the proportionate consolidation method. Where the excess purchase price of a business acquisition cannot be attributed to assets acquired, including acquired properties, it is included in goodwill and reviewed for impairment in accordance with the provisions of SFAS142. If any other than temporary diminution in the value of the assets occurs in the future, the impaired asset will be written down in accordance with the provisions of SFAS142 as discussed below under "Impairment of long-lived assets".

Impairment of long-lived assets

AngloGold's long-lived assets include property, plant and equipment, acquired properties, goodwill and other tangible assets. Subsequent to January 1, 2002, goodwill is analyzed for impairment in accordance with SFAS142 as discussed below. In assessing the potential impairment of its long-lived assets held for use AngloGold must make assumptions regarding estimated future cash flows and other factors relating to the respective assets. To the extent that the carrying value of the long-lived asset as recorded in the consolidated financial statements exceeds the undiscounted cash flows, an impairment charge is recognized in the consolidated financial statements based on the fair value of the asset. When AngloGold has assets held for sale, AngloGold must record the asset at the lower of the carrying value or estimated fair value less costs to sell.

During the year ending December 31, 2003 AngloGold recorded an impairment charge of $78 million relating to long-lived assets and investments as described in note 4 to the consolidated financial statements "Cost and expenses - Impairment of assets".

Impairment of goodwill and other intangible assets

Beginning January 1, 2002, SFAS142 requires goodwill to be reviewed for impairment rather than amortized and that intangible assets with finite useful lives other than goodwill be amortized over their useful lives. In accordance with the provisions of SFAS142 AngloGold performed a transitional impairment test for each reporting unit and performed its annual impairment review during the fourth quarter of 2002. AngloGold perform impairment tests at least annually during the fourth quarter and whenever certain indicators of impairment exist. AngloGold's reporting units are generally consistent with the operating mines underlying the segments identified in note 25 to the consolidated financial statements "Segment and Geographical Information".

Deferred income and mining tax

AngloGold follows the liability method of accounting for deferred income and mining tax whereby the company recognizes the tax consequences of temporary differences by applying current statutory tax rates applicable to future years to differences between financial statement amounts and the tax bases of certain assets and liabilities. Changes in deferred tax assets and liabilities include the impact of any tax rate changes enacted during the year. When a deferred tax asset arises AngloGold reviews the asset for recoverability and establishes a valuation allowance where AngloGold determines it is more likely than not that such an asset will not be realized. These determinations are based on the projected realization of tax allowances and tax losses. If these tax assets are not to be realized, an adjustment to the valuation allowance would be required, which would be charged to income in the period that the determination was made. If AngloGold determines that it would be able to realize tax assets in the future, in excess of the recorded amount thereof, an adjustment to reduce the valuation allowance would be recorded as a credit to income in the period that the determination is made.

141

Pension plans and post-retirement medical aid obligations

The determination of AngloGold's obligation and expense for pension and provident funds, as well as post-retirement health care liabilities, depends on the selection of certain assumptions used by actuaries to calculate amounts. These assumptions are described in note 23 to the consolidated financial statements "Employee benefit plans" and include, among others, the discount rate, the expected long term rate on return of plan assets, health care inflation costs and rates of increase in compensation costs. While AngloGold believes that these assumptions are appropriate, significant changes in the assumptions may materially affect pension and other post-retirement obligations as well as future expenses, which may result in an impact on earnings in the periods that the changes in the assumptions occur.

AngloGold makes the following significant assumptions in respect of its pension plans as disclosed in note 23 to the consolidated financial statements "Employee benefit plans".

The main assumptions for 2003 were the discount rate and the compensation and pension plan inflation rates. The discount rate was determined using the South African bond yield rate (on the "benchmark" R153 bond) as a guide and adjusted for the taxation effects on pension plans.

The assumed level of salary increases relative to inflation were advised by the AngloGold directors as well as the AngloGold Human Resources department. For inflation targets the published Consumer Price Index (CPI) by the Department of Statistics as well as the South African Reserve Bank inflation target were used as a guide. Pension increases were assumed to be at 90 percent of the assumed inflation rate, based on the respective Fund's pension increase policy.

&#183

Effects on results of operations

Company and plan participants' contributions to the defined benefit fund are disclosed in note 23 to the consolidated financial statements "Employee benefit plans". The total company contributions to both defined benefit and contribution plans for the years ended December 31, 2003, 2002 and 2001 amounted to $25 million, $16 million and $31 million, respectively.

&#183

Change in pension trends

The trend of the return on the plan assets changed in the year ended December 31, 2003 when compared to 2002. Based on an estimated return of 8.5 percent on the defined benefit plan assets, the return for 2003 would amount to $12 million compared to the actual return of $16 million due to improved market conditions. The long-term compensation and pension inflation increases estimated in 2002 at 7.75 percent and 6.1 percent respectively, have been reduced in 2003 to 5.0 percent and 3.6 percent respectively, in line with current economic indicators.

&#183

Sensitivity analysis

It is not the policy of AngloGold to consider the sensitivity of the accounting figures to different assumptions. The actual short- term salary inflation rate used for the 2003 valuation was a rate of 5.0 percent, which is generally in line with the actual average increases granted. For each 1 percent point variance in the actual return on the plan assets, the value in growth will vary by $1.0 million.

Stripping costs

Stripping costs incurred in open-pit operations during the production phase to remove additional waste are charged to operating costs on the basis of the average life of mine stripping ratio and the average life of mine costs per tonne. The average stripping ratio is calculated as the number of tonnes of waste material expected to be removed during the life of mine per tonne of ore mined. The average life of mine cost per tonne is calculated as the total expected costs to be incurred to mine the orebody divided by the number of tonnes expected to be mined. The average life of mine stripping ratio and the average life of mine cost per tonne is recalculated annually in the light of additional knowledge and changes in estimates. The cost of the "excess stripping" is capitalized as mine development costs when the actual mining costs exceed the sum of the adjusted ore tonnes mined, being the actual ore tonnes plus the product of the actual ore tonnes multiplied by the average life of mine stripping ratio, multiplied by the life of mine cost per tonne. When the actual mining costs are below the sum of the adjusted ore tonnes mined, being the actual ore tonnes plus the product of the actual ore tonnes multiplied by the average life of mine stripping ratio, multiplied by the life of mine cost per tonne, previously capitalized costs are expensed to increase the cost up to the average. Thus, the cost of stripping in any period will be reflective of the average stripping rates for the orebody as a whole.

142
The actual stripping ratio(A) calculated as (total tonnes mined - ore tonnes mined)/ore tonnes mined, and average life of mine stripping ratio(B), for AngloGold's main open-pit operations is as follows, for the years in the period ending December 31, 2003:
2003 - (A)
9.53
4.77
1.89
2.25
9.31
6.34
2.06
18.49
24.36
-
15.92
-
-
2003 - (B)
7.79
3.68
2.40
3.10
6.56
3.10
2.20
14.79
16.43
-
9.07
-
-
2002 -(A)
7.36
7.15
1.79
1.63
7.25
-
2.31
13.61
9.22
-
15.58
3.21
-
2002 -(B)
7.20
3.68
2.16
1.83

5.99
-
2.48
14.79
5.55
-
9.07
2.68
-
2001 -(A)
6.02
5.86
2.54
2.23
3.18
-
1.73
12.18
-
0.72
20.10
5.60
8.05
2001 -(B)
5.70
4.26
1.26
1.95
5.35
-
2.46
13.99
-
1.00
9.52
3.31
8.50
Comments on the actual average life of mine stripping ratio as presented in the table above:
As a general comment it should be noted that the stripping ratio each year throughout the life of mine will normally differ from the average life of mine stripping ratio as the waste stripping required to expose the ore progressively increases as the ore- body deepens. It therefore could be expected that during the early life of the mine the stripping ratios will be less than the average as the ore close to surface is exploited. As the mine expands increasing amounts of waste are removed to expose ore at greater depths and the stripping ratios during these periods will normally be greater than the average. Waste must always be mined in advance of associated ore below it and thus when stripping is complete the exposed ore results in a much lower stripping ratio than the average, for the remaining mine life. Thus the difference between the actual stripping ratio for any year and the average life of mine stripping ratio will reflect the position in the mines life cycle. In the case of production scheduled from multiple pits for example at the Geita and Cerro Vanguardia mines, greater flexibility of scheduling will limit any stripping ratio variations.
With regards to the specific operations:
(1)

Differences in actual stripping ratio compared with the life of mine ratio are due to flexibility of scheduling from multiple pits. Actual stripping ratio in 2003 higher than the life of mine ratio due to increased sulphide waste being mined.

(2)

Actual stripping ratio progressively higher than the average life of mine ratio due to accessing ore at greater depths.

(3)

Actual stripping ratio is progressively lower than the life of mine ratio as stripping in-pit is completed and more ore is exposed.

(4)

There are no material differences between the actual stripping ratio and the life of mine ratio as the Sadiola deposit in general has a low stripping ratio. Actual stripping ratio in 2003 increased from 2002 due to waste stripping in the South and Central parts of the Sadiola Main Pit during 2003.

(5)

The first gold was produced on May 9, 2001 and attributable production commenced during third quarter of 2001. The actual stripping ratio is progressively higher in 2003 than the life of mine ratio as the starter pit has been completed and stripping of the third cutback is accelerated.

(6)

Actual stripping ratio in 2003 higher than the life of mine ratio due to pre-production stripping which commenced in the third quarter of 2003. The first ore was delivered in the final quarter of 2003.

(7)

There are no material differences between the actual stripping ratio and the life of mine ratio due to flexibility obtained from scheduling of multiple pits.

(8)

Actual stripping ratio in 2003 higher than in 2002 due to larger deepening of the current pits being mined and the inclusion of multiple pits in the mining program.

(9)
The Santa Cruz open-pit mine was mined out in 2001 and production was replaced with ore from Engenho D'Agua mine. For 2002 and 2003 reflects the operations at Engenho D'Agua mine only. The actual stripping ratio is higher than the average life of mine ratio due to re-establishment of old workings.
(10)
Operations closed during the end of 2001.
(11)
The actual stripping ratio exceeds the average life of mine ratio due to increased stripping as a result of the completion of
the mine expansion projects in 2001 and 2002.
(12)
Union Reefs stopped producing and was closed in 2003.

Ore on Leach Pads

The recovery of gold from certain oxide ores is achieved through the heap leaching process. Under this method, ore is placed on leach pads where it is permeated with a chemical solution, which dissolves the gold contained in the ore. The resulting "pregnant" solution is further processed in a process plant where the gold is recovered. For accounting purposes, costs are added to leach pads based on current mining costs, including applicable depreciation, depletion and amortization relating to mining operations. Costs are removed from the leach pad as ounces are recovered in circuit at the leach plant based on the average cost per recoverable ounce of gold on the leach pad.
The engineering estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads (measured tons added to the leach pads), the grade of ore placed on the leach pads (based on assay data) and a recovery percentage (based on metallurgical testing and ore type). Leach pad production cycles vary from several months to multiple years. In operations with multiple year leach cycles, the majority (greater than 65 percent) of the placed recoverable ounces are recovered in the first year of leaching, with declining amounts each year thereafter until the leaching process is complete.
Although the quantities of recoverable gold placed on the leach pads are reconciled by comparing the grades of ore placed on pads to the quantities of gold actually recovered (metallurgical balancing), the nature of the leaching process inherently limits the ability to precisely monitor recoverability levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time. Historically, AngloGold's operating results have not been materially impacted by variations between the estimated and actual recoverable quantities of gold on its leach pads. For operations with long-term leach production cycles, variations in recovery estimates from new metallurgical data or production variances would be accounted for as an adjustment to the recoverable ounces and the average cost per recoverable ounce of gold on the leach pad. Variations between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realizable value are accounted for on a prospective basis. The ultimate recovery of gold from a pad will not be known until the leaching process has been concluded. Based on current mine plans, AngloGold expects that current leaching operations will terminate at dates ranging from 2006 to 2015.
As at December 31, 2003, AngloGold's materials on leach pads had a carrying value of $108 million of which $101 million was classified as short-term as AngloGold expects the related gold to be recovered within twelve months. The short-term portion of materials on the leach pad is determined by multiplying the average cost per ounce in inventory, by the expected production ounces for the next twelve months. As at December 31, 2003, $7 million was classified as long-term.

Funding and treasury policies

For discussion on the funding and treasury policies of AngloGold, See "Item 11: Quantitative and qualitative disclosures about market risk - Gold price risk management activities".

5C.

Research and development, patents and licenses, etc

For a detailed discussion, see "Item 4B.: Business overview - Research and development".

144

5D.

Trend information

Outlook. On a stand-alone basis, AngloGold anticipates its attributable production in 2004 to decrease to around 5.3 million ounces, following the closure and sale in 2003 by AngloGold of Union Reefs and its 70 percent interest in the Jerritt Canyon Joint Venture. In 2003, Union Reefs and Jerritt Canyon collectively contributed 180,000 ounces towards AngloGold's attributable production of approximately 5.6 million ounces. On the assumption that the Business Combination is completed during April 2004, AngloGold expects to achieve attributable production (including Ashanti's production) of around 6.9 million ounces for 2004.

AngloGold will implement a change in the accounting treatment of Ore Reserve development expenditure with effect from January 1, 2004. Previously, a portion of this expenditure was expensed in the period that such expenditure was incurred. In line with many major gold producers, from 2004 AngloGold will capitalize Ore Reserve development expenditure and amortize this over the life of the relevant mining area to which such expenditure applies.

Assuming that the US dollar exchange rates of the currencies in the countries where AngloGold operates remain at similar levels in 2004 to the average exchange rates achieved in 2003, and allowing for the change in treatment of Ore Reserve development expenditure outlined above, AngloGold anticipates that its total cash costs per ounce will increase to $245 per ounce in 2004 compared with $229 per ounce in 2003. Capital expenditure for 2004 is expected to be higher than in 2003, primarily as a result of the inclusion of Ore Reserve development expense as discussed above.

Growth opportunities. In addition to continuously monitoring and evaluating prospective acquisitions, including the Business Combination, AngloGold's management has identified a number of medium- to long-term organic growth opportunities. In South Africa, approved projects include the Mponeng deepening project (at a projected capital cost of ZAR1.3 billion, which is anticipated to yield 4.0 million ounces between 2004 and 2016), the development of the Moab Khotsong Mine (at a projected capital cost of ZAR4.2 billion) where initial mining commenced in November 2003 and commercial production is expected to be achieved in 2006, which is anticipated to yield in excess of 4.0 million ounces over the anticipated life of Moab Khotsong Phase 1, as well as four projects at TauTona Mine (at an aggregate projected capital cost of ZAR1.6 billion and which are anticipated to yield 4.1 million ounces over the next 11 years), in particular, the TauTona expansion project, the TauTona Carbon Leader below 120 level project and the TauTona VCR pillar and Area A projects. Another approved project is the Vaal River surface project, which, at a projected capital cost of ZAR182 million, is anticipated to yield 1.1 million ounces from 2004. In the United States the Cripple Creek & Victor Expansion was approved and has been fully commissioned. In addition, a number of other projects are under consideration. These include the Cuiaba expansion project in Brazil, the Moab Khotsong Phase 2 and the Mponeng VCR 120 to 125 level projects in South Africa, as well as the Sunrise Dam underground project and the Boddington expansion project in Australia.

AngloGold will also continue brownfields and greenfields exploration in accordance with its global exploration strategy. Exploration will continue in the countries in which AngloGold already has operations, namely in Argentina, Australia, Brazil, Tanzania, Mali, Namibia, South Africa and the United States. AngloGold's greenfields exploration program targets the addition of approximately 13 million new ounces to AngloGold's production between 2001 and 2015, at a discovery cost of below $30 per ounce. This program comprises projects in Australia, Canada, Mali, Mongolia, Peru and the United States.

5E.

Off-balance sheet items

AngloGold does not engage in off-balance sheet financing activities, and does not have any off-balance sheet debt obligations, special purpose entities or unconsolidated affiliates. Interests in mining joint ventures in which AngloGold has joint control are reported using the proportionate consolidation method and AngloGold's proportionate interest in these joint ventures is equivalent to the economic returns to which AngloGold are entitled as a joint venture partner. The most significant off-balance sheet items are normal purchase and sales contracts, unaccrued future rehabilitation obligations and guarantee contracts required to be initially recorded at fair value under FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45), each of which is discussed below.

145
Normal purchase and sales contracts

A number of derivatives are used to manage gold price risks that arise out of the group's core business activities. Gold pricing contracts that meet the SFAS138 exemption for Normal Purchase and Sale do not appear on the balance sheet. These agreements are accounted for as sales contracts with the proceeds under the contract being recorded in earnings at the date of settlement by physical delivery. These off-balance sheet contracts are managed as part of AngloGold's gold price risk management activities and, at December 31, 2003 had a marked-to-market value of negative $360 million. All other derivatives are recognized on the balance sheet at fair value. See "Item 11.: Quantitative and qualitative disclosures about market risk" and note 21 to the consolidated financial statements "Gold price and currency risk management activities".

Future rehabilitation liability

The unaccrued portion of the future rehabilitation liability is an off-balance sheet obligation. See "Item 4D.: Property, plants and equipment" and note 16 to the consolidated financial statements "Provision for environmental rehabilitation". It is an objective of AngloGold to improve operating procedures at its mines to reduce its ultimate liability. AngloGold believes that the annual review of future obligations is conservative.

FIN 45 guarantees

The letter of credit provided by AngloGold in favor of the Geita project finance lenders of $19 million as at December 31, 2003 meets the definition of a financial guarantee under FIN 45. This guarantee would be subject to the recognition requirements of FIN 45 if the terms of the guarantee were to change. See note 19 to the consolidated financial statements "Commitments and contingencies" and note 15 to the consolidated financial statements "Long-term debt".

5F.

Tabular disclosure of contractual obligations
As at December 31, 2003 AngloGold had the following known contractual obligations:
Payments due by period

Contractual Obligations (in millions)	**Total $**	**Less than 1 year $**	**1-3 years $**	**3-5 years $**	**More than 5 years $**
Long-term debt obligations	1,158				

351
497
305
5
Capital lease obligations
-
-
-
-
-
Operating lease obligations
-
-
-
-
-
Purchase obligations
- Contracted capital expenditure
(1)
98
98
-
-
-
- Other purchase obligations
(2)
171
150
9
7
5
Reclamation and closure costs
(3)
249
19
3
-
227
Total
1,676
618
509
312
237
(1)
Represents contracted capital expenditure for which contractual obligations exist.
(2)
Other purchase obligations represents contractual obligations for purchase of power, supplies, consumables, inventories, explosives and
activated carbon.
(3)

Operations of gold mining companies are subject to extensive environmental regulations in the various jurisdictions in which they operate.

These regulations establish certain conditions on the conduct of operations by AngloGold. Pursuant to environmental regulations, AngloGold is also obligated to close their operations and reclaim and rehabilitate the lands upon which it conducted its mining and gold recovery operations. The present estimated closure costs at existing operating mines and mines in various stages of closure are reflected in this table. For more information of environmental rehabilitation obligations, see "Item 4D.: Property, plants and equipment - Sustainable development : Environment and social investment".

146

Item 6: Directors, senior management and employees

6A. Directors and senior management

Directors

AngloGold has a unitary board structure which currently comprises four executive directors and thirteen non-executive directors, three of whom are alternates. Certain information with respect to AngloGold's current directors is set forth below:

Year first
Name
Age Position
appointed
(1)
Robert (Bobby) M. Godsell
(2)
51
Director and chief executive officer
1989
(3)
Jonathan G. Best
(4)
55
Executive director, finance
1994
(3)
David (Dave) L. Hodgson
(5)
56
Executive director and chief operating officer
2001
Kelvin H. Williams
(6)
55
Executive director, marketing
1990
(3)
Russell P. Edey
(7)(8)
61
Non-executive director and chairman
1998
Thokoana J. (James) Motlatsi
(9)
52
Non-executive director and deputy chairman
1998
Frank B. Arisman
(7)
59
Non-executive director

1998
Elisabeth le R. Bradley
(7)
65
Non-executive director
1998
Colin B. Brayshaw
(7)
68
Non-executive director
1997
(3)
Anthony (Tony) W. Lea
55
Non-executive director
2001
William (Bill) A. Nairn
(10)
59
Non-executive director
2001
Julian Ogilvie Thompson
70
Non-executive director
1998
Nicholas F. Oppenheimer
(11)
58
Non-executive director
1998
Anthony (Tony) J. Trahar
54
Non-executive director
2000
David D. Barber
51
Alternate director
2002
Arthur H. (Harry) Calver
56
Alternate director
2001
Peter G. Whitcutt
38
Alternate director
2001
(1)
Directors serve for a period of three years unless re-elected. At each annual general meeting, directors appointed since the previous annual general meeting are required to retire, but are eligible for re-election. In addition, one-third of the board of directors must retire according to seniority or by lot but may be re-elected.
(2)

Appointed to the board in 1989, appointed as chief executive officer in April 1998 and chairman in December 2000. Resigned as chairman on April 30, 2002 but remains chief executive officer and an executive director.

(3)

Date appointed to the board of Vaal Reefs Exploration and Mining Company Limited, prior to the formation of AngloGold Limited.

(4)

Appointed as finance director in 1998.

(5)

Appointed as chief operating officer in 2001.

(6)

Appointed as marketing director in 1998.

(7)

Member of the audit and corporate governance committee.

(8)

Appointed as chairman with effect from May 1, 2002.

(9)

Appointed as deputy chairman with effect from May 1, 2002.

(10)

Appointed to board in January 2000, resigned from board and appointed as alternate in October 2000. Re-appointed to the board in May 2001.

(11)

Resigned as non-executive chairman in 2000 but remains a non-executive director.

147

Executive directors

Robert (Bobby) M. Godsell, BA, MA. Mr Godsell was appointed to the AngloGold board as chief executive officer in April 1998 and as chairman in December 2000. He relinquished his role as chairman of AngloGold in May 2002. He has in excess of 30 years of service with companies associated with the mining industry, and has served as a non-executive director of Anglo American plc since March 1999. He is also a past chairman of the World Gold Council.

Jonathan G. Best, ACIS, ACIMA, MBA. Mr Best was appointed finance director in April 1998. He has had 35 years of service with companies associated with the mining industry.

David (Dave) L. Hodgson, BSc (Mining Engineering), BSc (Civil Engineering), BCom, AMP (Harvard). Mr Hodgson was appointed to the AngloGold board in November 2001 as chief operating officer. He was previously executive officer responsible for AngloGold's South Africa region. He has more than 30 years of mining experience.

Kelvin H. Williams, BA (Hons). Mr Williams was appointed marketing director in April 1998. He has had 28 years of service with companies associated with the mining industry, and is the chairman of Rand Refinery and is a director of the World Gold Council.

Non-executive directors

Russell P. Edey, FCA. Mr Edey was appointed to the AngloGold board in April 1998 and as deputy chairman in December 2000. In May 2002 he was appointed chairman when Bobby Godsell relinquished this office. Based in the United Kingdom, he is deputy chairman of N M Rothschild Corporate Finance and a director of a number of other companies.

Thokoana J. (James) Motlatsi, Hon D Soc Sc (Lesotho). Dr Motlatsi was appointed to the AngloGold board in April 1998 and as deputy chairman in May 2002 upon Russell Edey being appointed chairman. He has been associated with the South African mining industry since 1970, and is a past president of the National Union of Mineworkers (NUM). He is chief executive officer of TEBA Limited.

Frank B. Arisman, MSc (Finance). Mr Arisman was appointed to the AngloGold board in April 1998. He resides in New York and recently retired, after 32 years of service, from JP Morgan Chase, where he held the position of managing director.

Elisabeth le R. Bradley, BSc, MSc. Mrs Bradley was appointed to the AngloGold board in April 1998. She is non-executive chairman of Wesco Investments Limited, Metair Investments Limited and Toyota SA (Proprietary) Limited and deputy chairman of the South African Institute of International Affairs.

Colin B. Brayshaw, CA(SA), FCA. Mr Brayshaw was appointed to the AngloGold board in April 1998. He is a retired managing partner and chairman of Deloitte & Touche, and is a non-executive director of a number of other companies including Anglo Platinum Corporation, Datatec and Johnnic Holdings. He has been chairman of AngloGold's audit committee (now the audit and corporate governance committee) since April 1997.

Anthony (Tony) W. Lea, BA (Hons). Mr Lea was appointed a director of AngloGold in July 2001. He is finance director of Anglo American plc.

William (Bill) A. Nairn, BSc (Mining Engineering). Mr Nairn has been a member of the AngloGold board since January 2000. He was re-appointed a director in May 2001, having previously been alternate director to Tony Trahar. He is group technical director of Anglo American plc.

Julian Ogilvie Thompson, MA. Mr Ogilvie Thompson was appointed to the AngloGold board in April 1998. He is a non- executive director of Anglo American Corporation (a wholly-owned South African subsidiary of Anglo American plc), having resigned as chairman of Anglo American plc in November 2002. He is a non-executive director of De Beers Consolidated Mines and a director of a number of other companies.

148

Nicholas F. Oppenheimer, MA. Mr Oppenheimer was appointed to the AngloGold board in April 1998 and is a former non- executive chairman of the company. He is chairman of De Beers Consolidated Mines, a non-executive director of Anglo American plc and a director of a number of other companies.

Anthony (Tony) J. Trahar, BCom, CA (SA). Mr Trahar was appointed to the AngloGold board in October 2000. He is chief executive officer of Anglo American plc.

Alternate directors

David D. Barber, FCA, AMP (Harvard). Mr Barber was appointed alternate director to Julian Ogilvie Thompson in April 2002. He is finance director of Anglo American Corporation.

Arthur H. (Harry) Calver, BSc (Hons) Engineering, MDP (UNISA), PMD (Harvard). Mr Calver was appointed alternate director to Bill Nairn in May 2001. He is Head of Engineering at Anglo American plc.

Peter G. Whitcutt, BCom (Hons), CA(SA), MBA. Mr Whitcutt was appointed alternate director to Tony Lea in October 2001. He is Head of Finance at Anglo American plc.

In accordance with the articles of association of AngloGold, all directors must retire at least once every three years by rotation and may be re-elected by shareholders. At the next annual general meeting to be held on April 29, 2004, Mr J G Best, Mrs E le R Bradley, Mr J Ogilvie Thompson, Mr N F Oppenheimer and Mr A J Trahar will retire by rotation. Other than Mr Ogilvie Thompson and Mr Oppenheimer, who have advised that they wish to retire from the board, all directors will offer themselves for re-election at such annual general meeting.

Executive committee

The board of directors of AngloGold has delegated authority to run the day-to-day affairs of the company to an executive committee comprising the four executive directors. The executive committee meets regularly under the chairmanship of the chief executive officer and is mandated to assist in reviewing operations and performance by the AngloGold group, developing strategy and policy proposals for consideration by the board of directors and implementing the directives of the board. Members of the executive committee are:

Name	**Age**	**Position**	**Year first appointed**
Robert (Bobby) M. Godsell	51	Chief executive officer	1989
Jonathan G. Best	55	Executive director, finance	1994
David (Dave) L. Hodgson	56	Executive director and chief operating officer	2001
Kelvin H. Williams			

55
Executive director, marketing
1990
For a description of the business experience and functions of the members of the executive committee, see "Directors" above.

To assist in the execution of certain of its duties and functions, the executive committee has established an operations sub- committee, a treasury committee and a finance committee, all described below. For information on the other committees established by the board of directors, see "Item 6C.: Board practices".

Operations sub-committee

The objective of this sub-committee is to oversee and monitor the performance of AngloGold's operational activities, implement the strategic objectives of the company and to report to the executive committee on important areas of concern. Members of the sub-committee are appointed by the executive committee and include the executive officers responsible for the various regional operations, together with the executive officers responsible for human resources, corporate affairs, business planning and any senior managers of the company as determined by the executive committee. The sub-committee meets under the chairmanship of the chief operating officer on a regular basis.

Treasury committee

The committee meets monthly to discuss and evaluate market conditions, treasury operations and future hedging strategies. The committee operates within clearly defined parameters set by the board.

The members of this committee are:

C B Brayshaw - chairman - non-executive director

J G Best - executive director - finance
S Cassim - East & West Africa region - financial manager
R N Duffy - executive officer - business planning
Ms D Earp - manager - corporate accounting
R P H Hayes - treasury manager
Ms H H Hickey - group internal audit manager
Ms C A Hoad - risk manager
M P Lynam - treasurer
K H Williams - executive director - marketing

Finance committee

This committee, which meets on a regular basis and is responsible for strategy and monitoring of all financial and administrative aspects of the company, comprises:

J G Best (chairman) - executive director - finance

S Barua - manager - legal compliance
R C Croll - manager - mining valuations
P J G Dennison - manager - mergers and acquisitions
R N Duffy - executive officer - business planning
Ms D Earp - manager - corporate accounting
Ms H H Hickey - group internal audit manager
S J Lenahan - executive officer - corporate affairs
M P Lynam - treasurer
O C Murphy - corporate taxation manager
Ms Y Z Simelane - managing secretary

The company secretary attends meetings of the committee.

Executive officers

The executive officers of AngloGold are:

Name	**Age**	**Position**	**Year first appointed**
Roberto Carvalho Silva	52	South America region	2000

Richard N. Duffy
40
Business planning
1998
Steven J. Lenahan
48
Corporate affairs
1998
Neville F. Nicolau
44
South Africa region
2001
Nigel W. Unwin
51
Human resources and information technology
1999
Office of corporate administration Yedwa Z. Simelane
38
Managing secretary
2000
Christopher (Chris) R. Bull
57
Company secretary
1998
The business experience and functions of the executive officers of AngloGold are as follows.

Roberto Carvalho Silva, BAcc, BCorp Admin, holds a degree in Accounting (from the Commerce and Business School, Federal University of Parana, Brazil) and in Corporate Administration (from the Bennett Methodist University, Brazil). He joined the Anglo American Group in Brazil in 1973, having held the position of controller and being involved in all group business. He became administrative and financial manager of De Beers Brazil in 1982, financial and commercial director of Anglo American Corporation's gold division in 1986, and vice president of Minorco Brazil in 1990. In January 1999 he was designated president and CEO of AngloGold South America, and became a member of the executive of AngloGold in February 2000.

150

Richard Duffy, BCom, MBA (Henley Management College - UK), holds a commerce degree from the University of the Witwatersrand. He joined Anglo American Corporation in 1987, in its computer services division. He has spent time at Anglo American Corporation's Zambian office and with companies forming part of its small and medium business development initiatives. In 1996 he became purchasing manager at Anglo American Corporation. He joined the executive of AngloGold in the capacity as managing secretary of the company in 1998 and was appointed to his current position in November 2000.

Steve Lenahan, BSoc Sc, MSc, graduated in Social Sciences from Natal University. He also holds a Master of Science degree in Industrial Relations from London University. He started his career with De Beers in 1978 and moved subsequently to Anglo American Corporation, where he worked in the industrial relations department, the diamond services division, the public policy department and the corporate office. He became AngloGold's investor relations officer in 1998 and assumed responsibility for corporate affairs in early 2001.

Neville Nicolau, B-TeCh (Mining Engineering), MBA (UCT), along with these qualifications, has completed the MDP and DPLR programs at UNISA and the AMP at Templeton College. He joined Anglo American Corporation in 1979 and has worked at various managerial levels in all the major areas of the South Africa region. He was appointed General Manager of Great Noligwa in 1996. In December 1999 he was appointed technical director of AngloGold South America region and on his return to South Africa in November 2001, he was appointed executive officer - South Africa region.

Nigel Unwin, BA, holds a Bachelor of Arts degree from the University of the Witwatersrand. He began his career with Anglo American Corporation in 1974 in the human resources department and in 1977 transferred to the gold and uranium division. He was appointed manpower consultant in 1987. He moved to Edgars Stores Limited as human resources executive in 1991. He was appointed AngloGold's executive officer for strategic planning and labor relations in January 1999 and assumed responsibility for the Australia region in November 1999, for information technology in November 2000 and for human resources in January 2001. He relinquished his executive officer responsibilities for AngloGold's Australia region during 2002.

Office of corporate administration

Yedwa Simelane, BA, LLB, FILPA (Fellow of the Institute of Life and Pension Advisors), MAP, was appointed managing secretary, with effect from November 1, 2000 to provide guidance to the board of directors and executive officers in the execution of their duties. She was previously with the Mineworkers Provident Fund, where she was the senior manager of the fund, advising on employee benefits, retirement funding options and risk insurance. Prior to that, she was employed as an Employee Benefits Consultant at Old Mutual Employee Benefits and at the then Alexander Forbes NBC.

Chris Bull, BCom, has been employed by the Anglo American Corporation group for the past 38 years in various company secretarial positions. He was appointed company secretary of AngloGold in 1998 and is responsible for ensuring compliance with statutory and corporate governance requirements and the regulations of the stock exchanges on which AngloGold is listed.

Competent persons

The schedule below presents the details of those persons who manage AngloGold's ore reserves and mineral resources:

Name

Age

Position
Year first appointed
Ben W. Guenther
51
Head of mining
1999
David (Dave) L. Worrall
53
Manager surface mining
1999
Jurgens van Zyl Visser
49
Manager survey and planning - South African region
2001
Vaughan A. Chamberlain 41
Manager evaluation
1998
Michael (Mike) F. O'Brien 46
Manager evaluation
1999

151

The following persons take corporate responsibility for the reporting of ore reserves:

Ben Guenther, BSc (Mining Engineering), MAusIMM, holds a Bachelor of Science degree in Mining Engineering from the Colorado School of Mines. He joined Minorco in 1995. He was appointed Vice President and General Manager AngloGold (Jerritt Canyon) in 1999 and in September 2000 was appointed head of mining at the corporate office.

Dave Worrall, ACSM, MAusIMM, is an Associate of the Camborne School of Mines in Cornwall, England. He joined Anglo American Corporation in 1981 as a senior mine planning engineer in the technical director's office and AngloGold in 1999 as manager surface mining in the corporate office, the position he currently holds.

Jurgens van Zyl Visser, BSc (Minerals Resource Management), PLATO, holds a Bachelor of Science degree in Mineral Resource Management from the University of the Witwatersrand. He started his career with Anglo American Corporation in 1975 as a surveyor at President Steyn Mine (now Bambanani mine). He joined AngloGold in 1998 as a divisional valuator and in 1999 was appointed as manager survey and planning - South African region.

The following persons, as defined under the JORC Code, take corporate responsibility for the reporting of AngloGold's mineral resources:

Vaughan Chamberlain, MSc (Mining Engineering), BSc (Hons) (Geology), MAusIMM, holds a Bachelor of Science (Honors) degree in Geology from the University of Natal and a Masters degree in Mining Engineering from the University of the Witwatersrand. He started his career with Anglo American Corporation in 1987 as a geologist at Western Deep Levels East Mine (now TauTona mine). He joined AngloGold in 1998 as manager evaluation in the mineral resource department, the position he currently holds.

Mike O'Brien, MSc (Engineering), BSc (Hons) (Geology), Dip Data, Pr.Sci.Nat., MAusIMM, holds a Bachelor of Science degree in Geology from the University of Natal, a Masters degree in engineering from the University of Witswaterrand and a Dip Data diploma from UNISA. He joined Anglo American Corporation in 1981 as a geologist at Vaal Reefs Mine and AngloGold in 1999 as manager evaluation in the mineral resource department, the position he currently holds.

6B. Compensation
Policy

AngloGold has a Remuneration Policy which seeks to:

&#183
attract, reward and retain executives of the highest caliber;
&#183
align the behavior and performance of executives with the company's strategic goals and in the overall interests of shareholders;
&#183
ensure the appropriate mix of short-, medium- and long-term rewards and incentives, with the latter being closely linked to structured company performance targets and strategic objectives;
&#183
ensure that, within regions, management is competitively rewarded within a global remuneration policy, which recognizes both local and global markets.
This policy and its application is reviewed at least annually by the Remuneration Committee. See "Item 6C.: Board practices - Remuneration committee".

Compensation of directors

Under the Listings Requirements of the JSE Securities Exchange South Africa (JSE), AngloGold discloses the compensation paid to each of the members of the board of directors.

152

Compensation of executive directors The following principles are used in the determination of executive remuneration:

&#183

annual remuneration should be a combination of base pay and short-, medium- and long-term incentives, with salary comprising about 50 percent of annual remuneration;

&#183

salary should be set at the median for the relevant competitive markets;

&#183

all incentive plans should align performance targets with shareholder interests.

Salary: All salaries are subject to annual review by the remuneration committee and are set at the median of salaries in the relevant competitive markets in South Africa and globally. The individual salaries of executive directors are reviewed in the light of their own performance, experience, responsibility and company performance.

Annual bonus: The annual bonus is determined by the achievement of a set of company and individual performance targets. The company targets include earnings per share, cost control and global production. The weighting of the respective contribution of company and individual targets is 70 percent for company and 30 percent for individuals. The remuneration committee has the right to adjust the overall level of bonus of executive directors, particularly in the light of the company's annual safety performance and of the specific contribution of individual executive directors to the company's success.

Share Incentive Scheme**:** The scheme provides for an annual grant of share options based on the achievement of pre-determined performance targets similar to those used for the annual bonus. Options granted are subject to the achievement of a performance condition set by the remuneration committee and are subject to a maximum equivalent to annual salary for any executive director. Each tranche of options can only be exercised if earnings per share increase by 5 percent plus US inflation per year, over a three-year period. Options must be exercised within 10 years from date of grant.

Until December 31, 2001, the scheme allowed for options to be granted in three tranches over a five-year period, subject to a maximum of 200,000 in respect of the chief executive officer and 100,000 for other executive directors. The number of options held by executive directors is reflected on page 163.

See "Item 6E.: Share ownership" for more information on the Share Incentive Scheme.

Pensions**:** All executive directors are members of the AngloGold Pension Fund, a defined benefit fund which guarantees a pension on retirement equivalent to 2 percent of final basic salary per year of service. Death and disability cover is reflective of best practice among comparable employers in South Africa.

Other benefits: Executive directors are members of the AngloGold Medical Scheme, which covers the director and his immediate family.

Executive directors' service contracts**:** Service contracts of executive directors are reviewed annually. The contractual notice period in respect of Mr R M Godsell, as chief executive officer, is 12 months, and for the other three executive directors, six months. The contracts also deal with compensation if employment is terminated or in the event of a material change in role, responsibilities or remuneration occurs. Compensation in these circumstances is pegged at twice the notice period.

153

The following table presents the compensation paid by AngloGold to each executive director during 2003 and 2002. Executive directors have elected not to receive payment of directors fees, committee fees and travel allowances.

All figures in $000 **(1)**	**Salary**	**Performance related payments**	**Pension scheme contributions**	**Other benefits** **(2)**	**Sub-total**	**Pre-tax gain on share options exercised**	**Total**
Remuneration 2003							
R M Godsell (Chief Executive Officer)	713	326	91	16	1,145	-	1,145
J G Best	379	113	48	7	548	653	1,201
D L Hodgson	379	113	48	8	549	244	793
K H Williams	394	123					

50
14
580
39
618
Total
1,865
675
238
44
2,822
936
3,758
Remuneration 2002
R M Godsell
(Chief Executive Officer)
402
124
47
27
600
-
600
J G Best
236
89
29
3
357
203
560
D L Hodgson
236
65
29
10
339
283
622
K H Williams
255
86
32
14
387
205
592
Total
1,129
364
137

54
1,683
691
2,374

NB: Rounding may result in computational differences

(1)

Directors' compensation is paid principally in South African rands. However, for the purpose of this annual report, the rand values have been converted to US dollars using the following year-to-date average rate of exchange: 2003: $1 = R7.5516; and 2002: $1 = R10.4835.

(2)

Includes health care and reimbursement of travel expenses.

Compensation of non-executive directors

Non-executive directors receive no compensation from AngloGold other than their fees which are determined by shareholders in general meeting. Under the company's articles of association, the annual fees payable to directors, with effect from May 1, 2003, are R100,000 for each director other than the chairman and deputy chairman, R200,000 for the chairman and R150,000 for the deputy chairman. Remuneration of non-executive directors for their services on the committees concerned is determined by the board. Currently, this comprises in the case of each committee: Chairman R50,000 per annum; members R30,000 per annum each. In addition, payment of a travel allowance of $2,000 per meeting is made to non-executive directors who travel internationally to attend board meetings. In addition, AngloGold is liable for the payment of all travel costs.

No benefits in kind were granted to the non-executive directors during 2003 and 2002.

There are no contracts of service between the non-executive directors and the company or any of its subsidiaries. All directors are subject to retirement by rotation and re-election by shareholders at least once every three years.

154

The following table presents the compensation paid by AngloGold to each non-executive director during 2003 and 2002.

	2003				**2002**			
All figures in $000 (1)	**Directors' fees**	**Committee fees**	**Travel allowance**	**Total**	**Directors' fees**	**Committee fees**	**Travel allowance (2)**	**Total**
R P Edey (Chairman)	26	17	6	49	15	12	4	31
Dr T J Motlatsi (Deputy Chairman)	20	15	2	37	11	10	2	23
F B Arisman	13	10	6	29	8	6	4	18
Mrs E le R Bradley								

13
15
2
30
8
10
-
18
C B Brayshaw
13
9
2
24
8
4
-
12
Dr V K-K Fung
(3)
4
2
-
6
8
3
2
13
A W Lea
13
4
-
17
8
3
-
11
W A Nairn
13
15
-
28
8
10
-
18
J Ogilvie Thompson
13
4
-
17
8

3
-
11
N F Oppenheimer
13
4
-
17
8
3
-
11
A J Trahar
13
4
-
17
8
3
-
11
Total
154
99
18
271
98
67
12
177
Alternates
(4)
D D Barber
-
-
2
2
-
-
-
-
A H Calver
-
-
-
-
-
-
-
-
P G Whitcutt

-
2
-
2
-
3
-
3
Total
-
2
2
4
-
3
-
3
Fees paid to a former
non-executive director
D M J Ncube
-
-
-
-
-
6
(5)
-
6
Total
-
-
-
-
-
6
-
6
Grand total
154
101
20
275
98
76
12
186
NB: Rounding may result in computational differences
(1)
Directors' compensation is paid principally in South African rands. However, for the purpose of this annual report, the rand values have been converted to US dollars using the following year-to-date average rate of exchange: 2003:

$1 = R7.5516; and 2002: $1 = R10.4835.

(2)

Travel allowance was introduced with effect from May 1, 2002.

(3)

Resigned as a director with effect from April 30, 2003.

(4)

Messrs Barber and Calver are not members of any sub-committee and are therefore not entitled to payment of fees.

(5)

Prior years' adjustment.

Compensation of senior management AngloGold's senior management comprises its executive directors and executive officers. Under the Listings Requirements of the JSE AngloGold is not required to, and it does not otherwise, disclose compensation paid to individual senior managers other than executive directors. However, the aggregate compensation paid to executive officers, excluding compensation paid to executive directors, in 2003 was $1.774 million (2002: $1.494 million), representing 5 executive officers in 2003 and 7 executive officers in 2002. The contributions by AngloGold to post-retirement benefits for the year ended December 31, 2003 in respect of executive officers, excluding contributions paid to executive directors, was $122,978 (2002: $155,243). AngloGold pays compensation principally in South African rands. However, for the purpose of this annual report, the rand values have been converted to US dollars using the following year-to-date average rate of exchange: 2003: $1 = R7.5516; and 2002: $1 = R10.4835.

155
6C.
Board practices
The board of directors

The company has a unitary board structure comprising four executive directors and 10 non-executive directors (excluding alternate directors). The board consists of a group of directors which together possesses the necessary knowledge, expertise and experience to contribute actively to the deliberations of the board, and are committed to principles of corporate discipline, accountability, transparency, independence, fairness and social responsibility.

The executive directors are appointed by the board to oversee the day-to-day running of the company through effective supervision of management. Executive directors are held accountable by regular reporting to the board, and their performance is measured against pre-determined criteria as well as the performance of their respective business units. The performances of the executive directors are considered relative to the prevailing business climate. Bonuses paid to executive directors are a reflection of the performance of each of the directors and the company as a whole. Executive directors have elected to receive no remuneration as directors of the company.

The four executive directors have service contracts with AngloGold that provide for benefits if the executive director's appointment is terminated or if he resigns in circumstances contemplated by section 186(e) of the South African Labor Relations Act, namely where an employee terminates a contract of employment with or without notice because the employer made continued employment intolerable for the employee, within twelve months of a change of control of the company. Each executive director's contract entitles him to payment of 12 months' gross salary (24 months' gross salary in the case of Mr Godsell), less tax and national insurance contributions, and the value of any pension contributions that would have been made to him by AngloGold in the six months following his date of termination.

All directors are subject to retirement by rotation and re-election by shareholders at least once every three years. In addition, all directors are subject to re-election by shareholders at the first annual general meeting following their appointment. The appointment of new directors is approved by the board as a whole.

Currently, five of the 10 non-executive directors (excluding alternate directors) of AngloGold are affiliated with AngloGold's ultimate parent company, Anglo American plc, namely Messrs A W Lea, W A Nairn, N F Oppenheimer, J Ogilvie Thompson and A J Trahar. The five remaining non-executive directors, being Mr R P Edey, Dr T J Motlatsi, Mr F B Arisman, Mrs E le R Bradley and Mr C B Brayshaw, are all independent of management and free from any business relationship which could materially interfere with the exercise of their independent judgement.

The board meets at least on a quarterly basis to discuss and review issues of strategy, planning, operational and financial performance, acquisitions and disposals, major capital expenditure, stakeholder communications and other material issues reserved for its decision. Further meetings are held as and when required.

An agenda, the minutes of the previous meeting and supporting documentation to assist directors in making informed decisions are provided to all board and board committee members prior to meetings being held. Furthermore, all directors have unrestricted access to, and may inspect all documentation and property held by the company.

The articles of association of AngloGold provide for the following:

· AngloGold may in a general meeting elect any person to be a director to fill a casual vacancy;
· The directors have the power to appoint any person as a director, either to fill a casual vacancy or as an addition to the board. The articles of association contain no provision for a maximum number of directors;
· The articles of association contain no provision for directors to hold qualification shares;
· The directors are entitled to remuneration as determined by AngloGold, by ordinary resolution in a general meeting;

and
· The directors may, from time to time, borrow or raise sums of money for the purposes of AngloGold.

A managing secretary and company secretary advise the board on compliance with procedural and regulatory aspects of a legal nature, and are active in guiding the board on all corporate governance issues.

156

Policies and procedures are in place to allow directors to seek independent professional advice at the company's expense. This enables the directors and board committees to act independently of management where deemed necessary.

Board committees

The company's activities span a wide range of disciplines and activities. Board committees have been established to have oversight of management in key areas and to report to the board on important issues facing the company. The committees play a vital role in enhancing the effectiveness of the board and assist the board in discharging its duties and responsibilities. The committees comprise members of the board, are chaired (in the main) by a non-executive director, and meet a number of times each year. Each committee fulfils a specific mandate entrusted to it by the board and has written terms of reference governing its particular sphere of activity, membership requirements and reporting procedures, together with details of its powers, rights and obligations. Members of each committee are chosen having regard to each member's knowledge, experience and ability to provide a meaningful contribution to the committee's particular mandate. Management, who attend the meetings by invitation, report to the committees on their activities, and important issues requiring a decision are raised with the members of the committees. An agenda, supporting documentation and full justification for decisions required are provided prior to each committee meeting. Minutes of each committee meeting are circulated to members and the board. The chairperson of each committee prepares reports for each board meeting detailing the committee's activities for the preceding period, and attends the annual general meeting to answer any questions raised by shareholders.

The following information reflects the composition and activities of these committees other than the executive committee which is discussed above under "Item 6A.: Directors and senior management":

Audit and corporate governance committee

Members of the committee, which is comprised exclusively of non-executive directors, are:

C B Brayshaw - chairman

F B Arisman

Mrs E le R Bradley

R P Edey

The primary responsibility of the committee is to assist the board of AngloGold in carrying out its duties relating to accounting policies, internal control, financial reporting practices, identification of exposure to significant risks and all corporate governance issues.

To assist the committee in discharging its responsibilities, internal audits are performed at all of the operating units of the company under the auspices and direction of the group internal audit manager. Teams of suitable, qualified and experienced employees perform the internal audits. The primary mandate of the group's internal auditors is to provide an independent, objective assurance and consulting activity designed to add value and improve the organization's operations. This is done by a systematic, disciplined approach to review, evaluate and improve the effectiveness of risk management, internal control and governance processes. This process would bring material deficiencies, instances of non-compliance, high-risk exposure and development needs to the attention of the group internal audit manager and operational management for resolution.

The committee is responsible for the appointment and removal of the group internal audit manager. This committee and the executive committee consider it unnecessary for the group internal audit manager to report administratively to the chief executive officer and has determined that she report administratively to the finance director and functionally to the committee. The group's internal audit manager has unrestricted access to the chief executive, the board chairman and the chairman of the audit committee, and is invited to attend and report on her department's activities at every committee meeting.

The committee has access to all records of the internal audit team. The group's external audit partner has unrestricted access to the chairman of the audit committee and, where necessary, to the chairman of the board and chief executive officer. Important findings arising from audit procedures are brought to the attention of the committee and reported to the board.

The committee is responsible for the appointment, removal and oversight of the activities of the external auditors. In addition, the committee has set the principles for recommending the use of the external auditors for non-audit services. The committee approves all external consulting services and other charges levied by the external auditors.

157

The committee met five times during 2003 with the external audit partner, the group's internal audit manager and the corporate accounting manager, to review the audit plans for the internal and external auditors, to ascertain the extent to which the scope of the audit can be relied upon to detect weaknesses in internal controls and to review the quarterly and half-yearly financial results, the preliminary announcement of the annual results and the annual financial statements, as well as all statutory submissions of a financial nature, prior to approval by the board.

A sub-committee met on March 16, 2004 to review the company's annual report on Form 20-F prior to approval by the board and subsequent submission to the SEC in Washington.

Employment equity and development committee

The members are:
Dr T J Motlatsi - chairman
F B Arisman
R M Godsell
D L Hodgson
W A Nairn

The committee is chaired by the board deputy chairperson. It comprises three non-executive directors, as well as the chief executive and chief operating officers. The purpose of the committee is to facilitate the development of opportunities in the company for all employees and to encourage employees to achieve their optimal levels of career development in the company, with due recognition being given to the diversity of the society in which the company operates. The committee met on four occasions during 2003.

Investment committee

The members are:

R P Edey - chairman	J G Best
Mrs E le R Bradley	A W Lea
W A Nairn	K H Williams

Chaired by a non-executive director, the committee is composed of four non-executive directors, as well as the executive directors for finance and marketing, and meets as and when required. The mandate of the committee is to assess and evaluate capital projects, and ensure that investments, disinvestments and financing proposals are in accordance with the company's primary objective of creating wealth for its shareholders on a sustainable long-term basis. Four meetings were held during 2003.

Market development committee

The members are:

Mrs E le R Bradley - chairman	F B Arisman
R M Godsell	Dr T J Motlatsi
K H Williams	

AngloGold is committed both to the production of gold and the development of the market for gold itself. To this end the committee has been established to extend the influence of AngloGold as a major global gold company, in the development of a broader gold business both nationally and internationally. Dr V K Fung, who had been a member of this committee, did not stand for re-election to the board and accordingly, ceased to be a member of the board after April 30, 2003. The committee is composed of three non-executive directors, the chief executive officer and the executive director for marketing. The committee held two meetings during the course of 2003.

158

Nominations committee

The members are:

R P Edey - chairman

F B Arisman
Mrs E le R Bradley
C B Brayshaw
Dr T J Motlatsi
A J Trahar

The committee was established during 2003 and has yet to meet. It is chaired by the board chairman, and is composed solely of non-executive directors, the majority of whom are independent directors as defined in the JSE Securities Exchange Listings Requirements. The mandate of the committee is to assist the board in determining the criteria for new appointments to the board, to select and advise the board on eligible candidates, and to put in place succession plans particularly for the chairman of the board and the chief executive officer.

Remuneration committee

The members are:

R P Edey - chairman

C B Brayshaw
N F Oppenheimer
J Ogilvie Thompson
A J Trahar

The remuneration committee, which comprises exclusively non-executive directors, is primarily responsible for approving the remuneration policies of the company. Mr C B Brayshaw was appointed as a member of the committee on July 30, 2003. The committee meets as and when required, with a minimum of one meeting per annum. Three meetings of the committee were held during 2003.

Safety, health and sustainable development committee

Members are:

W A Nairn - chairman

R M Godsell
Dr T J Motlatsi

The committee's objective is to ensure that AngloGold undertakes and conducts its operations in a responsible manner and achieves a sustainable balance between economic and social development, with due regard to the safety and health of its employees, and the impact of its operations on the environmentThe committee conducts on-site inspections in regard to matters of serious concern. The committee, which comprises two non-executive directors and the chief executive officer, met on four occasions during 2003.

Company secretarial function

The company secretarial function consists of both a managing secretary and a company secretary. The managing secretary bears overall responsibility for the company secretarial function. Appointment and removal of the managing secretary and company secretary are matters for the board.

The managing secretary and company secretary advise the directors, both collectively and individually, on compliance with procedural and regulatory aspects of a legal nature, ensuring awareness of applicable laws and regulations, guiding the board on all corporate governance and ethical issues, as well as advising the directors on their rights, duties and powers. The in- house legal department reports to the managing secretary and assists the company secretarial function should any questions or issues arise. In addition the company secretarial function has access to a legal counsel who reports to the managing secretary on all compliance and corporate governance issues affecting the company. The company secretarial function also plays a crucial role in the induction of new directors.

Policies and procedures affecting directors and the board as a whole are developed by the company secretarial function in consultation with the executive committee, prior to submission and approval by the board. During 2003 policies and procedures were developed, or are being developed, for directors and the board including directors' right to seek independent professional advice, the induction of new directors, and the development of fit and proper standards for appointment of directors. Terms of reference of the various board committees are either developed by, or in consultation with, the company secretarial function prior to submission to the board for formal approval.

Together with the investor relations department, the company secretarial function also provides a direct communications link with investors, and liaises with the company's share registrars on all issues affecting shareholders. The company secretarial function, in consultation with other departments, also provides mandatory information required by various regulatory bodies and stock exchanges on which the company is listed.

The managing secretary and company secretary are also responsible for compliance with all the statutory requirements in regard to the administration of the Share Incentive Scheme. Directors and officers report dealing in ordinary shares of the company to the company secretarial function who in turn report the dealings to the board. The managing secretary and company secretary are also required to ensure that minutes of all shareholders', board and board committees' meetings are properly recorded in accordance with the South African Companies Act of 1973.

6D. Employees

The average number of employees in the AngloGold group over the last 3 financial years was:

	2003	**2002**	**2001**
South Africa	48,078	47,602	64,881
East & West Africa	2,724	2,276	1,627
North America	741	909	854
South America	3,356	2,656	2,292
Australia	540	599	726
Total	**55,439**	**54,042**	**70,380**

South African employee numbers includes corporate office and health services employees.

For details of employees, including outside contractors, by geographical region, see "Item 4B.: Business overview - Products, operations and geographic locations".

Worker participation

The company has in place a variety of strategies and structures that are designed to promote employee participation. These strategies and structures are further developed and adapted from time to time to meet variations in operational requirements and to accommodate changing circumstances. Management and employee representatives meet in formal and informal forums at company and operational levels to share information and to address matters of mutual interest.

South African operations

The South African gold mining industry continues to remain labor intensive. However, ongoing technology innovation is making the workplaces safer and more productive and hence continues to be a strategic drive.

A significant number of South Africa's workers belong to either registered or unregistered trade unions, and most of the major industries are unionized. Approximately 86 percent of AngloGold's workforce at its South African operations are members of South Africa's registered trade unions. Trade unions have, with the adoption of the amendments to legislation, a significant influence in South Africa as vehicles for social and political reform and in the collective bargaining process. There have been no major disruptions at AngloGold since inception. Significant labor disruptions could have a material adverse effect on AngloGold's results and financial condition.

The Labor Relations Act entrenches the rights of employees to belong to trade unions and the rights of trade unions to have access to the workplace. It also guarantees the right to strike and the right to participate in secondary strikes in certain prescribed circumstances. The right to picket has also been recognized. This Act recognizes the right of employees to participate in the decision-making of companies by providing for the compulsory establishment of workplace forums to represent the interests of employees where a company employs more than 100 employees. The range of issues on which the workplace forum must be consulted includes restructuring of the workplace, partial or total plant closures, mergers and transfers of ownership, insofar as these affect employees, and terminations. The effect of the recent promulgation of amendments to specific labor laws last year is predominantly visible in the requirement for a more consultative retrenchment process as well as the broadening of the definition of an "employee" under the legislation. In addition to compliance with a spectrum of labor legislation, further compliance is necessary with the newly released Mining Charter.

The implementation of the Labor Relations Act's provisions have not had, and management believes will continue not to have, a material adverse effect on AngloGold's cost of labor and consequently on its results and financial condition, although there can be no assurance of this. See "Item 3D.: Risk factors - Labor disruptions could have an adverse effect on operating results and financial condition".

With the highly regulated South African market, the costs of employment are substantial and labor costs at AngloGold's South African operations constituted approximately half of South African production costs in 2003. Wage agreements differ across bargaining units. In South Africa, negotiated pay increases were finalized at 10 and 9.5 percent for the majority of South African employees belonging to categories 3 to 8 and Miners and Artisans bargaining units respectively. The category 3 to 8 agreement was entered into between the Chamber of Mines (COM) and the National Union of Mineworkers (NUM) in July 2003. The Miners and Artisans agreement was also subsequently signed between NUM, United Association of South Africa (UASA), South African Equity Workers Union (SAEWA), Solidarity unions and COM as at July 2003. Increases for 2004 will be equivalent to average CPIX plus one, but not less than 7 percent for both bargaining units. Both these agreements will expire at the end of June 2005. In addition, on January 22, 2003, AngloGold signed a two-year salary agreement for the officials bargaining unit with UASA and the NUM which provides for an annual pay increase of 9 percent to all employees under this agreement with a merit component ranging from 0.5 - 2 percent for 2003. In regard to 2004 an annual pay increase of 8 percent for all employees under this agreement was agreed to, with a merit increase of 0.75 percent as at January 2004 and 0.25 percent effective in July 2004. The officials agreement covers 3,806 employees at AngloGold's South African operations.

Due to the high cost of labor, productivity and efficiency improvements are paramount to AngloGold's success. There are multiple efforts to improve productivity through various training and development initiatives, which have importantly included the raising of literacy and numeracy levels. AngloGold's training facilities are accredited with the Mining Qualifications Authority as well as the British Standards Institute ISO 9002 accreditation. Importantly as well, AngloGold continues to pilot a project aimed at achieving best work practices in deep-level mining.

East and West African operations

The East and West African operations are divided across three countries, namely Namibia, Mali and Tanzania. Operations in Mali and Tanzania are jointly owned and managed through Joint Venture agreements. In Mali, AngloGold has a joint venture arrangement with Iamgold at Sadiola and Yatela Mines, and at Morila Mine our joint venture partner is RandGold Resources. In Tanzania, the Geita Mine is a joint venture with Ashanti. In the event that the Business Combination is achieved, this mine will be wholly-owned. In Namibia, Navachab Mine is wholly-owned and managed by AngloGold. At Navachab Mine the Mine Workers Union of Namibia (MUN) is recognized and bargains on behalf of employees. The MUN are represented on forums of joint interest e.g. Safety and Health, Equity etc.

In Tanzania Geita Mine recently entered into a code of conduct and excess agreement with the Tanzanian Mines and Construction Workers Union. The union has commenced with the recruitment of members on the mine. As a result of non- union presence, various worker participation and consultative forums exist.

In Mali labor relations is governed by an Industry Collective Agreement that sets minimum employee conditions. Decentralized bargaining structures exist whereby individual mines negotiate conditions with their union committees. The union movement is relatively young in Mali, which leads to a great deal of time being spent on capacity building at a national and operational level.

The Industrial Relations climate at all of the operations has been stable and sound relationships exist with organized labor.

Close relationships are being maintained with local and national government in all the African countries of operation.

North American operations

Employees on AngloGold's North American operations are not unionized. Labor relations are satisfactory and no disruptions were experienced in 2002 or 2003.

South American operations

AngloGold's operations in South America have union representation, although this figure is below 50 percent at each of the operations. Good relations exist with employees and the union; the labor environment has been relatively peaceful, with wage negotiations having been concluded without any disruptions.

Australian operations

Employees on AngloGold's Australian operations are not represented by a labor union, which is typical of the gold mining sector in that country. The Australian operations have not experienced any labor disruptions in past years.

6E. Share ownership

Share ownership of directors

Directors hold the following number of ordinary shares of the company at December 31, 2003 and 2002, which did not individually or in the aggregate exceed 1 percent of the company's issued ordinary share capital:

	December 31, 2003			**December 31, 2002**		
	Beneficial			**Beneficial**		
	Direct	**Indirect**	**Non-beneficial (1)**	**Direct**	**Indirect**	**Non-beneficial (1)**
Executive directors						
J G Best	-	-	-	-	-	-
R M Godsell	460	-	-	460	-	-
D L Hodgson	-	430	-	-	-	-

K H Williams
-
920
-
-
920
-
Total
460
1,350
-
460
920
-
Non-executive directors
F B Arisman
-
2,000
-
-
2,000
-
Mrs E le R Bradley
-
23,423
33,027
-
23,423
33,027
C B Brayshaw
-
-
-
-
-
-
R P Edey
-
1,000
-
-
1,000
-
A W Lea
-
-
-
-
-
-
Dr T J Motlatsi

-
-
-
-
-
-
W A Nairn
-
-
-
-
-
-
J Ogilvie Thompson
-
-
478
-
-
478
N F Oppenheimer
-
-
8,726
-
-
6,426
A J Trahar
-
-
-
-
-
6,426
Total
-
26,423
42,231
-
26,423
39,931
Alternate directors
D D Barber
-
-
-
-
-
-
A H Calver
-

46
-
-
-
-
P G Whitcutt
-
-
-
-
-
-
Total
-
46
-
-
-
-
Grand Total
460
27,819
42,231
460
27,343
39,931
(1)
The director derives no personal benefit from the ordinary shares declared, for example by holding the ordinary shares in trust for another.
As of March 15, 2004, there has been no change in the directors' ownership of ordinary shares, set forth above.

162

Share ownership of executive officers

Under the Listings Requirements of the JSE, AngloGold is not required to disclose, and it does not otherwise disclose or ascertain, share ownership of individual executive officers in the share capital of AngloGold. However, to the best of its knowledge, AngloGold believes that AngloGold ordinary shares held by executive officers, in aggregate, do not exceed 1 percent of the company's issued ordinary share capital. See "Item 6E.: Share ownership - Share ownership of directors" for details of ordinary shares held by executive directors.

AngloGold Share Incentive Scheme

AngloGold operates a share incentive scheme for the purpose of providing an incentive to executive directors, executive officers and managers to identify themselves more closely with the fortunes of the group and its continued growth, and also to promote the retention of such employees by giving them an opportunity to acquire ordinary shares in the company.

Under the terms of the scheme, which was approved by the shareholders at general meeting, up to 2.75% of AngloGold's ordinary shares in issue may be allocated to eligible scheme participants. As of December 31, 2003 and 2002, this amounted to 6,136,249 ordinary shares and 6,122,106 ordinary shares, respectively.

The maximum aggregate number of ordinary shares which may be acquired by any one participant in the scheme is 300,000.

Non-executive directors are not eligible for participation in the scheme.

All options which have not been exercised within ten years from the date on which they were granted automatically lapse, unless otherwise stated.

The scheme provides for the granting of options, based on two separate criteria:

Time related options were approved by shareholders at the general meeting held on June 4, 1998, and amended by shareholders at the annual general meeting held on April 30, 2002. No further options will be granted under this plan which will terminate on February 1, 2012, being the date on which the last options may be exercised or will expire.

Each *time related* option entitles the holder to acquire one ordinary share at a price equal to the closing price of ordinary shares on the JSE on the day before granting of the option.

Time related options granted, may be exercised as follows:

Percentage	**Period after date of grant of options**
20	2 years
40	3 years
60	4 years
100	5 years

Performance related options were approved by shareholders at the annual general meeting held on April 30, 2002.

Each *performance related* option entitles the holder to acquire one ordinary share at a price equal to the closing price of ordinary shares on the JSE on the day before granting of the option.

Performance related options may be exercised in full, three years after date of grant, provided that the conditions on which the options were granted, namely the performance of the company as determined by the directors at date of grant, are met.

The movement in respect of options granted and the ordinary shares issued as a result of the exercise of options during the period January 1, 2003 to December 31, 2003 was as follows:

	Options				
	Time related	**Performance related**	**Total**	**Average exercise price per ordinary share**	**Ordinary shares issued**
At January 1, 2003	2,159,280	1,179,100	3,338,380	R186.45	1,539,320
Movements during year					
- Granted	-	1,239,700	1,239,700	R221.90	
- Exercised	508,020	-	508,020	R123.10	508,200
- Lapsed - terminations	47,600	102,500	150,100	R236.32	
At December 31, 2003	1,603,660	2,316,300	3,919,960	R203.96	2,047,340

Option ownership of directors, executive officers and management

Under the Listing Requirements of the JSE, AngloGold is required to disclose the option ownership of individual directors. Under those requirements, AngloGold is not required to, and it does not otherwise, disclose option ownership of individual executive officers and senior management.

The table below shows the movement in respect of options held by executive directors on an individual basis, and by executive officers and managers, each as a group, during 2003. Non-executive directors are not eligible to participate in the scheme and therefore own no options:

Executive directors

R M
Godsell
J G Best
D L
Hodgson
K H
Williams
Total
Executive
officers
Other
managers
Total
Granted as at January 1,
2003
Number
194,300
74,100
83,700
82,100
434,200
225,600
2,678,580
3,338,380
Average exercise price per
shares - R
123.80
141.10
152.15
129.98
133.39
173.74
196.12
186.45
Granted during year
Number
16,000
10,500
10,500
10,500
47,500
24,000
1,168,200
1,239,700
Average exercise price per
share - R
221.90
221.90
221.90
221.90
221.90

221.90
221.90
221.90
Exercised during year
Number
-
25,800
9,600
1,500
36,900
58,200
412,920
508,020
Average exercise price per
share - R
-
104.96
104.00
104.00
104.67
163.21
119.10
123.10
Average market price per
share at date of exercise
- R
-
296.11
296.18
297.87
296.20
271.97
285.82
284.99
Pre-tax gain at date of
exercise - R value
-    4,931,703   1,844,955
290,808
7,067,465
6,329,730
68,841,924
82,239,119
- R per share
-
191.15
192.18
193.87
191.53
108.76
166.72
161.88

Lapsed during year
Number
-
-
-
-
-
16,000
134,100
150,100
Average exercise price per
share - R
-
-
-
-
-
159.60
245.47
236.32
Held as at December 31,
2003
Number
210,300
58,800
84,600
91,100
444,800
175,400
3,299,760
3,919,960
Average exercise price per
share - R
131.27
171.38
166.27
141.00
145.22
185.12
212.88
203.96
Latest expiry date
May 2,
2013
May 2,
2013
May 2,
2013
May 2,
2013
May 2, 2013   May 2, 2013

Acacia Employee Option Plan

The company's wholly-owned subsidiary, AngloGold Australia Limited (originally Acacia Resources Limited) operated the Acacia Employee Option Plan for certain of its employees. In terms of this plan, on exercising of options, a ratio of 7 AngloGold ordinary shares for every 100 Acacia options held was applicable. The issue price of the AngloGold ordinary shares was calculated using the A$/R exchange rate as of the date of allotment. At December 31, 2003, all options granted in terms of the Acacia Employee Option Plan had been exercised or lapsed and the plan has now been terminated.

The movement in respect of options during the period January 1, 2003 to December 31, 2003 was as follows:

	Number of options	**Equivalent AngloGold ordinary shares**	**Ordinary shares issued**	**Average issue price of AngloGold ordinary shares**
At January 1, 2003	90,000	6,300	91,700	R161.02
Movements during year				
Issued	-	-	-	-
Exercised	90,000	6,300	6,300	R138.61
Lapsed	-	-	-	-
Held as at December 31, 2003	-	-	98,000	

R159.58

165

Item 7: Major shareholders and related party transactions

Overview

Description of AngloGold's share capital

AngloGold's share capital consists of three classes of stock:

· Ordinary shares, par value 25 cents each (the "ordinary shares");
· A redeemable preference shares, par value 50 cents each (the "A preference shares"); and
· B redeemable preference shares, par value 1 cent each (the "B preference shares").

At a general meeting on December 5, 2002, shareholders approved, *inter alia*, a special resolution for the sub-division of the company's authorized and issued ordinary share capital on a 2 for 1 basis, with effect from close of business on December 24, 2002. The special resolution was registered on December 10, 2002.

There was no change to the authorized share capital of the company during 2003.

The authorized and issued share capital of AngloGold at December 31, 2003, is set out below:

Title of class	**Authorized**	**Issued**
Ordinary shares	400,000,000	223,136,342
A preference shares	2,000,000	2,000,000
B preference shares	5,000,000	778,896

All the issued ordinary shares, A redeemable preference shares and B redeemable preference shares are fully paid and are not subject to further calls or assessment by AngloGold. For a discussion of rights attaching to the ordinary shares, the A redeemable preference shares and the B redeemable preference shares, see "Item 10B.: Memorandum and Articles of Association".

The following are the movements in the issued ordinary share capital from the beginning of the accounting period to the date of this report:

	2003		**2002**		**2001**	
Issued	**Number of ordinary shares**	**Rand**	**Number of ordinary shares**	**Rand**	**Number of ordinary shares**	**Rand**
At January 1,	222,622,022	56,655,506	215,268,116	53,817,029	214,042,174	53,510,544
Issues during year						
Issue of shares in terms of						

-
Normandy top-up facility
(1)
-
-
127,156
31,789
16,474
4,118
-
Normandy share-swap
(1)
-
-
6,403,236
1,600,809
466,366
116,592
-
AngloGold odd-lot offer
(2)
-
-
278,196
69,549
-
-
Exercise of options by participants in the
-
AngloGold Share Incentive Scheme
508,020
127,005
478,720
119,680
718,000
179,500
-
Acacia Employee Option Plan
6,300
1,575
66,598
16,650
25,102
6,275
At December 31,
223,136,342 55,784,086 222,622,022 55,655,506 215,268,116 53,817,029
(
1)
Arising from an offer by AngloGold to shareholders of Normandy Mining Limited to acquire the entire issued share capital of Normandy. As

acceptances in respect of this offer constituted only 7.16 percent of Normandy's issued share capital, with no possibility of AngloGold obtaining majority control of Normandy, the offer closed on January 18, 2002. The company's holding of Normandy shares was disposed of in January 2002 and the proceeds applied towards repaying debt owed by the AngloGold group.

(2)

On November 11, 2002, AngloGold issued a circular to shareholders in which, inter alia, an offer was made to shareholders with holdings of less than 50 ordinary shares (pre sub-division) in AngloGold ("odd-lots") to either increase their odd-lot holdings to 50 ordinary shares (pre sub-division), retain or sell their odd-lot holdings. The rationale behind the offer was to reduce the substantial administrative costs connected with the large number of odd-lot shareholders (approximately 15,555 shareholders) in an equitable manner. The odd-lot offer was not available to holders of AngloGold ADSs and CDIs and to shareholders whose registered addresses were, or who were located, in the United States or to shareholders who were US persons.

166

7A.

Major shareholders

According to information available to the directors, the following are the only shareholders beneficially holding, directly or indirectly, more than 5 percent of the ordinary share capital of the company:

Ordinary shares held at	**December 31, 2003**		**December 31, 2002**		**December 31, 2001**	
Shareholder	**Number**	**% voting rights**	**Number**	**% voting rights**	**Number**	**% voting rights**
Anglo American plc	121,502,197	54.45	114,457,368	51.41	114,457,368	53.17
The Bank of New York*	36,753,386	16.47	39,879,957	17.91	30,104,646	13.98

* *Ordinary shares held through various custodians in respect of American Depositary Shares issued by The Bank of New York. At December 31, 2003 the number of persons who were registered holders of ADSs was reported at 4,994. AngloGold is aware that many ADSs are held of record by brokers and other nominees, and accordingly the above numbers are not necessarily representative of the actual number of persons who are beneficial holders of ADSs or the number of ADSs beneficially held by these persons.*

The company's major shareholders have the same voting rights as other holders of AngloGold ordinary shares and do not have any different or special voting rights.

As at December 31, 2003, there were 12,748 holders of record of AngloGold ordinary shares. Of these holders 308 had registered addresses in the United States and held a total of 40,749 ordinary shares, approximately 0.018 percent of the total outstanding ordinary shares. In addition, certain accounts of record with registered addresses outside the United States, including The Bank of New York, hold AngloGold ordinary shares, in whole or in part, beneficially for United States persons.

At March 15, 2004, 34,378,146 ADSs, or approximately 15.40 percent of the total issued ordinary share capital, were issued and outstanding and held of record by 4,967 registered holders.

Insofar as is known to AngloGold, except as described below, as of December 31, 2003 there was no person who, directly or indirectly, jointly or severally, exercised or could exercise control over AngloGold, nor is AngloGold aware of any arrangements which might result in a change in control of AngloGold.

All the issued A and B preference shares are held by Eastvaal Gold Holdings Limited, AngloGold's wholly-owned subsidiary. The articles of association of AngloGold provide that the A redeemable preference shares and the B redeemable preference shares are not transferable.

Relationship with Anglo American plc (AA plc) and its subsidiaries

AA plc is the largest shareholder of AngloGold with an equity interest and voting rights of 54.45 percent as at December 31, 2003 (2002: 51.41 percent). Currently, five members of the board of directors of AngloGold are affiliated with AA plc. AA plc has informed AngloGold that it does not currently intend to have more than five members affiliated with AA plc on the AngloGold board of directors at any time. However, currently there is no agreement between AngloGold and AA plc concerning membership on the AngloGold board of directors by AA plc. AngloGold is an important strategic investment for AA plc as it represents AA plc's principal investment in the global gold industry. AngloGold is an operating gold company independent of AA plc. In this regard:

· AngloGold has a fully dedicated and entirely independent management. This includes its chief executive officer. The management is remunerated by AngloGold and incentivized by an AngloGold share incentive scheme;

· A majority of AngloGold's board of directors are non-executive directors and, including AngloGold's non-executive chairman, the majority of these non-executive directors are not affiliated with AA plc;

· AngloGold has the management, financial capacity and resources to carry out all aspects of its ongoing business activities
independent of AA plc;

· Where appropriate, AngloGold may purchase selected specialized services from AA plc on normal commercial and arm's
length terms. However, any such contract with AA plc is subject to the approval of a board sub-committee consisting entirely of AngloGold directors independent of AA plc; and

· AngloGold has no service agreements or other contracts in terms of which any turnover or profit related fees are payable
to AA plc.

Anglo American Corporation (AAC), a wholly-owned subsidiary of AA plc, has the right to participate in future profits of certain greenfield mineral rights that were transferred by AAC to AngloGold at the time of its formation. No value can be attached to these greenfield mineral rights, until such time as these rights are developed.

7B.

Related party transactions

At December 31, 2003, AA plc and its subsidiaries held an effective 54.45 percent interest in AngloGold. In 1997, AAC controlled the board of directors and provided various managerial, technical and administrative services as and when required by the company under the terms of a service agreement. This service agreement was cancelled at the end of the first quarter of 1998.

The group had the following transactions with related parties during the years ended December 31, 2003, 2002 and 2001:

	December 31, 2003		**December 31, 2002**		**December 31, 2001**	
(in millions)	**Purchases from related party $**	**Amounts owed to related party $**	**Purchases from related party $**	**Amounts owed to related party $**	**Purchases from related party $**	**Amounts owed to related party $**
Related party transactions with fellow subsidiaries of AA plc						

Boart Longyear Limited - mining services
11
1
9
-
11
1
Mondi Limited - forestry
11
1
18
(1)
1
15
1
Scaw Metals - A division of Anglo Operations Limited - steel and engineering
12
1
11
1
13
1
Shaft Sinkers (Proprietary) Limited - mining services
(2)
-
-
-
-
12
1
Related party transactions with associates
Rand Refinery Limited - gold refinery
2
-
2
-
3
-
(1)
Includes $10 million as settlement by AngloGold of a claim in respect of an alleged breach of contract.
(2)
No longer considered to be a related party of AngloGold, as no longer a subsidiary of AA plc.
Since January 1, 2004, AngloGold has not been, and as of the date of this annual report is not, a party to any material transaction or proposed transaction by which any director, any other executive officer, any spouse or relative of any of the foregoing or any relative of such spouse had or was to have direct or indirect material interest. In addition, no such persons had any indebtedness to AngloGold during this period, and as of the date of this annual report.
7C.
Interests of experts and counsel
Not applicable.

168

Item 8: Financial information

8A. Consolidated financial statements and other financial information

See "Item 18: Financial statements".

Legal proceedings

No director or officer of AngloGold has either a direct or indirect position adverse to AngloGold.

There are no legal or arbitration proceedings, including any such proceedings which are active, pending or threatened against, or being brought by or against AngloGold or any member company of AngloGold, of which AngloGold is aware, which may have a significant effect on the financial position, results of operations or liquidity of AngloGold, or which have had such an effect since January 1, 2003.

Ashanti, Sam Jonah (Ashanti's Chief Executive and Group Managing Director) and Mark Keatley (Ashanti's former Chief Financial Officer) have been named as defendants in a consolidated class action under the United States federal securities laws in the United States District Court for the Eastern District of New York alleging nondisclosures and misstatements concerning Ashanti's hedging position and program. The plaintiffs contend that Ashanti's and the individual defendants' actions violated Sections 10(b) and 20(a) of the Securities Exchange Act and Rule 10b-5 promulgated thereunder. Two of the proposed class actions that were consolidated purported to be brought on behalf of investors who purchased Ashanti shares during the period July 28, 1999 through October 5, 1999, while the third purported to be brought on behalf of investors who purchased Ashanti shares during the period April 21, 1997 through October 5, 1999. The plaintiffs seek unspecified damages, attorneys' and experts' fees and other relief. The three actions were consolidated for all purposes by the court and the court appointed lead plaintiffs and lead counsel under the US Private Securities Litigation Reform Act of 1995. Depositions of key witnesses have been taken.

The damages sought by the plaintiffs have not yet been specified, as is common practice in US securities fraud litigation at the current stage of the proceedings. Ashanti is vigorously defending the claims.

Dividend policy

Dividends are proposed by, and approved by the board of directors of AngloGold, based on the interim and year-end financial statements. Dividends paid are recognized when declared by the board of directors of AngloGold. Dividends may be paid in South African rands or US dollars. Dividends declared to foreign stockholders are not subject to the approval by the South African Reserve Bank (SARB). Dividends are freely transferable to foreign stockholders from both trading and non-trading profits earned in South Africa by publicly listed companies. In situations where a South African company has a calculated tax loss without a concomitant accounting loss, the SARB requires that a notional tax charge be deducted from current profits before the profit available for distribution to stockholders is determined. AngloGold expects to continue to pay dividends, although there can be no assurance that dividends will be paid in the future or as to the particular amounts that will be paid from year to year. The payments of future dividends will depend upon the Board's ongoing assessment of AngloGold's earnings, financial condition, including its cash needs, future earnings prospects and other factors.

8B.

Significant changes

Business Combination with Ashanti. For a detailed discussion of AngloGold's Business Combination with Ashanti, including an overview of the Business Combination, a description of the contractual arrangements in connection with the Business Combination and an overview of Ashanti's business, see Item "4A.: History and development of the company- Overview of the AngloGold-Ashanti Business Combination".

Convertible Bonds. On February 27, 2004, AngloGold Holdings plc, a wholly-owned subsidiary of AngloGold, issued $1,000,000,000 2.375 per cent guaranteed Convertible Bonds due 2009, convertible into AngloGold ADSs and guaranteed by AngloGold. For a detailed discussion of the issue of the Convertible Bonds, see Item "5B.: Liquidity and capital resources- Liquidity".

169

Item 9: The offer and listing

9A. Offer and listing details

The following table sets out, for the periods indicated, the reported high and low market quotations for AngloGold's ordinary shares on the JSE and for its sponsored ADSs on the NYSE:

	JSE (1)		**NYSE (2)**	
	High	**Low**	**High**	**Low**
Year ended December 31	**(South African cents per ordinary share)**		**(US dollars per ADS)**	
Annual information				
1999	21,400	11,250	37.000	18.31
2000	19,250	9,300	28.69	12.25
2001	24,800	10,420	22.34	13.15
2002	34,700	20,000	35.33	17.62
2003	33,900	19,100	49.95	27.10
Quarterly information				
2002				
First quarter	29,500	20,000	26.02	17.62
Second quarter	34,700			

25,200
34.66
22.50
Third quarter
30,350
20,200
30.20
19.750
Fourth quarter
30,760
23,450
35.33
22.50
2003
First quarter
33,900
21,200
38.69
27.10
Second quarter
26,500
19,100
33.56
27.22
Third quarter
30,700
23,000
41.57
29.89
Fourth quarter
31,800
24,150
49.95
35.83
Monthly information
September 2003
30,700
25,700
41.57
36.80
October 2003
28,200
24,150
40.20
35.83
November 2003
30,700
26,600
47.97
38.10
December 2003

31,800
28,201
49.95
43.70
January 2004
31,900
28,300
48.25
39.28
February 2004
30,000
27,000
44.86
39.90
(1)
The JSE share price information has been adjusted to give effect to the two-for-one stock split which took effect from the close of business on December 24, 2002.
(2)
Prior to December 24, 2002, each ADS represented 0.5 of one ordinary share. With effect from the close of business on December 24, 2002, each ADS represents one ordinary share.
See "Item 7A.: Major shareholders" for number of ADSs outstanding at December 31, 2003.
9B.
Plan of distribution
Not applicable.
9C. Markets
Nature of trading market
Prior to June 29, 1998, the date on which AAC's gold mining interests were consolidated into a single, focused, independent, global gold mining company, ordinary shares of AngloGold (formerly Vaal Reefs) were listed on the Johannesburg Stock Exchange (JSE), the London Stock Exchange (LSE) and the Paris bourse, were quoted in Brussels in the form of International Depositary Receipts and were listed under grandfathered unsponsored American Depositary Receipts (ADR) programs on the Nasdaq SmallCap Market. Shares of Freegold, Western Deep Levels and Southvaal were also listed under grandfathered unsponsored ADR programs on the Nasdaq SmallCap Market. Historically, the principal trading market for such shares (as well as for shares of Freegold, Western Deep Levels and Southvaal) had been the JSE and Nasdaq. As part of the consolidation, shares of AngloGold, Freegold, Western Deep Levels and Southvaal were delisted from Nasdaq and shares of all participating companies were delisted from the JSE.

With effect from the implementation of the consolidation, the ordinary shares were listed on the JSE, the LSE and the Paris bourse and were quoted in Brussels in the form of International Depositary Receipts. In addition, American Depositary Shares (ADSs) each representing half of one ordinary share and evidenced by ADRs issued by The Bank of New York under a program sponsored by AngloGold were listed on the New York Stock Exchange (NYSE) on August 5, 1998.
The company was admitted to the official list of the Australian Stock Exchange (ASX) on November 15, 1999. The ordinary shares of the company issued in connection with the acquisition of the entire issued share capital of Acacia Resources Limited trade on the ASX. On November 28, 2001, AngloGold implemented a 10-for-1 split of the AngloGold CHESS Depositary Interests (CDIs), which trade on the Australian Stock Exchange.
Effective at the close of business on December 24, 2002, AngloGold undertook a 2-for-1 stock split and a corresponding change in the ratio of ordinary shares to ADSs from 0.5 ordinary shares per one ADS to one ordinary share per one ADS. At the same time, the ratio of ordinary shares to CDIs changed from one ordinary share equivalent to ten CDIs to one ordinary share equivalent to five CDIs.

9D.

Selling shareholders

None.

9E.

Dilution

None.

9F.

Expenses of the issue

None.

Item 10: Additional information
10A. Share capital
AngloGold's Ordinary Shares and Preference Shares
AngloGold's authorized share capital is ZAR101,050,000, consisting of three classes of shares: ordinary shares of par value ZAR0.25 each, A redeemable preference shares of par value ZAR0.50 each and B redeemable preference shares of par value ZAR0.01 each. The ordinary shares and the A redeemable preference shares have voting rights, while the B redeemable preference shares have voting rights only under certain circumstances and, in respect of each of these classes of shares, there is no provision in the Articles of Association for cumulative voting. There is no limitation imposed by the Articles of Association or by South African law on the rights of any persons, including non-residents, to own AngloGold ordinary shares or to exercise voting rights in respect of AngloGold ordinary shares. AngloGold's authorized and issued share capital as of December 31, 2003 and March 15, 2004 (being the latest practicable date prior to the publication of this document) is set out below:
Issued
Title of Class
Authorized
March 15, 2004
December 31, 2003
Ordinary shares
400,000,000
223,251,342
223,136,342
A redeemable preference shares
2,000,000
2,000,000
2,000,000
B redeemable preference shares
5,000,000
778,896
778,896
All of the issued ordinary shares, A redeemable preference shares and B redeemable preference shares are fully paid and are not subject to further calls or assessment by AngloGold.
All of the A redeemable preference shares and B redeemable preference shares are held by Eastvaal Gold Holdings Limited, AngloGold's wholly-owned subsidiary. AngloGold's Articles of Association provide that the A redeemable preference shares and B redeemable preference shares are not transferable.
AngloGold is incorporated under the laws of South Africa and the rights of its shareholders are governed by the South African Companies Act 61 of 1973, as amended, the South African Securities Regulation Code and the Listings Requirements of the JSE, as well as AngloGold's Articles of Association. AngloGold is registered in South Africa with registration number 1944/017354/06.
At AngloGold's annual general meeting held on April 30, 2003, its shareholders approved ordinary resolutions which gave authority to the directors to allot and issue, at their discretion, all the remaining authorized but unissued ordinary shares in the capital of AngloGold for such purposes as they may determine, after setting aside so many ordinary shares as may be required to be allotted and issued by AngloGold pursuant to the Share Incentive Scheme. However, insofar as this authority relates to the issue of shares for cash, it is subject to the following conditions:
(a) that the authority shall only be valid until the next annual general meeting and in no case shall extend beyond 15 months,
(b) that a paid press announcement giving full details, including the impact on net asset value and earnings per share, be
published after any issue representing, on a cumulative basis within one financial year, 5 percent or more of the number of shares in issue prior to the issue concerned,
(c) that the issues in the aggregate in any one financial year shall not exceed 15 perent of the number of shares of

AngloGold's issued ordinary share capital, and
(d) that, in determining the price at which an issue of shares for cash will be made in terms of this authority, the maximum
discount permitted shall be 10 percent of the weighted average traded price of the ordinary shares on the JSE (adjusted for any dividend declared but not yet paid or for any capitalization award made to shareholders) over the 30 business days prior to the date that the price of the issue is determined or agreed by AngloGold's directors.

The number of authorized but unissued ordinary shares in the capital of AngloGold at December 31, 2003 and March 15, 2004 (being the latest practicable date prior to the publication of this document) is 176,760,458 and 176,748,658 respectively.

By a special resolution passed at a general meeting held on December 5, 2002, all of AngloGold's ordinary shares of ZAR 0.50 each were sub-divided into ordinary shares of ZAR 0.25 each, with effect from close of business on December 24, 2002.

The table below details changes in the ordinary issued share capital of AngloGold since December 31, 2000. All references to ordinary shares in the table below are given as if the sub-division described above had taken place on December 31, 2000.

Period to	**Description**	**Number of Ordinary Shares**
December 31, 2000	Balance brought forward	214,042,174
	Ordinary shares issued during 2001	
	Normandy bid - swap shares	466,366
	Normandy bid - top-up shares	16,474
	AngloGold Share Incentive Scheme	718,000
	Acacia Employee Option Plan	25,102
December 31, 2001		215,268,116
	Ordinary shares issued during 2002	
	Normandy bid - swap shares	6,403,236
	Normandy bid - top-up shares	127,156
	AngloGold odd-lot offer	278,196
	AngloGold Share Incentive Scheme	478,720
	Acacia Employee Option Plan	66,598
December 31, 2002		222,622,022
	Ordinary shares issued during 2003	
	AngloGold Share Incentive Scheme	508,020
	Acacia Employee Option Plan	6,300
December 31, 2003		223,136,342
	Ordinary shares issued to March 15, 2004	
	AngloGold Share Incentive Scheme	115,000
		223,251,342

There has been no change in the issued preference share capital of AngloGold since December 31, 2000.

Save as disclosed in this paragraph and under "AngloGold Share Incentive Scheme" below, no share or loan capital of AngloGold or any of its subsidiary undertakings is under option or is agreed conditionally or unconditionally to be put under option.

All existing ordinary shares are in registered form. The holding of ordinary shares in uncertificated form is permitted under AngloGold's Articles of Association and the transfer of ordinary shares is permitted through STRATE. Ordinary shares are not eligible for settlement within CREST.

New Ordinary Shares to be issued in the AngloGold-Ashanti Business Combination

The allotment of new ordinary shares, ADSs and other securities to Ashanti shareholders pursuant to the Business Combination will be implemented in full in accordance with the terms of the Transaction Agreement and the Scheme of Arrangement. The new ordinary shares issued pursuant to the Scheme will be issued credited as fully paid.

Based on the issued share capital of Ashanti as at March 15, 2004 (being the latest practicable date prior to publication of this document), being 131,235,947 Ashanti ordinary shares, and on the assumption that no further Ashanti shares are issued between March 15, 2004 and the date of completion of the Business Combination, the aggregate number of new ordinary shares to be issued, pursuant to the Business Combination excluding shares to be issued from outstanding Ashanti warrants and share options, is 38,058,425. In addition, under the Stability Agreement 2,658,000 new ordinary shares are to be issued to the Government of Ghana on the date of completion of the Business Combination. The authorized, issued and fully paid share capital of AngloGold immediately following the completion of the Business Combination, based on the issued share capital of AngloGold as at March 15, 2004 (being the last practicable date prior to the publication of this document) and following the issue by AngloGold of new securities to Ashanti's securityholders in accordance with the Business Combination, assuming no issue of ordinary shares or Ashanti ordinary shares between that date and the date of completion of the Business Combination, will be as follows:

Authorized number	**Authorized amount**	**Type**	**Issued number**	**Issued amount**
400,000,000	ZAR100,000,000	Ordinary shares	263,967,767	ZAR65,991,942
2,000,000	ZAR1,000,000	A redeemable preference shares	2,000,000	ZAR1,000,000
5,000,000	ZAR50,000	B redeemable preference shares	778,896	ZAR7,789

173
The ordinary shares to be issued pursuant to the Business Combination will be issued credited as fully paid and will rank pari passu in all respects with the existing issued ordinary shares, including the right to receive any dividends made, declared or paid after the date of completion of the Business Combination, and will be issued free and clear from all liens.

The ordinary shares to be issued pursuant to the Business Combination have not been sold and are not being made available to the public in conjunction with the application for admission to the Official List of the UKLA and admission to trading on the LSE's market for listed securities.

Guaranteed Convertible Bonds

On February 27, 2004, AngloGold Holdings plc, a wholly-owned subsidiary of AngloGold, issued $1,000,000,000 2.375 per cent guaranteed Convertible Bonds due 2009, convertible into AngloGold ADSs and guaranteed by AngloGold.

Subject to certain restrictions, holders of Convertible Bonds are entitled to convert each Convertible Bond into an AngloGold ADSs at the then applicable conversion price at any time from April 8, 2004 to February 20, 2009, or, if the Convertible Bonds are called for redemption earlier than February 27, 2009, the seventh business day prior to the date of early redemption.

If the bonds have not been converted by February 20, 2009, they will be redeemed at par on February 27, 2009. AngloGold Holdings plc has the option of calling an early redemption of all the bonds 3 years after their issuance, if the price of the ADSs exceeds 130 percent of the conversion price for more than 20 days during any period of 30 consecutive trading days.

The initial conversion price for the Convertible Bonds is $65.00 per AngloGold ADS. The conversion premium to the reference volume weighted average price of the ADSs on the New York Stock Exchange of $40.625 on February 19, 2004, when the issue of the Convertible Bonds was announced, was 60 per cent. If all holders of Convertible Bonds exercise their option to convert their Convertible Bonds into ADSs and assuming no adjustments are made to the initial conversion price, up to 15,384,615 new ADSs will be issued. The conversion ratio is subject to adjustment in case of various corporate events including share splits and capital distributions.

10B.

Memorandum and Articles of Association
Registration

AngloGold is incorporated under the laws of the Republic of South Africa (registration number 1944/017354/06). AngloGold's memorandum of association provides that the company's main business is to carry on gold exploration, the mining and production of gold, the manufacturing, marketing and selling of gold products and the development of markets for gold. AngloGold's main object is to engage in all aspects of the business of gold exploration, the mining and production of gold, the manufacturing, marketing and selling of gold products and the development of markets for gold.

Set out below is a summary of the provisions of the Articles of Association of AngloGold, which are available for inspection as set out in "Item 10.H.: Documents On Display".

Directors

The management and control of any business of AngloGold shall be vested in the directors who, in addition to their powers under the Articles, may exercise all powers and do all such acts and things as may be exercised or done by AngloGold.

Board Meetings

The directors may regulate board meetings and determine the quorum necessary for the transaction of business as they think fit. Unless otherwise determined by the directors, two directors form a quorum. Issues arising at meetings are decided by majority vote with the chairman having a second or casting vote where there are more than two directors present at the meeting.

174
A director who is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with AngloGold or any of AngloGold's subsidiaries must declare the nature of his interest to AngloGold in accordance with the Companies Act. A director shall not vote nor be counted in the quorum on any resolution in respect of any contract or arrangement in which he is interested. This provision does not apply in relation to any contract by a director to subscribe for or underwrite securities and where the contract or arrangement is with a company in which he is interested by reason only of being a director, officer, creditor or member of such company. These provisions may be altered or suspended by AngloGold in a general meeting.

Borrowing Powers

AngloGold may create and issue secured or unsecured debentures and the directors may borrow or secure the payment of such sums as they think fit and may secure the repayment of any indebtedness by bond, mortgage or charge provided that no special privileges as to allotment of shares, attending and voting at meetings, appointment of directors or otherwise shall be given to the holders of AngloGold's debentures without the sanction of AngloGold in a general meeting.

Directors' Remuneration

The directors are entitled to such remuneration as AngloGold may determine by ordinary resolution in a general meeting. If a director performs services that, in the opinion of the board of directors, are outside the scope of the ordinary duties of a director, he may be paid such extra remuneration as the directors determine. For more information on the remuneration of directors, see "Item 6B: Compensation."

Retirement and Removal of Directors

A director must retire from office if he becomes insolvent or subject to insolvency procedures, is found to be of unsound mind, is requested to resign by at least three-quarters of the directors, is removed by a resolution of AngloGold or is absent from board meetings without representation for six consecutive months. A director can resign with one month's written notice unless he obtains the permission of the directors to shorten his notice period. At every annual general meeting at least one-third of the longest serving directors must retire from office but are eligible for re-election. Where more than one director has served for an equal length of time, unless they agree between themselves, the director to resign will be determined by lot.

Interests of directors/Restriction on voting/Indemnity of officers

A director shall not vote nor be counted in the quorum and if he shall do so his vote shall not be counted on any resolution for his own appointment to any other office or position under AngloGold or in respect of any contract or arrangement in which he is interested, but this prohibition shall not apply to

(i)

any arrangement for giving to any director any security or indemnity in respect of money lent by him to, or obligations undertaken by him for the benefit of, AngloGold,
(ii) any arrangement for the giving by AngloGold of any security to a third party in respect of a debt or obligation of AngloGold which the director has himself guaranteed or secured,
(iii) any contract by a director to subscribe for or underwrite securities, or (iv) any contract or arrangement with a company
in which he is interested by reason only of being a director, officer, creditor
or member of such company (and note that these prohibitions may at any time be suspended or relaxed to any extent either generally, or in respect of any particular contract or arrangement, by AngloGold in general meeting).

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to offices or employments with AngloGold or any company in which AngloGold is interested, such proposals may be divided and considered in relation to each director separately and in such cases each of the directors concerned shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

175

If any question arises at any meetings as to the entitlement of any directors to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question must be referred to the chairman of the meeting and his ruling in relation to any other director must be final and conclusive except in a case where the nature or extent of the interests of the director concerned have not been fairly disclosed.

The directors may exercise the voting powers conferred by the shares in any other company held or owned by AngloGold in such manner and in all respects as they think fit, including the exercise thereof in favor of any resolution appointing themselves or any of them to be directors or officers of such other company or voting or providing for the payment of remuneration to the directors or officers of such other company.

The articles of association contain no provision for directors to hold qualification shares or for an age limit requirement for the retirement or non-retirement of directors.

Share Rights, Preferences and Restrictions

AngloGold is incorporated under the laws of South Africa and rights of holders of AngloGold's ordinary shares are governed by the South African Companies Act 61 of 1973 as amended, the South African Securities Regulation Code on Take-Overs and Mergers and the JSE Listings Requirements, as well as AngloGold's articles of association. In addition, rights of holders of AngloGold ADSs are also governed by the deposit agreement between AngloGold and The Bank of New York which governs the AngloGold ADS program.

Rights of holders of AngloGold's ordinary shares are summarized below. The following summary does not contain all the information concerning rights of holders of ordinary shares and is qualified in its entirety by reference to the laws of South Africa and AngloGold's governing corporate documents.

Allotment and Issue of Ordinary Shares

Any unissued ordinary shares can be disposed of or dealt with in such manner as AngloGold may direct in a general meeting. AngloGold may resolve that all or any of such ordinary shares are at the disposal of the directors who may allot, grant options over or otherwise deal with or dispose of the ordinary shares to such persons at such times and on such terms and conditions and for such consideration as they may think proper. No ordinary shares may be issued at a discount except in accordance with section 81 of the South African Companies Act. Section 81 of the Companies Act states that a company can issue at a discount to par value shares of a class already in issue, if such issue is authorized by a special resolution, that company has been trading for at least one year, the issue is sanctioned by the court and occurs within one month of the sanction and the prospectus contains details of the discount.

Any ordinary shares may be issued with such rights or restrictions as AngloGold in a general meeting may from time to time determine. In addition, AngloGold may resolve to grant to the directors the power to issue ordinary shares on such terms and conditions and with such rights attached as the directors may determine

Dividends, rights and distributions

The ordinary shares participate fully in all dividends, other distributions and entitlements as and when declared by AngloGold in respect of fully paid ordinary shares. Under South African law, AngloGold may declare and pay dividends from any reserves included in total shareholders' equity calculated in accordance with SA GAAP, subject to its solvency and liquidity. No larger dividend shall be declared by shareholders in general meeting than is recommended by the directors. Dividends are payable to shareholders registered at a record date that is after the date of declaration.

Under the terms of the articles of association, dividends may be declared in any currency at the discretion of the board of directors. Currently, dividends are declared in South African rands and paid in Australian dollars, South African rands or United Kingdom pounds. Dividends paid to registered holders of AngloGold ADSs are paid in US dollars converted from South African rands by The Bank of New York, as depositary, in accordance with the deposit agreement. For details on exchange controls applicable to holders of ordinary shares or ADSs, see "Item 10D.: Exchange controls".

176

The holder of B preference shares is entitled to an annual dividend amounting to the lesser of five percent of the issue price of the B preference shares, or the after-tax profits from income from mining the Moab Lease Area (which is part of the Vaal River operations in South Africa) as determined by the directors in each financial year. This annual dividend is a first charge on any profit available for distribution from the Moab Lease Area but is not payable from any of AngloGold's other profits.

The holder of A preference shares is not entitled to dividends until after AngloGold has paid the annual dividend on the B preference shares in full. Then, it is entitled to an annual dividend equivalent to the balance of the after-tax profits from income from mining the Moab Lease Area as determined by AngloGold's directors in each financial year. Any dividend may be paid and satisfied, either wholly or in part, by the distribution of specific assets, or in paid-up securities of AngloGold or of any other company, or in cash, or in any one or more of such ways as the directors or AngloGold in general meeting may at the time of declaring the dividend determine and direct.

The directors may from time to time make such regulations as they may think fit in regard to the payment of dividends to members having registered addresses outside South Africa, and such regulations may provide for the payment of such dividends in any foreign currency and the rate of exchange at which such payment shall be made and such other matters as the directors may think fit.

All dividends remaining unclaimed for a period of not less than three years from the date on which they became payable may be forfeited by resolution of the directors for the benefit of the company.

All of the issued ordinary shares, A redeemable preference shares and B redeemable preference shares are fully paid and are not subject to further calls or assessment by AngloGold.

Voting rights

Each ordinary share confers the right to vote at all general meetings. Each member present in person or, in the case of a corporate entity, represented, has one vote on a show of hands. If a poll is held, members present or any duly appointed proxy will have one vote for each ordinary share held. Holders of ADSs are not entitled to vote in person at meetings, but may vote by way of proxy through The Bank of New York as the ADS issuer. Holders of CDIs are not entitled to vote in person at meetings, but may vote by way of proxy.

There are no limitations on the right of non-South African shareholders to hold or exercise voting rights attaching to any of the ordinary shares.

The A redeemable preference shares have voting rights that are very similar to those of ordinary shares. The B redeemable preference shares have limited voting rights, except in the event that a dividend on this class of share has not been paid and remains unpaid for six months, or in connection with issues directly affecting these preference shares or AngloGold as a whole, such as disposal of substantially all of the company's assets, winding up AngloGold or reducing the company's share capital.

The articles of association do not provide for cumulative voting in respect of any of the classes of AngloGold's shares.

The articles of association specify that one-third of the directors or, if their number is not a multiple of three, then the number nearest to, but not less than, one-third, must retire from office at each annual general meeting. Any director who has served as a director for three years since his last election must retire at the next annual general meeting even if, as a result, more than one-third of the directors retire. Retiring directors are eligible for re-election.

The articles of association specify that if new classes of ordinary or preference shares are issued, the rights relating to any class of shares may be modified or abrogated either with the consent in writing of the holders of at least three-fourths of the issued shares of that class, or with the sanction of a resolution passed as if it were a special resolution of the company at a separate general meeting of the holders of the shares of that class.

177

Transfer of Ordinary Shares

Subject to any statutory restrictions on transfer any member may transfer all or part of his certificated securities, to the extent it is not prevented by section 91A of the Companies Act. Every transfer must be in writing in the usual common form or in such other form as the directors may approve and must be left at the transfer office where the register of transfers is kept or at such other place as the directors prescribe and must be accompanied by the share certificate and such other evidence as the directors or registrar may require to prove title and capacity of the intending transferor or transferee.

The directors may refuse to register any transfer of certificated securities unless the instrument of transfer, duly stamped, is lodged with AngloGold accompanied by the share certificate, the transfer is in respect of only one class of securities or the transfer is permitted within any of AngloGold's incentive schemes.

Conversion of Ordinary Shares into Stock

AngloGold may by special resolution convert any paid-up shares into stock and may reconvert any stock into paid-up shares of any denomination. The holders of stock may transfer their respective interests but the directors may fix the minimum amount of stock transferable. The holders of stock have the same rights, privileges and advantages as regards participation in profits and voting at general meetings of AngloGold as if they held the shares from which the stock arose. All of the provisions of the Articles apply equally to stock as to shares.

Increase and Reduction of Capital

AngloGold can by special resolution resolve to increase its capital by any sum divided into shares of any amount.

Subject to the requirements of the Companies Act and the rules and requirements of the stock exchange on which the securities are listed, AngloGold may by ordinary resolution reduce, dispose of, distribute or otherwise deal with in any manner its share capital, share premium, stated capital, reserves and capital redemption reserve fund.

By special resolution and in accordance with the provisions of the Companies Act, AngloGold can resolve to consolidate and divide all or any part of its share capital into shares of larger amounts or consolidate and reduce the number of any issued no par value shares; increase the number of any issued no par value shares without increasing its stated capital; cancel any shares which have not been subscribed for; sub-divide its shares or any of them into shares of smaller amounts than fixed by the memorandum of association; vary, modify or amend any rights attached to any shares whether issued or not, including the conversion of any shares into preference shares; and convert any of its shares whether issued or not into shares of another class.

Share Premium Account and Capital Redemption Reserve Fund

AngloGold may by ordinary resolution authorize the directors to distribute or deal with, in any way recommended by the directors, all or any part of the amount outstanding to the credit of any share premium account or capital redemption reserve fund of AngloGold.

Rights upon liquidation

In the event of a winding up of the company, the B redeemable preference shares confer the right, in priority to any payment in respect of the ordinary shares or the A preference shares in the capital of AngloGold, to receive only so much of the net proceeds from the disposal of the assets relating to the Moab Lease Area as is available for distribution, but not exceeding a return for each B redeemable preference share of the capital paid up on that share and any share premium paid on the issue of the B redeemable preference shares outstanding at that time. The B redeemable preference shares do not confer the right to participation in the surplus funds of AngloGold arising in any other manner.

Upon winding up of AngloGold, the A redeemable preference shares confer the right, in priority to any payment in respect of the ordinary shares but after any payment in respect of the B preference shares, to receive only so much of the net proceeds from the disposal of the assets relating to the Moab Lease Area as is then available for distribution. The A redeemable shares do not confer the right to participation in the surplus funds of AngloGold arising in any other manner.
The ordinary shares confer the right to any surplus arising from the liquidation of any other assets of AngloGold.
Redemption provisions
The A redeemable preference shares may be redeemed for their nominal value, plus a premium per share of an amount equal to the net proceeds available from the disposal of the assets relating to the Moab Lease Area, after redemption in full of the B preference shares and payment of the nominal value of the A preference shares, divided by 2,000,000.
The B redeemable preference shares may be redeemed for their nominal value, plus a premium of up to R249.99 per share, but limited to an amount equal to the net proceeds available from the disposal of the assets relating to the Moab Lease Area after payment of the nominal value of the B preference shares.
The ordinary shares are not redeemable.
Description of AngloGold ADSs
The Bank of New York issues AngloGold's American Depositary Shares, or ADSs. One ADS represents the ownership interest of one ordinary share of AngloGold.
The Unrestricted ADS Deposit Agreement and Restricted ADS Deposit Agreement
This section provides a summary description of AngloGold's ADSs.
AngloGold has entered two Deposit Agreements with The Bank of New York as depositary and the owners and beneficial owners of American Depositary Receipts (the "Deposit Agreements"):
Under the Deposit Agreement amended and restated as of August 5, 1998, filed with the SEC as an exhibit to AngloGold's registration statement on Form F-6 (Registration Statement No. 333-14066) (the "Unrestricted ADS Deposit Agreement") The Bank of New York as depositary issues ADSs which are not subject to transfer restrictions under the Securities Act and are listed and trade on the New York Stock Exchange (the "Unrestricted ADSs"). The forms of the Unrestricted ADS Deposit Agreement and the Unrestricted ADSs, are exhibits to AngloGold's registration statement on Form F-6 (Registration Statement No. 333-14066).
Under the Deposit Agreement dated February 27, 2004 (the "Restricted ADS Deposit Agreement") The Bank of New York as depositary issues ADSs which are considered "restricted securities" within the meaning of Rule 144 of the Securities Act (the "Restricted ADSs"). AngloGold has entered a Registration Rights Agreement pursuant to which it has undertaken to file a registration statement with the SEC covering resales of Restricted ADSs. Any holder of Convertible Bonds which were offered and sold in the United States to Qualified Institutional Buyers ("QIBs") in reliance on Rule 144A under the Securities Act exercising its right to convert its Convertible Bonds into ADSs prior to the later of February 27, 2006 and the date that is two years after the last date on which AngloGold or any affiliate of AngloGold was the owner of such Convertible Bonds, will receive Restricted ADSs issued under the Restricted ADS Facility. Any holder of Convertible Bonds which were offered and sold outside the United States in accordance with Regulation S under the Securities Act exercising its right to convert its Convertible Bonds into ADSs will receive Unrestricted ADSs issued under the Unrestricted ADS Facility.
The description below generally applies to the ADSs issued under both the Restricted and the Unrestricted ADS Facility. The material differences between the two Facilities are:

- prior to the later of February 27, 2006 and the date that is two years after the last date on which AngloGold or any affiliate of AngloGold was the owner of such Convertible Bonds, only Restricted ADSs will be issued upon conversion of Convertible Bonds offered and sold in the United States to QIBs in reliance on Rule 144A under the Securities Act;
- holders of Restricted ADSs under the Restricted ADS Facility are required to give certain certifications upon deposit or withdrawal of the ordinary shares underlying their Restricted ADSs as described generally in " Description of the ADSs Deposit, Withdrawal and Cancellation" below.

- Restricted ADSs will carry a transfer restrictions legend; and
- Restricted ADSs generally may be held in book-entry form.

179
As this section is a summary, it may not contain all the information that may be important to a holder of ADSs. For more complete information, see "Item 10.H.: Documents On Display". Copies of the Deposit Agreements for each Facility are also available for inspection at the Corporate Trust Office of The Bank of New York currently located at 101 Barclay Street, New York, New York, 10286.

Description of the ADSs

Each ADS represents one ordinary share. It is possible to hold ADSs either directly or indirectly through a broker or other financial institution

.
AngloGold ordinary shares (or the right to receive AngloGold ordinary shares) are deposited with The Bank of New York's custodians in South Africa: The Standard Bank of South Africa Limited, Societe Generale South Africa Limited, FirstRand Bank Limited, National Australia Bank Limited and Australia and New Zealand Banking Group Limited (each, a "custodian"). Each ADS also represents securities, cash or other property deposited with The Bank of New York but not distributed to AngloGold's ADS holders. The Bank of New York's Corporate Trust Office is located at 101 Barclay Street, New York, NY 10286. The principal executive office of The Bank of New York is located at One Wall Street, New York, NY 10286. The Bank of New York, as the depositary in respect of the ADSs, will issue the new ADSs following the completion of the Business Combination.

ADSs may be held either directly or indirectly through a broker or other financial institution. If ADSs are held indirectly, such holders must rely on the procedures of their broker or other financial institution to assert the rights of ADS holders described in this sectionand should consult with their broker or financial institution in this regard.

Because The Bank of New York actually holds AngloGold ordinary shares, holders of ADSs may, in certain circumstances, not be treated by AngloGold as shareholders of AngloGold. The rights of ADS holders and the rights of and obligations of The Bank of New York as depositary are set out in the Deposit Agreements among The Bank of New York, the registered holders and beneficial owners of ADSs, and AngloGold. The Deposit Agreements and the ADSs are generally governed by the laws of the State of New York. As this section is a summary, it may not contain all the information and may be important to you. For more complete information, you should read the entire text of the Deposit Agreements and the ADS, the forms of which are exhibits to AngloGold's registration statements on Form F-6 (Registration Statement No. 333-14066) filed with the Securities and Exchange Commission. Directions on how to obtain copies of AngloGold's filings with the Securities and Exchange Commission are provided under "Item 10.H.: Documents On Display".

Dividends and Other Distributions

The Bank of New York has agreed to pay to holders of ADSs the cash dividends or other distributions it or a custodian receives on AngloGold ordinary shares or other deposited securities after deducting any fees and expenses and any applicable withholding taxes. Holders of ADSs will receive these distributions in proportion to the number of AngloGold's ordinary shares that their ADSs represent.

Cash

The Bank of New York will convert any cash dividend or other cash distribution AngloGold pays on AngloGold's ordinary shares into US dollars (unless AngloGold pays it in US dollars), if it can do so on a reasonable basis and can transfer the US dollars to the United States. Currently, AngloGold pays dividends on ordinary shares in South African rand. AngloGold may declare dividends and distributions on ordinary shares in any currency that the board of directors or shareholders at a general meeting approve.

In accordance with the Deposit Agreements, The Bank of New York, via its appointed South African bank, will convert the South African rand it receives from AngloGold to US dollars and distribute dividends in US dollars to registered holders of ADSs. If that is no longer possible or if any approval from any government is needed and cannot be obtained, the The Bank of New York may distribute non-US currency only to those ADS holders to whom it is possible to make this type of distribution. The Bank of New York may hold the non-US currency it cannot convert for the account of holders of ADSs who have not been paid, unless a holder of ADSs requests in writing to receive the non-US currency distribution. It will not invest the non-US currency, and it will not be liable for the interest.

180
Before making a distribution, any withholding taxes that must be paid will be deducted. See "Payment of Taxes" below. The Bank of New York will distribute only whole US dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when The Bank of New York cannot convert the non-US currency, holders of ADSs may lose some or all of the value of the distribution.

Ordinary shares

The Bank of New York may distribute to holders of ADSs additional ADSs representing ordinary shares that AngloGold distributes as a dividend or free distribution, if AngloGold provides it promptly with satisfactory evidence that it is legal to do so. If The Bank of New York does not distribute additional ADSs, the outstanding ADSs will also represent the newly distributed AngloGold ordinary shares. The Bank of New York will only distribute whole ADSs. It will sell AngloGold ordinary shares that would require it to deliver a fraction of an ADS and distribute the net proceeds in the same way as it distributes cash.

Rights to subscribe for additional ordinary shares

If AngloGold offers holders of its ordinary shares any rights to subscribe for additional AngloGold ordinary shares or any other rights, The Bank of New York, after consultation with AngloGold, may make these rights available to holders of ADSs or sell the rights and distribute the proceeds in the same way as it distributes cash. If The Bank of New York cannot do either of these things for any reason, it may allow these rights to lapse. In that case, holders of ADSs will receive no value for them.

If The Bank of New York makes these types of subscription rights available to holders of ADSs upon instruction from holders of ADSs, it will exercise the rights and purchase AngloGold's ordinary shares on their behalf. The Bank of New York will then deposit the AngloGold ordinary shares and deliver ADSs to the holders of ADSs. It will only exercise these rights if holders of ADSs pay it the exercise price and any other charges the rights require them to pay.

US securities laws may restrict the sale, deposit, cancellation and transfer of the ADSs issued after exercise of rights. For example, holders of ADSs may not be able to trade the ADSs freely in the United States. In this case, The Bank of New York may deliver ADSs which are "restricted securities" within the meaning of Rule 144 (including Restricted ADSs, as defined herein) which will have the same provisions as the ADSs described here, except for the changes needed to put the restrictions in place.

Other distributions

The Bank of New York will send to holders of ADSs any other distributions that AngloGold makes on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, The Bank of New York may decide to sell what AngloGold distributes, and then distribute the net proceeds in the same way as it distributes cash, or it may decide to hold what AngloGold distributes, in which case the outstanding ADSs will also represent the newly distributed property.

The Bank of New York is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. AngloGold has no obligation to register ADSs, AngloGold ordinary shares, rights or other securities under the US Securities Act of 1933. AngloGold also has no obligation to take any other action to permit the distribution of ADSs, AngloGold ordinary shares, rights or anything else to ADS holders. This means that the holders of ADSs may not receive the distribution AngloGold makes on its ordinary shares or any value for them if it is illegal or impractical for AngloGold to make them available to the holders of ADSs.

Deposit, Withdrawal and Cancellation

The Bank of New York will deliver ADSs, if a holder of AngloGold's ordinary shares or their broker deposits AngloGold's ordinary shares or evidence of rights to receive ordinary shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, The Bank of New York will register the appropriate number of ADSs in the names such holder of AngloGold ordinary shares requests and will deliver the ADSs at its Corporate Trust office to the persons such holders request.

Holders of ADSs may turn in their ADSs at The Bank of New York's Corporate Trust Office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, The Bank of New York will deliver (1) the underlying ordinary shares to an account designated by the relevant holder of ADSs and (2) any other deposited securities underlying the ADSs at the office of the Custodian. Or, at the request, risk and expense of ADS holders, The Bank of New York will deliver the deposited securities at its Corporate Trust Office.

Any deposit of ordinary shares into the Restricted ADS Facility, including a deposit upon conversion of the Convertible Bonds, must be accompanied by a written certificate and agreement by or on behalf of the person who will be the beneficial owner of the Restricted ADSs to be issued upon deposit of such ordinary shares to the effect that each such beneficial owner: (i) understands that the ordinary shares and the Restricted ADSs have not been and will not be registered under the Securities Act, (ii) is not an affiliate of AngloGold or a person acting on behalf of such an affiliate, (iii) is a QIB and will be the beneficial owner of such Restricted ADSs upon the issuance thereof and (iv) agrees not to offer, sell, pledge or otherwise transfer such ordinary shares, such Restricted ADSs or the Restricted ADRs evidencing such Restricted ADSs except: (a)(1) to a person who the beneficial owner reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (2) in an offshore transaction meeting the requirements of Regulation S, (3) pursuant to the exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (4) pursuant to an effective registration statement under the Securities Act and (b) in accordance with all applicable securities laws of the United States.

Holders of Restricted ADSs are subject to further requirements as to certification of their status upon surrender of Restricted ADSs for the purpose of withdrawing the underlying ordinary shares. Those holders must deliver a written certificate and agreement by or on behalf of the person surrendering such Restricted ADSs who, after withdrawal, will be the beneficial owner of the ordinary shares to be withdrawn, acknowledging that the ordinary shares underlying the Restricted ADSs have not been registered under the Securities Act, certifying as to whether or not those ordinary shares will remain restricted upon withdrawal and, in the case of ordinary shares that will remain restricted, agreeing: (a) not to offer, sell, pledge or otherwise transfer such ordinary shares except in a transaction that complies with the applicable transfer restrictions and (b) not to deposit or cause to be deposited such ordinary shares into any unrestricted depositary receipt facility established or maintained by a depositary bank (including another facility maintained by The Bank of New York) unless the ordinary shares are no longer deemed to be restricted securities within the meaning of Rule 144(a)(3) under the Securities Act.

Voting Rights

Holders of ADSs may instruct The Bank of New York to vote the ordinary shares underlying their ADSs, but only if AngloGold asks, in writing, The Bank of New York to request their instruction. Otherwise, holders of ADSs will not be able to exercise their right to vote unless they withdraw the AngloGold ordinary shares. However, the holders of ADSs may not know about the meeting enough in advance to withdraw the ordinary shares.

If AngloGold asks for the instructions of holders of ADSs, The Bank of New York will notify them of the upcoming vote and arrange to deliver AngloGold voting materials to them. The materials will (1) describe the matters to be voted on and (2) explain how holders of ADSs, on or before a certain date, may instruct The Bank of New York to vote the ordinary shares or other deposited securities underlying their ADSs as they direct. For instructions to be valid, The Bank of New York must receive them on or before the date specified. The Bank of New York will try, as far as practical, to vote or to have its agents vote the ordinary shares or other deposited securities as holders of ADSs instruct, but this is subject to South African law, the provisions of AngloGold's Memorandum and Articles of Association and of the deposited securities and any applicable rule of the JSE. The Bank of New York will only vote or attempt to vote as such holders of ADSs instruct. However, if and to the extent that The Bank of New York does not receive their voting instructions, it will give a proxy to vote the relevant ordinary shares to a person designated by AngloGold, unless AngloGold does not wish the proxy to be given, or substantial opposition exists, or the issue at hand materially and adversely affects the rights of holders of ordinary shares.

AngloGold cannot assure the holders of ADSs that they will receive the voting materials in time for them to instruct The Bank of New York to vote their ordinary shares. In addition, The Bank of New York and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that holders of ADSs may not be able to exercise their right to vote and there may be nothing they can do if their ordinary shares are not voted as they requested.

182
Fees and Expenses
AngloGold ADS holders must pay:
For:
$5.00 (or less) per 100 ADSs*
Each issuance of an ADS, including as a result of a distribution of AngloGold ordinary shares or rights or other property

Each cancellation of an ADS, including if the Deposit Agreement terminates

$0.02 (or less) per ADS
Any cash payment
Registration or transfer fees
Transfer and registration of AngloGold ordinary shares on the AngloGold share register to or from the name of The Bank of New York or its agent when AngloGold ordinary shares are deposited or withdrawn
Expenses of The Bank of New York
Conversion of non-US currency to US dollars

Cable, telex and facsimile transmission expenses

Taxes and other governmental charges The Bank of New York or any custodian has to pay on any ADS or AngloGold ordinary share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes
As necessary
A fee equivalent to the fee that would have been payable if the securities distributed had been ordinary shares deposited for issuance of ADSs
Distribution of securities distributed to holders of deposited securities that are distributed by The Bank of New York to ADS holders
**With respect only to the initial issuance of Unrestricted and Restricted ADSs issued upon conversion of the Convertible Bonds, AngloGold will pay the applicable issuance fee of $5.00 (or less) per 100 ADSs.*
Payment of Taxes

Holders of ADSs will be responsible for any taxes or other governmental charges payable on their ADSs or on the deposited securities underlying their ADSs. The Bank of New York may refuse to transfer their ADSs or allow them to withdraw the deposited securities underlying their ADSs until such taxes or other charges are paid. It may apply payments owed to holders of ADSs or sell deposited securities underlying their ADSs to pay any taxes they owe, and they will remain liable for any deficiency. If it sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to holders of ADSs any proceeds, or send to them any property, remaining after it has paid the taxes.

183

Reclassifications

If AngloGold:

Then:

Changes the nominal or par value of the ordinary shares;

Reclassifies, splits up or consolidates any of the deposited securities;

Distributes securities on the ordinary shares that are not distributed to holders of ADSs; or

Recapitalizes, reorganizes, merges, liquidates, sells all or substantially all of AngloGold's assets, or takes any similar action.

The cash, ordinary shares or other securities received by The Bank of New York will become deposited securities. Each ADS will automatically represent its equal share of the new deposited securities.

The Bank of New York may, and will if AngloGold asks it to, distribute some or all of the cash, AngloGold ordinary shares or other securities it receives. It may also issue new ADSs or ask holders of ADSs to surrender their outstanding ADSs in exchange for new ADSs identifying the new deposited securities.

Amendment and Termination

AngloGold may agree with The Bank of New York to amend the Deposit Agreement and the ADSs without the consent of holders for any reason. If the amendment adds or increases fees or charges (except for taxes and other governmental charges or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses) or if the amendment prejudices an important right of ADS holders, it will only become effective 30 days after The Bank of New York notifies holders of ADSs of the amendment. At the time an amendment becomes effective, holders of ADSs are considered, by continuing to hold their ADSs, to agree to the amendment and to be bound by the ADSs and the agreement as amended.

The Bank of New York may terminate the Deposit Agreements by mailing notice of termination to ADS holders at least 30 days prior to the date fixed in the notice if AngloGold asks it to do so. The Bank of New York may also terminate the Deposit Agreement if The Bank of New York has told AngloGold that it would like to resign and AngloGold has not appointed a new depositary bank within 90 days. In both cases, The Bank of New York must notify holders of AngloGold ADSs at least 30 days before termination.

After termination, The Bank of New York and its agents will be required to do only the following under the Deposit Agreement: collect distributions on the deposited securities, sell rights, and, upon surrender of ADSs, deliver AngloGold ordinary shares and other deposited securities. One year after the date of termination or later, The Bank of New York may sell any remaining deposited securities by public or private sale and will hold the proceeds of the sale, as well as any other cash it is holding under the Deposit Agreement, for the pro rata benefit of the ADS holders who have not surrendered their ADSs. It will not invest the money and will have no liability for interest. The Bank of New York's only obligations will be to account for the proceeds of the sale and other cash. After termination, AngloGold's only obligations will be with respect to indemnification of, and payment of certain amounts to, The Bank of New York.

Limitations on Obligations and Liability to ADS Holders

The Deposit Agreements expressly limit AngloGold's obligations and the obligations of The Bank of New York, and they limit AngloGold's liability and the liability of The Bank of New York. AngloGold and The Bank of New York:

·
are only obligated to take the actions specifically set forth in the applicable Deposit Agreement without negligence or bad faith;
·
are not liable if either of AngloGold or The Bank of New York is prevented or delayed by law or circumstances beyond AngloGold's control from performing AngloGold's obligations under the applicable Deposit Agreement;
·
are not liable if either of AngloGold or The Bank of New York exercises discretion permitted under the applicable Deposit Agreement;

184

·

have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the agreement on behalf of the holders of ADS holders or on behalf of any other party;

·

may rely on advice of or information from legal counsel, accountants, and any persons presenting AngloGold's ordinary shares for deposit, any registered holder or any other person believed by AngloGold in good faith to be competent to give such advice or information; and

·

pursuant to the Deposit Agreements, AngloGold and The Bank of New York agree to indemnify each other under certain circumstances.

Requirements for Depositary Action

Before The Bank of New York will issue, transfer or register the transfer of an ADS, make a distribution on an ADS, or allow withdrawal of AngloGold ordinary shares, The Bank of New York may require:

·

payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any ordinary shares or other deposited securities;

·

production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and

·

compliance with regulations it may establish, from time to time, consistent with the agreement, including presentation of transfer documents.

The Bank of New York may refuse to deliver, transfer or register transfers of ADSs generally when the books of The Bank of New York or AngloGold's books are closed, or at any time if either AngloGold or The Bank of New York thinks it advisable to do so.

Holders of Unrestricted ADSs have the right to cancel their ADSs and withdraw the underlying ordinary shares at any time except:

·

when temporary delays arise because: (1) either AngloGold or The Bank of New York have closed AngloGold's transfer books; (2) the transfer of the ordinary shares is blocked in connection with voting at a general meeting of shareholders; or (3) AngloGold is paying a dividend on the ordinary shares

·

when ADS holders seeking to withdraw the ordinary shares owe money to pay fees, taxes and similar charges; or

·

when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of the ordinary shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the Unrestricted Deposit Agreement.

Pre-release of ADSs

In certain circumstances, subject to the provisions of the Deposit Agreement, The Bank of New York may deliver ADSs before deposit of the underlying ordinary shares. This is called a pre-release of the ADS. The Bank of New York may also deliver AngloGold ordinary shares upon cancellation of pre-released ADSs (even if the ADSs are cancelled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying AngloGold ordinary shares are delivered to The Bank of New York. The Bank of New York may receive ADSs instead of ordinary shares to close out a pre- release.

The Bank of New York may pre-release ADSs only under the following conditions:

·

before or at the time of the pre-release, the person to whom the pre-release is being made must represent to The Bank of New York in writing that it or its customer: (a) owns the ordinary shares or ADSs to be remitted, (b) assigns all beneficial rights, title and interest in such ADSs or ordinary shares, as the case may be, to The Bank of New York in its capacity as the depositary and for the benefit of the ADS holders, and (c) will not take any action with respect to such ADSs or ordinary shares, as the case may be, that is consistent with the transfer of beneficial ownership (including, without the consent of The Bank of New York, disposing of such ADSs or ordinary shares, as the case may be) other than satisfaction of such pre-release;

·

the pre-release must be fully collateralized with cash, US government securities, or other collateral that The Bank of New York considers appropriate; and

185
.
The Bank of New York must be able to close out the pre-release on not more than five business days' notice. Each pre-release will be subject to any further indemnities and credit regulations that The Bank of New York deems appropriate. The Bank of New York will normally limit the number of AngloGold ordinary shares not deposited but represented by ADSs outstanding at any time as a result of pre-release so that they do not exceed 30% of the ordinary shares deposited, although The Bank of New York may disregard this limit from time to time, if it thinks it is appropriate to do so

Shareholders' meetings

An AngloGold annual general meeting and a meeting of AngloGold shareholders for the purpose of passing a special resolution may be called by giving 21 clear days' notice in writing of that shareholders' meeting. For any other meeting of AngloGold shareholders, 14 clear days' notice must be given. "Clear days" means calendar days excluding the day on which the notice is given and the date of the meeting. All shareholders are entitled to attend.

AngloGold's articles of association provide that a quorum for a general members' meeting (other than a meeting at which a special resolution will be passed) consists of three members present personally, or if the member is a corporate entity, represented and entitled to vote. One of the three members present or represented has to be AngloGold's holding company, which is currently Anglo South Africa Capital (Proprietary) Limited, a wholly-owned subsidiary of Anglo American plc. If a general meeting is not quorate, the meeting is dissolved and a new meeting will have to be called following the relevant notice provision.

The quorum of a members' meeting convened for the purpose of passing a special resolution consists of members holding at least 25 percent of the total member votes and present in person or by proxy. If the meeting is not quorate, it will be adjourned to a date between seven and 21 days after the adjourned meeting, and the members present at the second meeting shall constitute a quorum as long as there are at least three of them at the second meeting. A special resolution must be passed by a vote of 75 percent of the members present, at the meeting, personally or by proxy and entitled to vote or by a vote of 75 percent of the total votes to which these members are entitled.

If the meeting is not quorate and is convened upon the requisition of members, the meeting is dissolved.

10C.

Material contracts

For a detailed discussion of AngloGold's contractual arrangements in connection with its Business Combination with Ashanti, see Item "4A.: History and development of the company-Overview of the AngloGold-Ashanti Business Combination- Description of Agreements related to the Business Combination". AngloGold is not party to any further material contracts other than contracts entered into in the ordinary course of business.

10D.

Exchange controls

Exchange controls and other limitations affecting security holders

The following is a general outline of South African exchange controls and such outline may not apply to former residents of South Africa. Investors should consult a professional advisor as to the exchange control implications of their particular investments.

South African law provides for exchange control regulations, which restrict the export of capital from the Common Monetary Area, which comprises South Africa, the Kingdoms of Lesotho and Swaziland and the Republic of Namibia. The exchange control regulations, which are administered by the Exchange Control Department of the SARB, are applied throughout the Common Monetary Area and regulate transactions involving South African residents, including natural persons and legal entities.

Governmental officials have from time to time stated their intentions to lift South Africa's exchange control regulations when economic conditions permit such action. In his budget speech in March 1998, the Minister of Finance announced that restrictions relating to offshore investments by South African companies and individuals subject to South African exchange control would, to a limited extent, be lifted. Since then, the government has incrementally relaxed aspects of exchange control for financial institutions and individuals. However, it is impossible to predict with any certainty when the government will remove exchange controls in their entirety.

The comments below relate to exchange controls in force at the date of this annual report.

Investments in South African companies

A foreign investor may invest freely in shares in a South African company. Any foreign investor may also sell shares in a South African company and transfer the proceeds out of South Africa without restriction. Acquisitions of shares or assets of South African companies by non-South African purchasers are not generally subject to review by the SARB when the consideration is in cash, but may require SARB review in certain circumstances, including when the consideration is equity in a non-South African company or when the acquisition is financed by a loan from a South African lender.

Dividends

Dividends declared to foreign stockholders are not subject to the approval by the South African Reserve Bank (SARB). Dividends are freely transferable to foreign stockholders from both trading and non-trading profits earned in South Africa by publicly listed companies.

Interest

Interest on foreign loans is freely remittable abroad, provided the loans received prior SARB approval.

Voting rights

There are no limitations imposed by South African law or by the memorandum and articles of association of AngloGold on the rights of non-South African shareholders to vote the ordinary shares.

Overseas financing and investments

AngloGold and its South African subsidiaries require SARB approval to raise debt from and repay debt to non-residents of the Common Monetary Area, mainly in respect of the interest rate and terms of repayment applicable to the loan.

Debt raised outside the Common Monetary Area by AngloGold's non-South African subsidiaries is not restricted under South African exchange control regulations and can be used for overseas investment, subject to any conditions imposed by the SARB in connection with establishing such a subsidiary. AngloGold and its South African subsidiaries would, however, require SARB approval in order to provide guarantees for the obligations of any of its subsidiaries with regard to funds obtained from non-residents of the Common Monetary Area.

Debt raised outside the Common Monetary Area by AngloGold's non-South African subsidiaries must be repaid or serviced by AngloGold's foreign subsidiaries.

A listing by a South African company on any stock exchange other than the JSE Securities Exchange in connection with raising capital requires permission from the SARB.

Under current exchange control regulations, offshore investments by AngloGold and its South African subsidiaries require the approval of the SARB. On application to the SARB, use of South African funds for such investments may be allowed for up to R2 billion for an investment within the Africa continent and up to R1 billion for investments elsewhere. In addition, SARB permission may also be requested to utilize total cash holdings to finance up to 10 percent of any excess cost of a new investment if the total cost of the investment exceeds the above fund export limits. Any amount in excess of the above limits must be financed overseas.

187

10E. Taxation

South African taxation

The following discussion summarizes South African tax consequences of the ownership and disposition of shares or ADSs by a US holder (as defined below). This summary is based upon current South African tax law and South African Inland Revenue practice, the convention between the Government of the United States of America and the Republic of South Africa for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains, signed February 17, 1997 (the "Treaty"), and in part upon representations of the depositary, and assumes that each obligation provided for in, or otherwise contemplated by, a deposit agreement and any related agreement will be performed in accordance with its respective terms.

The following summary of South African tax considerations does not address the tax consequences to a US holder that is resident in South Africa for South African tax purposes, whose holding of shares or ADSs is effectively connected with a permanent establishment in South Africa through which such US holder carries on business activities or, in the case of an individual who performs independent personal services, with a fixed base situated therein, or who is otherwise not entitled to full benefits under the Treaty.

The statements of law set forth below are subject to any changes (which may be applied retroactively) in South African law or in the interpretation thereof by the South African tax authorities, or in the Treaty, occurring after the date hereof. It should be expressly noted that South African tax law does not specifically address the treatment of ADSs. However, it is reasonable to assume (although no assurance can be made) that the tax treatment of US holders of shares is also applicable to US holders of ADSs.

Holders are strongly urged to consult their own tax advisors as to the consequences under South African, US federal, state and local, and other applicable laws, of the ownership and disposition of shares or ADSs.

Taxation of dividends

South Africa imposes a corporate tax known as Secondary Tax on Companies (STC) on the distribution of earnings in the form of dividends. Under the terms of an option granted to gold mining corporations, AngloGold has elected not to be subject to STC. As a result, although AngloGold's dividend payments are not subject to STC, AngloGold pays corporate income tax at a slightly higher rate than would otherwise have been the case. This election resulted in the overall tax paid by AngloGold being lower than the tax payable using the standard corporate tax rate together with STC.

South Africa does not impose any withholding tax or any other form of tax on dividends paid to US holders with respect to shares.

Should South Africa decide in the future to impose a withholding tax on dividends paid to a US holder with respect to shares, the Treaty would limit the rate of this tax to 5 percent of the gross amount of the dividends if a US holder holds directly at least 10 percent of the voting stock of AngloGold and 15 percent of the gross amount of the dividends in all other cases. The above provisions shall not apply if the beneficial owner of the dividends is resident in the US, carries on business in South Africa through a permanent establishment situated in South Africa, or performs in South Africa independent personal services from a fixed base situated in South Africa, and the dividends are attributable to such permanent establishment or fixed base.

Taxation of gains on sale or other disposition

Prior to October 1, 2001, gains realized on the sale or other disposition of shares held by a US holder as a capital asset were not be subject to taxation in South Africa. From October 1, 2001, South Africa imposed a tax on capital gains, which only applies to South African residents. The meaning of the word "residents" is different for individuals and corporations and is governed by the South African Income Tax Act of 1962 and by the Treaty. In contrast, gains on the disposal of securities which are not capital in nature are usually subject to income tax. However, even in the latter case, a US holder will not be subject to income tax unless the US holder carries on business in South Africa through a permanent establishment situated therein. In such a case, this gain may be subject to tax in South Africa, but only so much as is attributable to that permanent establishment.

United States taxation

The following is a general summary of the material US federal income tax consequences of the ownership and disposition of shares or ADSs to a US holder (as defined below) that holds its shares or ADSs as a capital asset. This summary is based on South African and US tax laws, as applicable, including the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated thereunder, rulings, judicial decisions, administrative pronouncements, and the Treaty, all as currently in effect as of the date of this annual report, and all of which are subject to change or changes in interpretation, possibly with retroactive effect. In addition, this summary is based in part upon the representations of the depositary and the assumption that each obligation in the deposit agreement relating to the ADSs and any related agreement will be performed in accordance with its terms.

This summary does not address all aspects of US federal income taxation that may apply to holders that are subject to special tax rules, including US expatriates, insurance companies, tax-exempt entities, banks, financial institutions, persons subject to the alternative minimum tax, regulated investment companies, securities broker dealers, traders in securities who elect to apply a mark-to-market method of accounting, investors that own (directly, indirectly or by attribution) 10 percent or more of the outstanding share capital or voting stock of AngloGold, persons holding their shares or ADSs as part of a straddle, hedging or conversion transaction, persons who acquired their shares or ADSs pursuant to the exercise of employee stock options or otherwise as compensation, or persons whose functional currency is not the US dollar. Such holders may be subject to US federal income tax consequences different from those set forth below.

As used herein, the term "US holder" means a beneficial owner of shares or ADSs that is (a) a citizen or individual resident of the United Sates for US federal income tax purposes; (b) a corporation (or other entity treated as a corporation for US federal income tax purposes) created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (c) an estate, the income of which is subject to US federal income taxation regardless of its source; or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more US persons are authorized to control all substantial decisions of the trust. If a partnership (including for this purpose, any entity treated as a partnership for US federal income tax purposes) holds shares or ADSs, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. If a US holder is a partner in a partnership that holds shares or ADSs, the holder is urged to consult its own tax advisor regarding the specific tax consequences of the ownership and disposition of the shares or ADSs.

US holders should consult their own tax advisors regarding the specific South African and US federal, state and local tax consequences of owning and disposing of shares or ADSs in light of their particular circumstances as well as any consequences arising under the laws of any other taxing jurisdiction. In particular, US holders are urged to consult their own tax advisors regarding whether they are eligible for benefits under the Treaty. For South African and US federal income tax purposes, a US holder of ADSs should be treated as owning the underlying shares represented by those ADSs. The following discussion (except where otherwise expressly noted) applies equally to US holders of shares and US holders of ADSs.

Taxation of dividends

The gross amount of any distribution (including the amount of any South African withholding tax thereon) paid to a US holder by AngloGold generally will be taxable as ordinary income to the US holder for US federal income tax purposes to the extent paid out of the current or accumulated earnings and profits of AngloGold, as determined for US federal income tax purposes, based on the US dollar value of the distribution calculated by reference to the spot rate in effect on the date the distribution is actually or constructively received by the US holder, in the case of shares, or by the depositary, in the case of ADSs. Distributions by AngloGold in excess of current and accumulated earnings and profits will be treated first as a tax-free return on capital to the extent of a US holder's adjusted tax basis in the shares, thus reducing the holder's adjusted tax basis in such shares, and, thereafter, the balance of the distribution in excess of the adjusted tax basis is taxed as a capital gain recognized on a sale or exchange. Corporate US holders will not be eligible for the dividends received deduction in respect of dividends paid by AngloGold. For foreign tax credit limitation purposes, dividends paid by AngloGold will be income from sources outside the United States. At present, South Africa does not impose a withholding tax or any other form of tax on dividends paid to US holders with respect to shares. Should South Africa decide in the future to impose a withholding tax on dividends paid to a US holder with respect to shares, holders who are eligible for benefits under the Treaty would be subject to a maximum tax of 15 percent on the gross amount of dividend distributions paid by AngloGold.

The amount of any distribution paid in foreign currency generally will be includible in the gross income of a US holder of shares in an amount equal to the US dollar value of the foreign currency calculated by reference to the spot rate in effect on the date of receipt, regardless of whether the foreign currency is converted into US dollars. If the foreign currency is converted into US dollars on the date of receipt, a US holder of shares generally should not be required to recognize foreign currency gain or loss in respect of the dividend. If the foreign currency received in the distribution is not converted into US dollars on the date of receipt, a US holder of shares generally will have a basis in the foreign currency equal to its US dollar value on the date of receipt. Any gain or loss recognized upon a subsequent conversion or other disposition of the foreign currency will be treated as US source ordinary income or loss. In the case of a US holder of ADSs, the amount of any distribution paid in a foreign currency will be converted into US dollars by the depositary upon its receipt. Accordingly, a US holder of ADSs generally will not be required to recognize foreign currency gain or loss in respect of the distribution.

Recent US Tax Law Changes Applicable to Individuals

Under 2003 US tax legislation, some US holders (including individuals) are eligible for reduced rates of US federal income tax (currently a maximum of 15 percent) in respect of "qualified dividend income" received in taxable years beginning after December 31, 2002 and beginning before January 1, 2009. For this purpose, qualified dividend income generally includes dividends paid by non-US corporations if, among other things, certain minimum holding periods are met and either (i) the ordinary shares (or ADSs) with respect to which the dividend has been paid are readily tradable on an established securities markets in the United States, or (ii) the non-US corporation is eligible for the benefits of a comprehensive US income tax treaty (such as the Treaty) which provides for the exchange of information. AngloGold currently believes that dividends paid with respect to its ordinary shares and ADSs will constitute qualified dividend income for US federal income tax purposes, provided the individual US holders of its shares and ADSs meet certain requirements. Some of the eligibility requirements for non-US corporations are not entirely certain, however, and further guidance from the IRS is anticipated. In addition, the IRS is expected to issue certification procedures in 2004 whereby a non-US corporation will be required to certify as to the eligibility of its dividends for the reduced US federal income tax rates.

Taxation of capital gains

If a holder is a resident of the United States for purposes of the Treaty, such holder will not be subject to South African tax on any capital gain if it sells or disposes of its shares. Special rules apply to individuals who are residents of more than one country.

In general, upon a sale, exchange or other disposition of shares, a US holder will recognize capital gain or loss for US federal income tax purposes in an amount equal to the difference between the US dollar value of the amount realized on the disposition and the holder's tax basis, determined in US dollars, in the shares. Such gain or loss generally will be US source gain or loss, and will be treated as a long-term capital gain or loss if the holder's holding period in the shares exceeds one year at the time of disposition. The deductibility of capital losses is subject to significant limitations. If the US holder is an individual, any capital gain generally will be subject to US federal income tax at preferential rates if specified minimum holding periods are met.

Deposits or withdrawals of shares by a US holder for ADSs will not be subject to US federal income tax.

Passive foreign investment company considerations

A non-US corporation will be classified a Passive Foreign Investment Company (a "PFIC") for any taxable year if at least 75 percent of its gross income consists of passive income (such as dividends, interest, rents or royalties (other than rents or royalties derived in the active conduct of a trade or business and received from an unrelated person), or gains on the disposition of certain minority interests), or at least 50 percent of the average value of its assets consists of assets that produce, or are held for the production of, passive income. AngloGold believes that it did not classify as a PFIC for the 2003 taxable year for US federal income tax purposes. If AngloGold were characterized as a PFIC for any taxable year, a US holder would suffer adverse tax consequences. These consequences may include having gains realized on the disposition of shares treated as ordinary income rather than capital gains and being subject to punitive interest charges on certain dividends and on the proceeds of the sale or other disposition of the shares. Furthermore, dividends paid by AngloGold would not be "qualified dividend income" and would be taxed at the higher rates applicable to other items of ordinary income. US holders should consult their own tax advisors regarding the potential application of the PFIC rules to their ownership of the shares.

190

US information reporting and backup withholding

Dividend payments made to a holder and proceeds paid from the sale, exchange, or other disposition of shares may be subject to information reporting to the IRS. US federal backup withholding generally is imposed at a current rate of 28 percent on specified payments to persons who fail to furnish required information. Backup withholding will not apply to a holder who furnishes a correct taxpayer identification number or certificate of foreign status and makes any other required certification, or who is otherwise exempt from backup withholding. US persons who are required to establish their exempt status generally must provide IRS Form W-9 (Request for Taxpayer Identification Number and Certification). Non-US holders generally will not be subject to US information reporting or backup withholding. However, these holders may be required to provide certification of non-US status (generally on IRS Form W-8BEN) in connection with payments received in the United States or through certain US-related financial intermediaries. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's US federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS and furnishing any required information.

10F. Dividends and paying agents

Not applicable.

10G. Statement by experts

Not applicable.

10H. Documents on display

The documents referred to in this report can be read at the US Securities and Exchange Commission's public reference facilities at Room 1024, 4550 Fifth Street, N.W., Washington, D.C. 20549.

10I. Subsidiary information

Not applicable.

191

Item 11: Quantitative and qualitative disclosures about market risk

Treasury Policy

The board of directors of AngloGold has approved a "treasury and risk management policy" that governs the group's treasury activities, including the setting of hedging and dealing limits, approval of hedging instruments and counterpart approval and limits.

Under the "treasury and risk management policy", hedges may be put in place using approved instruments to a target level of 30 percent of the next five years planned gold production and resultant gold sales currency exposures. The tenor of the hedges may extend out to ten years. The "treasury and risk management policy" sets limits on the extent to which the hedge position may change for the various levels of treasury management from dealer, through treasurer, executive management and board.

The board of directors has delegated the approval of hedge instruments to AngloGold's treasury committee. The treasury committee must approve all hedging instruments, treatment of the instruments in the treasury system, reporting on the instruments and the accounting treatment for such instruments.

Under the "treasury and risk management policy", treasury reports that include all open hedging transactions are produced at the following minimum intervals for review by management and the board of directors.

Daily

Treasurer

Monthly

Executive committee

Monthly

Treasury committee

Quarterly

Audit committee

Quarterly

Board of directors

Quarterly

Quarterly shareholder reports

The Treasury risk manager is responsible for monitoring all reports for completeness and accuracy. The reports include stress testing of all hedge positions for changes in gold prices, currency exchange rates, interest rates, and gold and exchange rate volatilities.

At AngloGold, all front office (dealing), middle office (risk reporting), back office (deal confirmations) and payment (treasury settlements) activities are segregated. All treasury transactions are captured on a third party developed treasury and risk management system that is widely used in corporate treasuries. The internal audit group conducts regular and ad-hoc reviews of the activities of the treasury and the company's treasury system.

Gold price risk management activities

AngloGold does not acquire, hold or issue derivative instruments for economic trading purposes. A number of products, including derivatives, are used to manage gold price and foreign exchange risks, that arise out of the group's core business activities. Forward sales contracts and purchased or sold call and put options are used by the group to manage its exposure to gold price and currency fluctuations. Gold hedging instruments are denominated in South African rands, US dollars and Australian dollars. The hedging instruments utilized are forward sales contracts, purchased and sold put options and purchased and sold call options. The mix of hedging instruments, the volume of production hedged and the tenor of the hedging book is continuously reviewed in light of changes in operational forecasts, market conditions and the group's hedging policy. AngloGold's reserves and financial strength have allowed it to arrange unmargined credit lines of up to ten years with counterparties.

Forward sales contracts establish the price of future gold sales at a specified price. A number of these contracts are intended by AngloGold for delivery against production in a future period. The notional amount of outstanding forward sales type contracts at the end of 2003 was 180,693kg compared with 235,111kg at the end of the previous year for AngloGold. A put option gives the put buyer the right, but not the obligation, to sell gold to the put seller at a predetermined price on a predetermined date. A call option gives the call buyer the right, but not the obligation, to buy gold from the call seller at a predetermined price on a predetermined date.

192
SFAS133 requires that derivative instruments be accounted for as follows:
· Commodity based ("normal purchase or normal sale") contracts that meet the requirements of SFAS138 are recognized in
earnings when they are settled by physical delivery.
· Where the conditions in SFAS133 for special hedge accounting are met, the derivative is recognized on the balance sheet
as either a derivative asset or derivative liability, and recorded at fair value. The group enters into cash flow hedges whereby the effective portion of fair value gains or losses are recognized in equity (other comprehensive income) until the underlying transaction occurs, then the gains or losses are recognized in earnings. The ineffective portion of changes in fair value is reported in earnings as gains or losses on derivatives in the period in which they occur. Of the contracts accounted for as cash flow hedges, contracts with a carrying value, net of tax, of $97 million at December 31, 2003 are expected to be removed from other comprehensive income and the fair value at the time of maturity, included in income during 2004.
· All other derivatives are measured at their estimated fair value, with the changes in estimated fair value at each reporting
date being reported as gains or losses on derivatives in earnings in the period in which they occur.
The table below indicates AngloGold's gold hedge position at a weighted average settlement price as at December 31, 2003. The total net delta tonnage of the hedge on this date was 8.59 million ounces or 267.1 tonnes.
The marked-to-market value of all hedge transactions making up the hedge positions was a negative $663.7 million (negative R4.40 billion) as at December 31, 2003 (as at December 31, 2002: negative $446.6 million - negative R3.81 billion). These values were based on a gold price of $415.75 per ounce, exchange rates of R/$6.6376 and A$/$0.7525 and the prevailing market interest rates and volatilities at the time.
These marked-to-market valuations are in no way predictive of the future value of the hedge position nor of future impact on the revenue of the company. The marked-to-market represents the current profit/loss value of the hedge book at market prices and rates available at that time.

Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009-2013**	**Total**
DOLLAR GOLD							
Forward contracts							
Amount (kg)	18,374	26,576	19,862	18,974	15,801	10,078	109,665
$ per oz	$315	$324	$333	$337	$352	$360	

$334
Put options purchased
Amount (kg)
5,772
2,624
4,918
728
14,042
$ per oz
$382
$363
$363
$292
$367
*Delta (kg)
1,703
637
1,102
49
3,491
Put options sold
Amount (kg)
13,997
2,799
4,354
21,150
$ per oz
$362
$345
$339
$355
*Delta (kg)
2,800
441
681
3,922
Call options purchased
Amount (kg)
7,112
7,112
$ per oz
$330
$330
*Delta (kg)
6,990
6,990
Call options sold
Amount (kg)
14,413
18,227
16,547

14,308
14,183
40,061
117,739
$ per oz
$376
$338
$346
$336
$347
$369
$355
*Delta (kg)
10,973
15,419
13,564
12,201
11,911
33,244
97,312
RAND GOLD
Forward contracts
Amount (kg)
6,249
8,145
4,500
2,830
2,799
933
25,456
Rand per kg
R73,930
R119,409
R96,436
R118,197
R120,662
R116,335
R104,074
Put options purchased
Amount (kg)
933
2,808
2,808
6,549
Rand per kg
R99,346
R95,511
R95,511
R96,057
*Delta (kg)
614

964
721
2,299
Put options sold
Amount (kg)
2,333
1,400
1,400
5,133
Rand per kg
R89,250
R88,414
R88,414
R88,794
*Delta (kg)
1,061
364
280
1,705
Call options purchased
Amount (kg)
Rand per kg
*Delta (kg)
Call options sold
Amount (kg)
4,679
5,620
5,621
1,493
2,986
8,958
29,357
Rand per kg
R118,661
R130,321
R131,389
R173,119
R187,586
R216,522
R162,971
*Delta (kg)
384
1,694
2,188
294
615
2,396
7,571

193
Year
2004
2005
2006
2007
2008
2009-2013
Total
AUD DOLLAR GOLD
Forward contracts
Amount (kg)
8,279
6,221
9,331
8,398
3,110
10,233
45,572
A$ per oz
A$533
A$680
A$661
A$633
A$647
A$651
A$632
Put options purchased
Amount (kg)
A$ per oz
*Delta (kg)
Put options sold
Amount (kg)
A$ per oz
*Delta (kg)
Call options purchased
Amount (kg)
3,110
6,221
3,732
3,110
8,087
24,260
A$ per oz
A$724
A$673
A$668
A$680
A$710
A$692
*Delta (kg)

714
2,985
2,013
1,843
4,996
12,551
Call options sold
Amount (kg)
933
933
A$ per oz
A$506
A$506
*Delta (kg)
933
933
Delta (kg)
36,658
58,137
47,322
40,733
32,393
51,888
267,131
Total net gold:
Delta (oz)
1,178,572
1,869,146
1,521,446
1,309,585
1,041,466
1,668,226
8,588,441
Hedge delta as a percentage of current
production levels (%)
23%
36%
28%
23%
18%
6%
15%
*
The Delta position indicated above reflects the nominal amount of the option multiplied by the mathematical probability of the option being
exercised. This is calculated using the Black-Scholes option formula with the ruling market prices, interest rates and volatilities as at December 31, 2003.
Amount (oz)
175,000
200,000
300,000

270,000
100,000
350,000
Gold borrowing cost associated with forward contracts
(1)
Interest rate %
0.1%
0.5%
0.8%
1.0%
1.2%
1.4%
Amount (oz)
923,301
638,363
702,507
758,678
441,000
299,000
Gold lease rate swaps
(2)
Interest rate %
1.5%
1.4%
1.5%
1.8%
1.8%
2.0%
(1)
The Australian dollar denominated gold forward contract prices are shown on a net basis where the final price of the contract is *determined by the cost of borrowing gold over the full duration of the contract. The net prices shown in the table above have been adjusted to take account of the total expected future cost of all accumulated costs incurred to date and the expected future borrowing cost based on ruling market prices at the financial statement date. The amount shown under "Gold borrowing cost associated with forward contracts" in the table above is the face value of the borrowing amount and the period in which it matures. The interest rates shown are the future market rates prevailing at the time of the financial statement.*
(2)
The gold lease rate swaps are contracts where the company receives a fixed percentage of the outstanding amount in gold and pays a
floating market determined percentage in gold, quarterly in arrears. The amount shown in the table above is the number of ounces outstanding at the beginning of each period. The interest rate shown is the weighted average fixed rate that the company will receive for that period.
As at December 31, 2003 none of the hedging positions reported in the above table were governed by "right-to-break" clauses.

194

Foreign exchange price risk protection agreements

The group periodically enters into forward exchange and currency option contracts to hedge certain recorded transactions, firm commitments and other anticipated transactions denominated in foreign currencies. The objective of the group's foreign currency hedging activities is to protect the group from the risk that the eventual cash flows resulting from transactions denominated in US dollars will be adversely affected by changes in exchange rates.

The following table indicates the group's currency hedge position at December 31, 2003

Year
2004
2005
2006
2007
2008
2009-2013
Total
RAND DOLLAR (000)
Forward contracts
Amount ($)
Rand per $
Put options purchased
Amount ($)
35,000
35,000
Rand per $
R7.20
R7.20
*Delta ($)
27,689
27,689
Put options sold
Amount ($)
35,000
35,000
Rand per $
R6.74
R6.74
*Delta ($)
17,417
17,417
Call options purchased
Amount ($)
Rand per $
*Delta ($)
Call options sold
Amount ($)
50,000
50,000
Rand per $

R7.21
R7.21
*Delta ($)
14,318
14,318
AUD DOLLAR (000)
Forward contracts
Amount ($)
29,275
29,267
58,542
$ per A$
$0.59
$0.55
$0.57
Put options purchased
Amount ($)
10,000
10,000
$ per A $
$0.63
$0.63
*Delta ($)
9,269
9,269
Put options sold
Amount ($)
10,000
10,000
$ per A $
$0.68
$0.68
*Delta ($)
7,491
7,491
Call options purchased
Amount ($)
$ per A $
*Delta ($)
Call options sold
Amount ($)
20,000
20,000
$ per A$
$0.60
$0.60
*Delta ($)
582
582
** The Delta position indicated above reflects the nominal amount of the option multiplied by the mathematical probability of the option being*

exercised. This is calculated using the Black-Scholes option formula with the ruling market prices, interest rates and volatilities as at December 31, 2003.

For a more detailed presentation of the investment maturity profile, borrowings maturity profile and interest rate risk profile of these agreements, see note 21 to the consolidated financial statements "Gold price and currency risk management activities".

Credit risk

Realization of all these contracts is dependent upon the counterparties performing in accordance with the terms of the contracts. AngloGold generally does not obtain collateral or other security to support financial instruments subject to credit risk, but monitors the credit standing of counterparties. AngloGold spreads its business over a number of predominantly international, credit worthy counterparties and believes that no concentration of credit risk exists. Limits for each counterpart are based on the assessed credit quality of each counterpart. The Treasury Committee makes recommendations for board approval of all counterparts and the limits to be applied against each counterpart.

The table below provides a summary of the number, type and credit quality of AngloGold's hedge counterparts.

Number of Counterparts	**Type**	**Credit Rating (Fitch)**
2	International Bank	AAA
15	International Bank	AA
6	International Bank	A
1	International Bank	BBB
4	South African Bank	AA(zaf) (International BBB-)
1	South African Bank	A+(zaf) (International BBB)
1	Brazilian Bank	AA(bra)
1	Trade Finance House	Not rated

AngloGold does not anticipate non-performance by any counterparts.

Fair value

The estimated fair values of financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The estimated fair values of AngloGold's financial instruments at December 31, 2003 and 2002 are as follows:

		December 31, 2003		**December 31, 2002**	
		Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
(in millions)		**$**	**$**	**$**	**$**
Cash and cash equivalents	(1)	505	505		

413
413
Receivables
225
225
255
255
Short term debt
(2)
351
351
84
84
Long-term debt
(2)
807
807
842
842
Accounts payable and accrued liabilities
385
385
282
282
Derivatives
(3)
(299)
(659)
(241)
(447)
Forward sales type agreements
(3)
(233)
(332)
(153)
(196)
Option contracts
(3)
(84)
(319)
(73)
(236)
Foreign exchange contracts
(3)
3
3
(17)
(17)
Foreign exchange option contracts
(3)
2

2
-
-
Interest rate swaps - Gold
(3)
8
(18)
2
2
Sub total - Hedge derivatives
(304)
(664)
(241)
(447)
Interest rate swaps - Non-gold
(3)
5
5
-
-
(1)
The carrying amounts approximate fair value because of the short-term duration of these instruments.
(2)
Fair value reflects the net present value of the future cash flows, discounted at the prevailing market rate. The fair value of listed fixed rate
debt is shown at its market value. The remainder of debt re-prices on a short-term floating rate basis, and accordingly the carrying amount is considered to approximate fair value.
(3)
The fair value of the above instruments is calculated based on market prices, volatilities and interest rates, as at December 31, 2003 and
2002.
Sensitivity analysis
The following table shows the approximate sensitivities of the $ marked-to-market value of the hedge book at December 31, 2003 (actual changes in the timing and amount of the following variables may differ from the assumed changes below):
Sensitivity analysis
Change in
Rate(+)
Change in
Fair
value
(1)
Change in
Rate (-)
Change in
Fair
value
(1)
Currency (R/$)
+1.0
(62.5)

-1.0
69.7
Currency (A$/$)
+0.05
40.3
-0.05
(38.7)
Gold price ($/oz)
+10
(84.8)
-10
83.8
US Interest Rate (%)
+0.1
(5.8)
-0.1
5.8
ZAR Interest Rate (%)
+0.1
(1.0)
-0.1
1.0
Aus Interest Rate (%)
+0.1
(1.5)
-0.1
1.5
Gold Interest Rate (%)
+0.1
7.6
-0.1
(7.7)
(1)
In $ million.

196

Hedge levels

AngloGold employs hedging as an element of its risk management strategy. While AngloGold's hedge policy has remained unchanged, the absolute level of gold hedges has decreased considerably over the last two years. This is as a result of:

&#183
the sale of mining assets and the resultant reduction of the hedge in line with reduced production;
&#183
a more favorable outlook on gold prices; and
&#183
the higher profit margin, requiring less price certainty.

A summary of the hedge position as at December 31, 2001, 2002 and 2003 is as follows. The "years of production hedged" is calculated as the hedge net delta position at year-end divided by the annual production for that year.

As at December 31,	**Hedge Net Delta kg's**	**Annual Production for Year kg's**	**Years of Production Hedge**
2001	453,192	217,203	2.08
2002	319,722	184,711	1.73
2003	267,131	174,668	1.53

While AngloGold may reduce its net delta hedge position further in line with a positive price outlook, it will continue to actively manage the hedge in order to protect margins and to ensure the company's ability to service debt requirements.

Hedge performance

The following table provides a summary of the average received gold price for AngloGold and the average spot gold price over the last five years. The table provides an indication of past hedge performance.

Year	**Sales Thousand ounces**	**Average Price Received US dollar per ounce**	**Spot Price US dollar per ounce**

US dollar per ounce
1999
6,918
315
278
2000
7,241
308
285
2001
7,004
286
271
2002
5,941
303
310
2003
5,635
363
363

197

Item 12: Description of securities other than equity securities

Not applicable.

PART II

Item 13: Defaults, dividend arrearages and delinquencies

None.

Item 14: Material modifications to the rights of security holders and use of proceeds

None.

Item 15: Controls and procedures

(a) *Disclosure Controls and Procedures*. The Chief Executive Officer and the Executive Director, Finance, after evaluating the
effectiveness of the Company's disclosure controls and procedures (as defined in US Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Form 20-F, have concluded that, as of such date, the Company's disclosure controls and procedures were effective.

(b) *Internal Control Over Financial Reporting*. There were no changes in the Company's internal control over financial
reporting that occurred during the year ended December 31, 2003 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 16: Corporate Governance

16A. Audit committee financial expert

The Board of Directors has determined that Mr Colin Brayshaw is an "audit committee financial expert" as defined in Item 16A. of Form 20-F. Mr Brayshaw and each of the other members of the Audit and Corporate Governance Committee (being Mr F B Arisman, Mrs E le R Bradley and Mr R P Edey) is an "independent director" as defined in the JSE Securities Exchange Listings Requirements and NYSE rules.

16B. Code of ethics

The Board of Directors have adopted a code of ethics that applies to the Chief Executive Officer, Executive Director: Finance and all financial officers. This code of ethics is posted on our website, www.anglogold.com, and may be found as follows:

1. From our main web page, first hold the cursor over the "About" tab.
2. Scroll down and highlight the "Corporate Governance" tab.
3. Click on the "Guidelines" tab.
4. Scroll down and double click on "Code of Ethics for the Chief Executive Officer, Principal Financial Officer and Senior
Financial Officers".

The code of ethics is also available on request from the company secretary.

198

16C. Principal accountant fees and services

Ernst & Young has served as AngloGold's independent public accountants for each of the financial years in the three-year period ended December 31, 2003, for which audited financial statements appear in this annual report on Form 20-F. The Annual General Meeting elects the auditors annually.

The following table presents the aggregate fees for professional services and other services rendered by Ernst & Young to AngloGold in 2003 and 2002.

(in millions)	**2003 $**	**2002 $**
Audit Fees (1)	1	1
Audit-related Fees (2)	1	-
Tax Fees (3)	-	-
All Other Fees (4)	-	-
Total	2	1

(1) The Audit Fees consist of fees billed for the annual audit services engagement and other audit services, which are those services that only the external auditor reasonably can provide, and include the Company audit; statutory audits; comfort letters and consents; attest services; and assistance with and review of documents filed with the SEC.

(2) Audit-related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the external auditor, and include consultations concerning financial accounting and reporting standards; internal control reviews of new systems, programs and projects; review of security controls and operational effectiveness of systems; review of plans and controls for shared service centers; due diligence related to acquisitions; accounting assistance and audits in connection with proposed or completed acquisitions; and employee benefit plan audits.

(3) Tax Fees include fees billed for tax compliance services, including the preparation of original and amended tax returns and claims for refund; tax consultations, such as assistance and representation in connection with tax audits and appeals, tax advice related to mergers and acquisitions, transfer pricing, and requests for rulings or technical advice from taxing authorities; tax planning services; and expatriate tax planning and services.

(4)
All Other Fees include fees billed for services relating to financial information technology.
Audit Committee Pre-approval Policies and Procedures
Below is a summary of the current Policies and Procedures:
The terms of reference for the Audit and Corporate Governance Committee were amended during 2003 to incorporate the corporate governance discipline within the committee's mandate. The committee comprises only independent non-executive directors and its mandate covers the sphere of duties relating to accounting policies, internal control, financial reporting practices, identification of exposure to significant risks and all corporate governance issues.
The committee is responsible for the appointment, removal and oversight of the activities of the external auditors. In addition the committee sets the principles for recommending the use of external auditors for non-audit services. The committee approves all external consulting services and other charges levied by the external auditors.
The committee met five times during 2003, with the external audit partner, the group's internal audit manager and the corporate accounting manager, to review the audit plans of the internal and external auditors, to ascertain the extent to which the scope of the audit can be relied upon to detect weaknesses in internal controls and to review the quarterly and half-yearly financial results, the preliminary announcement of the annual results and the annual financial statements, as well as all statutory submissions of a financial nature, prior to approval by the board.
During 2003, all Audit-related Fees provided to AngloGold by Ernst & Young were approved by the Audit Committee pursuant to the de minimis exception to the pre-approval requirement provided by paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.
No work was performed by persons other than the principal accountant's full-time, permanent employees on the principal accountant's engagement to audit AngloGold's financial statements for 2003.
16D. Exemptions from the listing standards for audit committees
Not applicable.
16E. Purchases of equity securities by the issuer and affiliated purchasers None.

199

PART III

Item 17: Financial statements

Not applicable.

Item 18: Financial statements

F-1

ANGLOGOLD LIMITED

Report of the independent auditors to the board of directors and stockholders of AngloGold Limited

We have audited the accompanying consolidated balance sheets of AngloGold Limited as of December 31, 2003 and 2002 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in South Africa and in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AngloGold Limited at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 3.12 to the consolidated financial statements, in 2001 the company changed its method of accounting for derivative financial instruments. As discussed in note 4 to the consolidated financial statements, in 2002 the company changed its method of accounting for amortization of goodwill in accordance with SFAS142 and in 2003 the company changed its method of accounting for Asset Retirement Obligations (AROs) in accordance with SFAS143.

Ernst & Young
Registered Accountants and Auditors
Chartered Accountants (S.A.)

Johannesburg, Republic of South Africa
February 13, 2004

F-2

ANGLOGOLD LIMITED

Consolidated statements of income

FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 and 2001

(In millions, except share and per share information)

Notes

2003

$

2002

$

2001

$

Sales and other income

2,062

1,799

2,066

Product sales

2,026

1,761

2,041

Interest, dividends and other

36

38

25

Costs and expenses

1,651

1,369

2,059

Production costs

1,206

910

1,245

Exploration costs

40

28

26

Related party transactions

5

36

40

54

General and administrative

43

30

24

Royalties

27

25

16

Market development costs

19

17
16
Research and development
-
1
2
Depreciation, depletion and amortization
321
333
371
Impairment of assets
4
78
-
173
Goodwill amortized
4
-
-
27
Interest expense
4
49
44
72
Accretion expense
4
2
-
-
Employment severance costs
4
4
3
22
Loss on sale of mining assets
-
-
4
(Profit)/loss on sale of assets
4
(55)
11
-
Non-hedge derivative (gains)/loss
21
(119)
(73)
5
Other
-

-
2
Income before equity income and income tax
411
430
7
Equity income in affiliates
2
4
1
Income before income tax provision
413
434
8
Deferred income and mining tax expensed
6
(146)
(62)
(163)
Income/(loss) before minority interest
267
372
(155)
Minority interest
(17)
(16)
(8)
Income/(loss) before cumulative effect of accounting change
250
356
(163)
Cumulative effect of accounting change
4 / 3.12
(3)
-
(10)
Net income/(loss) applicable to common stockholders
247
356
(173)
Basic earnings/(loss) per common share (cents)
Before cumulative effect of accounting change
7
112
160
(76)
Cumulative effect of accounting change
7
(1)
-
(5)

Net income/(loss) - applicable to common stockholders
111
160
(81)
Diluted earnings/(loss) per common share (cents)
Before cumulative effect of accounting change
7
112
160
(76)
Cumulative effect of accounting change
7
(1)
-
(5)
Net income/(loss) - applicable to common stockholders
111
160
(81)
Weighted average number of common shares used in computation
7
222,836,574
221,883,567
214,278,892
Dividend per common share (cents)
133
113
84
The accompanying notes are an integral part of these Consolidated Financial Statements.

F-3
ANGLOGOLD LIMITED
Consolidated balance sheets
AT DECEMBER 31, 2003 and 2002
(In millions, except share information)
Notes
2003
$
2002
$
ASSETS
Current Assets
1,410
1,038
Cash and cash equivalents
505
413
Receivables
602
488
Trade
47
48
Derivatives
21
377
233
Value added taxes
27
26
Other
151
181
Inventories
8
202
137
Materials on the leach pad
8
101
-
Property, plant and equipment, net
9
2,555
2,015
Acquired properties, net
10
936
902
Goodwill
11

410
345
Derivatives
21
94
64
Materials on the leach pad
8
7
79
Other long-term assets
12
167
134
Total assets
5,579
4,577
LIABILITIES AND STOCKHOLDERS' EQUITY
Current liabilities
1,202
799
Accounts payable and accrued liabilities
13
385
282
Derivatives
21
441
302
Short-term debt
14
351
84
Income and mining tax payable
25
131
Long-term debt
15
807
842
Derivatives
21
329
236
Deferred income and mining tax
6
845
561
Provision for environmental rehabilitation
4 / 16
134

140
Other accrued liabilities
17
12
12
Provision for post-retirement medical benefits
18
130
127
Minority interest
52
40
Commitments and contingencies
19
-
-
Stockholders' equity
20
2,068
1,820
Common stock
400,000,000 (2002 - 400,000,000) authorized common stock of 25 ZAR cents each
Stock issued 2003 - 223,136,342 (2002 - 222,622,022)
9
9
Additional paid in capital
3,415
3,403
Accumulated deficit
(616)
(567)
Accumulated other comprehensive income
(740)
(1,025)
Total liabilities and stockholders' equity
5,579
4,577
The accompanying notes are an integral part of these Consolidated Financial Statements.

F-4
ANGLOGOLD LIMITED
Consolidated statements of cash flows
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 and 2001
(In millions, except share information)

	Notes	2003 $	2002 $	2001 $
Net cash provided by operating activities		453	594	501
Income/(loss) before cumulative effect of accounting change		250	356	(163)
Reconciled to net cash provided by operations:				
Loss on sale of mining assets		-	-	4
(Profit)/loss on sale of assets		(55)	-	-
Depreciation, depletion and amortization		321	333	371
Deferred stripping costs		(43)	(11)	1
Impairment of assets		78	-	173
Deferred income and mining tax		79	(62)	9
Other non cash items		17	11	55
Net (decrease)/increase in provision for environmental rehabilitation and post-retirement medical benefits				

(88)
(17)
25
Effect of changes in operating working capital items:
Receivables
(53)
(5)
65
Inventories
(87)
(54)
22
Accounts payable and accrued liabilities
34
43
(61)
Net cash used in investing activities
(307)
(91)
(148)
Cash acquired in acquisitions
2
9
8
-
Increase in non-current investments
(1)
(34)
(4)
Additions to property, plant and equipment
(363)
(271)
(298)
Proceeds on sale of mining assets
6
1
6
Proceeds on sale of investments
56
158
-
Cash effects of acquisitions or disposals
1
35
109
- Proceeds
1
59
109
- Contractual obligations
-

(24)
-
Loans receivable advanced
(19)
(5)
(4)
Loans receivable repaid
4
17
43
Net cash used in financing activities
(107)
(356)
(298)
Short-term debt repaid
(125)
(654)
(383)
Short-term debt raised
79
38
36
Issuance of stock
10
18
7
Long-term debt repaid
(40)
(258)
(31)
Long-term debt raised
283
760
240
Dividends paid
(314)
(260)
(167)
Net increase in cash and cash equivalents
39
147
55
Effect of exchange rate changes on cash
53
75
(59)
Cash and cash equivalents - January 1,
413
191
195
Cash and cash equivalents - December 31,

505
413
191

The accompanying notes are an integral part of these Consolidated Financial Statements.

ANGLOGOLD LIMITED
Consolidated statements of stockholders' equity
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 and 2001
(In millions, except share information)
Common stock
Common
stock
$
Additional paid in
capital
$
Other
comprehensive
income*
$
Accumulated
deficit
$
Total
$
Balance - January 1, 2001
214,042,174
9
3,232
(602)
(332)
2,307
Net loss before cumulative effect of accounting change
(163)
(163)
Effect of adoption of SFAS133, net of tax
49
(10)
39
Translation loss
(509)
(509)
Net gain on cash flow hedges removed from other comprehensive income and
reported in income, net of tax
(1)
(1)
Net loss on cash flow hedges, net of tax
(171)
(171)
Comprehensive income
(805)
Stock issue as part of acquisition
482,840
-
9
9

Stock issues as part of Share Incentive Scheme
743,102
-
10
10
Dividends
(167)
(167)
Balance - December 31, 2001
215,268,116
9
3,251
(1,234)
(672)
1,354
Net income
356
356
Translation gain
278
278
Net loss on cash flow hedges removed from other comprehensive income and reported in income, net of tax
102
102
Net loss on cash flow hedges, net of tax
(175)
(175)
Net gain on available for sale financial assets arising during the period, net of tax
7
7
F-5

Other comprehensive income on acquisition of 46.25% interest in Cerro Vanguardia, in respect of cash flow hedges, net of tax
(3)
(3)
Comprehensive income
565
Stock issue as part of acquisition
6,530,392
-
138
138
Stock issue as part of odd-lot offer
278,196
-
7
7
Stock issues as part of Share Incentive Scheme
545,318

-
7
7
Dividends
(251)
(251)
Balance - December 31, 2002
222,622,022
9
3,403
(1,025)
(567)
1,820
Net income
247
247
Translation gain
378
378
Net loss on cash flow hedges removed from other comprehensive income and reported in income, net of tax
45
45
Net loss on cash flow hedges, net of tax
(131)
(131)
Net gain on available for sale financial assets arising during the period, net of tax
15
15
Net gain on available for sale financial assets removed from other comprehensive income and reported in income, net of tax
(22)
(22)
Comprehensive income
532
Stock issues as part of Share Incentive Scheme
514,320
-
8
8
Variable compensation awards compensation expense
4
4
Dividends
(296)
(296)
Balance - December 31, 2003
223,136,342
9
3,415
(740)

(616)
2,068

** The cumulative translation loss included in other comprehensive income amounted to $519 million (2002: $833 million). The translation loss has no tax effect. The cumulative charge, net of deferred taxation of $56 million (2002: $49 million), included in other comprehensive income in respect of cash flow hedges amounted to $285 million (2002: $199 million). The cumulative gain included in other comprehensive income in respect of available for sale financial assets amounted to $nil million (2002: $7 million). This gain has no tax effect. The cumulative gain included in other comprehensive income in respect of the hedge of a net investment in foreign entities amounted to $64 million (2002: $nil million). This gain is offset by $64 million (2002: $nil million) arising from translation of a net investment in foreign entities.*

The accompanying notes are an integral part of these Consolidated Financial Statements.

F-6
ANGLOGOLD LIMITED
Notes to the consolidated financial statements
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 and 2001
(In millions, except share information)
1.
NATURE OF OPERATIONS
AngloGold Limited, (the "company") formerly Vaal Reefs Exploration and Mining Company Limited (Vaal Reefs), was incorporated on May 29, 1944 and conducts gold-mining operations in South Africa, Mali, Namibia, Tanzania, North and South America and Australia. The company also produces uranium oxide and sulphuric acid.
2.
ACQUISITIONS AND DISPOSALS OF BUSINESSES AND ASSETS
2003 acquisitions
AngloGold made the following acquisitions during the year:
•
Purchase of a portion of the Driefontein mining area from Gold Fields Limited
On September 18, 2003 AngloGold and Gold Fields Limited jointly announced that agreement had been reached on the sale by Gold Fields Limited of a portion of the Driefontein mining area in South Africa to AngloGold for a cash consideration of R315 million ($48 million). The purchase price including the related deferred taxation thereon, has been capitalized as mining assets.
•
Overview of the AngloGold Ashanti Business Combination
On May 16, 2003, AngloGold and Ashanti confirmed that they were in discussions regarding a proposed Business Combination of the two companies and on August 4, 2003 the companies announced that they had agreed the terms of a recommended Business Combination at an exchange ratio of 0.26 ordinary shares for every Ashanti share. On the same date, AngloGold entered into the Lonmin Support Deed, pursuant to which Lonmin, which currently holds 27.6 percent of Ashanti's issued share capital, agreed, amongst other things, to vote its Ashanti shares in favor of the Business Combination. After further discussions with AngloGold and detailed, careful consideration of a competitive proposal, and following the increase by AngloGold in the offer consideration from 0.26 to 0.29 ordinary shares, the Ashanti Board announced on October 14, 2003 that it was recommending the improved final offer from AngloGold. On October 28, 2003, the Government of Ghana, which currently holds 16.8 percent of Ashanti's issued share capital, announced its support for the AngloGold offer, as well as the principal terms of a stability undertaking which the Government of Ghana intended to enter into with AngloGold. On December 12, 2003, AngloGold and the Government of Ghana entered into the Government Support Deed, pursuant to which the Government of Ghana agreed, amongst other things, to vote its Ashanti shares in favor of the Business Combination. Following the approval by the Parliament of Ghana of the terms of the Stability Agreement on February 18, 2004, AngloGold and the Government of Ghana executed the Stability Agreement.
The Business Combination is to be effected by means of a scheme of arrangement under Ghanaian law which requires the approval of not less than three-fourths of the votes cast by Ashanti shareholders present and entitled to vote either in person or by proxy, and the confirmation of the High Court of Ghana. The extraordinary meeting of Ashanti's shareholders required to approve the scheme of arrangement is set to take place on April 7, 2004. Under the terms of the Business Combination, holders of Ashanti securities will receive for every Ashanti share or Ashanti GDS, 0.29 ordinary shares or 0.29 ADSs of AngloGold.
Following the Business Combination, Ashanti will become a private company and a wholly-owned subsidiary of AngloGold. AngloGold has agreed to convene a general meeting of its shareholders to consider a special resolution to change its name to AngloGold Ashanti Limited as of completion of the Business Combination. This special resolution will need to be passed at a general meeting of AngloGold at which shareholders representing no less than one-fourth of the total votes of all of the shareholders entitled to vote thereat are present in person or by proxy, and the resolution will need to be approved, on a show of hands, by no less than three-fourths of AngloGold's shareholders present in person or by proxy or, where a poll has been demanded, by no less than three-fourths of the total votes that shareholders present in person or by proxy are entitled to cast. The board of directors of AngloGold has recommended

that its shareholders vote in favor of this special resolution. AngloGold has received an undertaking from its largest shareholder, AA plc, which currently holds approximately 56 percent of AngloGold's issued share capital, to vote its shares in favor of this special resolution.

F-7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2.

ACQUISITIONS AND DISPOSALS OF BUSINESSES AND ASSETS *(continued)*

The Business Combination is subject to a number of conditions including the approval by the requisite majority of Ashanti shareholders of the Ghanaian Scheme of Arrangement and the relevant special resolution proposed at its extraordinary general meeting, the confirmation of the Scheme by the High Court of Ghana, the receipt of certain regulatory approvals and third party consents and the absence of any material adverse change to the business, financial condition, results of operations, assets or liabilities of Ashanti since December 31, 2002 (other than as publicly disclosed or announced by Ashanti prior to the date of the Transaction Agreement). If the conditions to the Business Combination are not satisfied or (if permissible) waived on or before May 31, 2004 or such later date as may be agreed by AngloGold or Ashanti, AngloGold and Ashanti may terminate the Transaction Agreement, in which case the Ghanaian Scheme of Arrangement will not become effective and the Business Combination will not be completed. AngloGold and Ashanti are not obliged to extend the period for the satisfaction or (if permissible) waiver of the conditions to the Business Combination beyond May 31, 2004. At this stage there is no guarantee that the conditions to the Business Combination will be satisfied and that the Business Combination will be completed.

2003 disposals

AngloGold's disposals during the year included:

•

Sale of Amapari project located in the State of Amapa, North Brazil

On May 23, 2003, AngloGold announced that it had signed an agreement to sell its wholly-owned Amapari Project to Mineracao Pedra Branca do Amapari, for the total consideration of $18.2 million. The effective date of the transaction was May 19, 2003. The Amapari project is located in the State of Amapa, North Brazil. Since acquiring the property as part of the Minorco transaction, the Company has sought to prove up additional reserve ounces in order to get it to a size and life that would justify the management resources needed to run it effectively. This was not achieved and AngloGold, on receiving an offer from a purchaser who could constructively turn this orebody to account, agreed to sell. AngloGold realized a loss of $3 million on the disposal of the Amapari project. Refer to Note 4 - (Profit)/loss on sale of assets.

•

Sale of stake in the Gawler Craton Joint Venture to Helix Resources Limited

On June 6, 2003, AngloGold announced that it had finalized the sale of its 49 percent stake in the Gawler Craton Joint Venture, including the Tunkillia project located in South Australia to Helix Resources Limited. Consideration for the sale comprised cash of $500,000 (A$750,000), 1.25 million fully-paid Helix shares issued at A$0.20 per share and 1.25 million Helix options exercisable at A$0.25 per option before November 30, 2003 with an additional payment of $335,000 (A$500,000) deferred to the delineation of a mineable resource of 350,000 ounces. Helix's proposed acquisition of AngloGold's rights to the Tarcoola Project, 60 kilometres to the south, was excluded from the final agreement. This resulted in a restructure of the original agreement terms, as announced on April 8, 2003.

•

Sale of stake in Jerritt Canyon Joint Venture to Queenstake Resources USA Inc.

On July 2, 2003, AngloGold announced that it had concluded the sale of its interest in the Jerritt Canyon Joint Venture to Queenstake Resources USA Inc. effective June 30, 2003. This followed negotiations originally announced on February 27, 2003. Queenstake paid the Jerritt Canyon Joint Venture partners, AngloGold and Meridian Gold, $1.5 million in cash and 32 million shares of Queenstake stock, with $6 million in deferred payments and $4 million in future royalty payments. Queenstake accepted full closure and reclamation liabilities. The shares acquired by AngloGold in this transaction were issued by Queenstake Resources Limited, a subsidiary of Queenstake, and represents approximately 9.2 percent of that company's issued share capital. AngloGold disposed of its entire interest in Queenstake during November 2003. AngloGold realized a profit of $10 million and $3 million, respectively, on sale of the Jerritt Canyon Joint Venture and the investment held in Queenstake. Refer to Note 4 - (Profit)/loss on sale of assets.

•

Sale of investments held in East African Gold Mines Limited and Randgold Resources Limited On July 8, 2003 AngloGold disposed of its entire investment of 8,348,600 shares held in East African Gold Mines Limited for a consideration of $25 million and in the second half of 2003 AngloGold disposed of 952,481 shares in Randgold Resources Limited, for a consideration of $23 million. AngloGold realized a profit of $42 million on sale of these investments. Refer to Note 4 - (Profit)/loss on sale of assets.

•

Sale of shafts

For a description of sale of shafts during 2003, refer to Note 30 for subsequent events.

2002 acquisitions

AngloGold made one acquisition during the year.

F-8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2.

ACQUISITIONS AND DISPOSALS OF BUSINESSES AND ASSETS *(continued)*

•

Acquisition of 46.25% interest in Cerro Vanguardia S.A. ("CVSA")

During July, 2002 an agreement was reached with Perez Companc International SA ("Perez Companc") to acquire its entire 46.25% equity interest in Cerro Vanguardia S.A. ("CVSA"), including a loan, for a net cash consideration of $97 million, which was paid from AngloGold's existing but undrawn debt facilities. The transaction was effective from July 1, 2002.

Perez Companc and AngloGold each owned a 46.25% equity interest in CVSA prior to the transaction. CVSA owns the exclusive right to exploit the Cerro Vanguardia mine, which is located in Patagonia in the Santa Cruz Province of Argentina. AngloGold acquired its initial interest in CVSA from Minorco in 1999 and participated in the completion of the development and the commissioning of the Cerro Vanguardia mine, as well as its operation since that time. AngloGold is the sole operator of the Cerro Vanguardia mine.

2002 disposals

•

Sale of investment in Normandy

On September 5, 2001, AngloGold announced that it was to make a takeover offer for Normandy Mining Limited (Normandy), Australia's largest listed gold mining company. The offer was to be settled in AngloGold shares in the ratio of 4.30 AngloGold shares for every 100 Normandy shares. The final offer to Normandy shareholders comprised 4.30 AngloGold shares plus a cash consideration of A$30 for every 100 Normandy shares. At the close of the offer on January 18, 2002, AngloGold had received acceptances totaling 159,703,481 Normandy shares (7.16 percent of the Normandy issued share capital). Arising out of the offer, a total of 6,869,602 AngloGold ordinary shares were issued. This excludes 143,630 AngloGold ordinary shares issued under the top-up facility to Normandy shareholders. The Normandy shares acquired were sold on the market on January 21, 2002 realizing a total of $158 million. AngloGold realized a loss of $11 million on the disposal of the investment in Normandy. Refer to Note 4 - (Profit)/loss on sale of assets.

•

Sale of wholly-owned subsidiary

The company disposed of its wholly-owned subsidiary, Stone and Allied Industries (O.F.S.) Limited, to a joint venture of that company's existing management and a group of black entrepreneurs, with effect from October 1, 2002, for a consideration of R5 million, comprising R1.4 million in respect of the equity interest and R3.6 million, a loan claim. In respect of the equity interest R450,000 was paid in cash and the outstanding balance of R950,000 together with the loan of R3.6 million is payable in five equal annual instalments together with interest commencing on October 1, 2003. The agreement of sale provides for a 10% interest in Stone and Allied Industries (O.F.S.) Limited to be held by Masakhisane Investment Limited, a wholly-owned subsidiary established by AngloGold in terms of its Small and Medium Enterprises Development Initiative, which company will render technical and administrative assistance to the purchasers until the total amount of the consideration has been settled.

•

Sale of shafts

For a description of sale of shafts during 2002, refer to Note 24.

2001 acquisitions

AngloGold made no acquisitions during the year.

F-9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2.

ACQUISITIONS AND DISPOSALS OF BUSINESSES AND ASSETS *(continued)*

2001 disposals

For a description of sale of shafts during 2001, refer to Note 24.

Fair value of acquisitions and (disposals) of businesses

	2003 Jerritt Canyon Joint Venture (2)	**2003 Other**	**2003 Total**	**2002 Total Cerro Vanguardia, Free State and other**
	$	**$**	**$**	**$**
Cash	-	9	9	8
Property, plant and equipment	(26)	23	(3)	(133)
Acquired properties	-	-	-	29
Long-term liabilities	25	(2)	23	10
Current assets	(3)	9	6	(11)
Current liabilities	-			

(7)
(7)
15
Long-term debts
2
-
2
(38)
Minority interest
-
(15)
(15)
(4)
Net value of assets acquired/(disposed)
(2)
17
15
(124)
Profit on sale of assets
(10)
-
(10)
-
Purchase/(sale) consideration
(12)
17
5
(124)
Investment in affiliates
-
(17)
(17)
-
Shares acquired in Queenstake Resources
USA Inc.
(1)
5
-
5
-
Recoupment taxation
-
-
-
63
Deferred purchase consideration
6
-
6
26
Cash flow on acquisition/(disposal)

(1)
-
(1)
(35)
Purchase price (paid)/received
1
-
1
35
- Cash consideration
1
-
1
59
- Contractual obligations
-
-
-
(24)
Share issue expenses
-
-
-
-
(1)
AngloGold disposed of its entire interest in Queenstake Resources USA Inc. during November 2003. Refer to Note 4 - (Profit)/loss on
sale of assets.
(2)
Situated in Nevada, North America. The Jerritt Canyon Joint Venture was reported under North American operations. For more
information on AngloGold's business segments see Note 25 - Segment and geographical information.

F-10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3.

SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. AngloGold presents its consolidated financial statements in United States dollars. The functional currency of the majority of the group's operations is the South African rand. Other main subsidiaries have functional currencies of US dollars and Australian dollars. The translation of amounts into US dollars was in accordance with the provisions of SFAS52, "Foreign Currency Translation".

Use of estimates: The preparation of the financial statements requires the company's management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparatives: Comparatives have been reclassified, where necessary to comply with the current year's presentation.

The following are accounting policies used by the company which have been consistently applied except for the adoption of SFAS133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" on January 1, 2001 and for the adoption of SFAS142, "Accounting for Goodwill and Intangible assets" and for the adoption of SFAS143, "Accounting for Asset Retirement Obligations (AROs)" on January 1, 2003.

3.1 **Consolidation**

The consolidated financial information includes the financial statements of the company and its subsidiaries. Where the company has a direct, or indirect through its subsidiary, controlling interest in an entity, the entity is classified as a subsidiary. Interests in mining joint ventures in which AngloGold has joint control are reported using the proportionate consolidation method.

Where the excess purchase price of a business acquisition cannot be attributed to assets acquired, including acquired properties, it is included in goodwill and reviewed for impairment in accordance with the provisions of SFAS142.

3.2 **Cash and cash equivalents**

Cash and cash equivalents consist of all cash balances and highly liquid investments with an original maturity of three months or less. Due to the short maturity of cash equivalents, their carrying amounts approximate their fair value.

3.3 **Non-marketable equity investments**

Non-marketable equity investments, in which the company does not have significant influence or a controlling interest, are carried at acquisition cost. Realized gains and losses are included in net income or loss. Unrealized losses are included in net income or loss when a significant decline in the value of the investment, which is other than temporary, has occurred. Investments in companies in which the company's ownership is 20 percent to 50 percent and the company is deemed to have significant but not controlling influence, are accounted for by the equity method and are included in other long-term assets. Equity method investments are reviewed for impairment in accordance with APB18, "The Equity Method of Accounting for Investments in Common Stock". Income from such investments net of amortization of goodwill is included in equity income of affiliated companies.

3.4 **Marketable equity investments**

Marketable equity investments and debt securities which are considered available-for-sale, are carried at fair value, and the net unrealized gains and losses computed in marking these securities to market are reported within other comprehensive income in the period in which they arise. These amounts are removed from other comprehensive income and reported in income when the asset is derecognized or when there is evidence that the asset is impaired in accordance with the provisions of SFAS115, "Accounting for Certain Investments in Debt and Equity Securities".

3.5 **Inventories**

Inventories, including gold in process, gold on hand, uranium oxide, sulphuric acid, ore stockpiles and supplies, are stated at the lower of cost or market value. Gold in process is valued at the average total production cost at the relevant stage of production. The cost of gold, uranium oxide and sulphuric acid is determined principally by the weighted average cost method using related production costs. A portion of the related depreciation, depletion and amortization charge is included in the cost of inventory. Ore stockpiles are valued at the average moving cost of treating and processing the ore. Supplies are valued at the lower of weighted average cost or market value.

F-11

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3.

SIGNIFICANT ACCOUNTING POLICIES *(continued)* 3.5 **Inventories** *(continued)*

The costs of materials currently contained on the leach pad is reported as a separate line item apart from inventory. As at December 31, 2003, $101 million was classified as short term compared with $nil million as at December 31, 2002 as AngloGold expects the related gold to be recovered within twelve months. The short term portion of materials on the leach pad is determined by multiplying the average cost per ounce in inventory, by the expected production ounces for the next twelve months. As at December 31, 2003, $7 million was classified as long term compared with $79 million as at December 31, 2002.

3.6 **Development costs and stripping costs**

Development costs relating to major programs at existing mines are capitalized. Development costs consist primarily of expenditures to initially establish a mine and to expand the capacity of operating mines. Ordinary mine development costs to maintain production are expensed as incurred.

Stripping costs incurred in open-pit operations during the production phase to remove additional waste are charged to operating costs on the basis of the average life of mine stripping ratio and the average life of mine costs per tonne. The average stripping ratio is calculated as the number of tonnes of waste material expected to be removed during the life of mine per tonne of ore mined. The average life of mine cost per tonne is calculated as the total expected costs to be incurred to mine the orebody divided by the number of tonnes expected to be mined. The average life of mine stripping ratio and the average life of mine cost per tonne is recalculated annually in the light of additional knowledge and changes in estimates. The cost of the "excess stripping" is capitalized as mine development costs when the actual mining costs exceed the sum of the adjusted ore tonnes mined, being the actual ore tonnes plus the product of the actual ore tonnes multiplied by the average life of mine stripping ratio, multiplied by the life of mine cost per tonne. When the actual mining costs are below the sum of the adjusted ore tonnes mined, being the actual ore tonnes plus the product of the actual ore tonnes multiplied by the average life of mine stripping ratio, multiplied by the life of mine cost per tonne, previously capitalized costs are expensed to increase the cost up to the average. Thus, the cost of stripping in any period will be reflective of the average stripping rates for the orebody as a whole.

The deferred stripping costs are included in the calculations of the impairment tests performed in accordance with the provisions of SFAS144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

The practice of deferring stripping costs, has the effect of smoothing the cost of waste ore removal over the expected life of mine rather than exposing actual waste ore removal cost incurred in each period presented.

The current accounting practice of accounting for deferred stripping in the mining industry are mixed and if waste ore is expensed rather than capitalized, this may result in the reporting of greater volatility in period to period results of operations.

Deferred stripping costs are classified as a component of Property, plant and equipment and are considered to be insignificant to the balance sheet on a cumulative basis and the amounts deferred or amortized are included in production costs in the consolidated statements of income for all periods presented.

3.7 **Depreciation, depletion and amortization**

Depreciation, depletion and amortization of mine development costs are computed principally by the units-of-production method based on estimated proven and probable mineral reserves. Proven and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. Mine plant facilities are amortized using the lesser of their useful life or units-of-production method based on estimated proven and probable mineral reserves. Acquired properties are carried at amortized cost. Acquired properties are amortized using the unit-of-production method based on estimated proven and probable mineral reserves. Other fixed assets comprising vehicles and computer equipment, are depreciated by the straight-line method over their estimated useful lives.

3.8 **Mining costs**

In general, mining costs are charged to operations as incurred. However, certain of the company's deposits have diverse grades over the mine's life. Mining costs for these deposits, to the extent that they do not relate to current gold production, are capitalized and then charged to operations when the applicable gold is produced, see note 3.6.

F-12

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.9 **Asset impairment**

The company evaluates its held-for-use long lived assets for impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable. If the sum of estimated future cash flows on an undiscounted basis is less than the carrying amount of the related asset, an asset impairment is considered to exist. The related impairment loss is measured by comparing estimated future cash flows on a discounted basis to the carrying amount of the asset. Changes in significant assumptions underlying future cash flow estimates may have a material effect on the company's financial position and results of operations. A low gold price market, if sustained for an extended period of time, may result in asset impairments. In addition an asset impairment is considered to exist where the net selling price of an asset held for sale is below its carrying amount.

3.10 **Asset retirement obligations and rehabilitation costs**

AngloGold adopted SFAS143, "Accounting for Asset Retirement Obligations (AROs)" with effect from January 1, 2003 as follows:

Under SFAS143 the fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred. When the liability is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is increased to reflect an interest element (accretion) considered in its initial measurement at fair value, and the capitalized cost is amortized over the useful life of the related asset. Where the obligation is operational of nature, and does not give rise to future economic benefit, the capitalized cost is amortized in the period incurred. Upon settlement of the liability, a gain or loss will be recorded if the actual cost incurred is different than the liability recorded.

The adoption of SFAS143 on January 1, 2003 resulted in an increase in Property, plant and equipment of $1 million, an increase in Provision for environmental rehabilitation of $4 million and a cumulative effect of adoption which decreased net income and stockholder's equity by $3 million. No increase in Deferred income and mining tax was recorded upon the adoption of SFAS143. Refer to Note 4 - Asset retirement obligations and to Note 16.

Rehabilitation costs and related liabilities are based on AngloGold's interpretation of current environmental and regulatory requirements.

Based on current environmental regulations and known rehabilitation requirements, management has included its best estimate of these obligations in its rehabilitation accrual. However, it is reasonably possible that the company's estimates of its ultimate rehabilitation liabilities could change as a result of changes in regulations or cost estimates.

Environmental liabilities other than rehabilitation costs which relate to liabilities from specific events are accrued when they are known, probable and reasonably estimable.

3.11 **Product sales**

Revenue from product sales is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable and collectability is reasonably assured.

3.12 **Financial instruments**

Financial instruments recognized on the balance sheet include investments, loans receivable, trade and other receivables, cash and cash equivalents, borrowings, derivatives, and trade and other payables. Financial instruments are initially measured at cost, including transaction costs, when the group becomes a party to the contractual arrangements. The subsequent measurement of financial instruments is dealt with below.

Derivatives

The company accounts for derivative contracts in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS133") as amended.

SFAS133 requires all contracts which meet the definition of a derivative to be recognized on the balance sheet as either assets or liabilities and recorded at fair value. Gains or losses arising from remeasuring derivatives to fair value each period are to be accounted for either in the income statement or in other comprehensive income, depending on the use of the derivative and whether it qualifies for hedge accounting. The key criterion which must be met in order to qualify for hedge accounting, is that the derivative must be highly effective in offsetting the change in the fair value or cash flows of the hedged item.

F-13

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.12 **Financial instruments** *(continued)*

AngloGold adopted SFAS133 effective January 1, 2001 as follows: Forward sales and gold pricing contracts are used to reduce AngloGold's exposure to weakening precious metal prices and AngloGold intends to fulfill its obligations under these contracts by physically delivering the specified quantity of metal from its production at contract maturity. Under SFAS133 as amended by SFAS138 normal purchases and normal sales commodity-based contracts that qualify for exemption would be excluded from the scope of the statement provided that the contracts are settled by physical delivery. As a result the accounting for these contracts is not impacted by the adoption of SFAS133 and 138.

Contracts that meet the criteria for hedge accounting are designated as the hedging instruments hedging the variability of forecasted cash flows from the sale of AngloGold's production into the spot market, and are classified as cash flow hedges under SFAS133. Where a derivative qualifies as the hedging instrument in a cash flow hedge under SFAS133, gains and losses on the derivative, to the extent effective, are deferred in other comprehensive income and reclassified to income when the hedged transaction is recorded in income. The ineffective portion of changes in fair value is reported in earnings as gains or losses on derivatives in the period in which they occur. As of January 1, 2001, these contracts were recorded on the balance sheet at their fair market value of $83 million with $49 million, net of deferred taxation of $34 million, deferred in other comprehensive income.

All other contracts not meeting the criteria for the normal purchases and sales or hedge accounting are recorded at their fair market value, with changes in value at each reporting period being recorded in income. AngloGold recorded a SFAS133 transition adjustment representing the cumulative effect of an accounting change of $10 million loss (net of provision for deferred taxation of $2m) on January 1, 2001 equal to the difference between the fair market value and carrying value of these contracts at that date.

The estimated fair values of derivatives are determined at discrete points in time based on the relevant market information. These estimates are calculated with reference to the market rates using industry standard valuation techniques.

Certain derivative instruments are designated as hedges of foreign currency denominated borrowings and investments in foreign entities. This designation is reviewed at least quarterly, or as borrowing and investment levels change. The hedge amounts (to the extent effective) are recorded as an offset to the translation gains/losses that are being hedged.

3.13 **Post-retirement benefits**

The costs of post-retirement benefits are made up of those obligations which the group has towards current and retired employees. These obligations can be separated into the following categories, and are determined as follows:

Defined contribution plans

Pension and provident funds

Contributions to defined contribution plans in respect of services during a current year are recognized as an expense in that year.

Defined benefit plans

Pension funds

The current service cost in respect of defined benefit plans is recognized as an expense in the current year. Past service costs, experience adjustments, the effect of changes in actuarial assumptions and the effects of plan amendments in respect of existing employees are recognized as an expense or income systematically over the expected remaining service period of those employees.

Post-retirement medical aid obligation

The cost of providing benefits to the post-retirement medical benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses arising in the plan are recognized as income or expense over the expected average remaining service lives of employees participating in the plan.

3.14 **Deferred income and mining tax**

AngloGold follows the liability method of accounting for deferred income and mining tax whereby the company recognizes the tax consequences of temporary differences by applying current statutory tax rates applicable to future years to differences between financial statement amounts and the tax bases of certain assets and liabilities. Changes in deferred tax assets and liabilities include the impact of any tax rate changes enacted during the year.

F-14
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
3.
SIGNIFICANT ACCOUNTING POLICIES *(continued)*
3.15 **Dividends paid**
Dividends paid are recognized when declared by the board of directors. Dividends are payable in Australian dollars, South African rands or United Kingdom pounds. Dividends declared to foreign stockholders are not subject to approval by the South African Reserve Bank in terms of South African foreign exchange control regulations. Dividends are freely transferable to foreign stockholders from both trading and non-trading profits earned in South Africa by publicly listed companies. Under South African law, AngloGold may declare and pay dividends from any reserves included in total shareholders' equity calculated in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP), subject to its solvency and liquidity. As at December 31, 2003 AngloGold's total shareholders' equity as calculated under SA GAAP amounted to R8,409 million ($1,261 million).
3.16 **Earnings per common share**
Earnings and diluted earnings per common share have been calculated in accordance with SFAS128, "Earnings per Share".
3.17 **Exploration expenditures**
Mineral exploration costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, future costs incurred to develop such property are capitalized. Capitalization of pre-production costs ceases when the mining property is capable of commercial production.
3.18 **Stock-based compensation plans**
The company has adopted the disclosure-only provisions of SFAS123, "Accounting for Stock-Based Compensation" and applies Accounting Principles Board Opinion No. 25 (APB No. 25) and related interpretations in accounting for its employee stock-based compensation plans.
At December 31, 2003, the company has two stock-based employee compensation plans, which are described more fully in Note 26 the "AngloGold Limited share incentive scheme". During the years ended December 31, 2003, 2002 and 2001 there was no compensation expense recognized related to time-based awards as the exercise price of all awards was greater than or equal to the fair market value of the underlying stock on the date of grants. As of December 31, 2003 compensation expense of $4 million was recognised and recorded in additional paid in capital, related to the performance awards under APB No. 25, of which the fair market value was greater than or equal to the exercise price at the end of the reporting period. The performance related options are accounted for as variable compensation awards, accordingly the compensation expense is calculated at the end of each reporting period until the performance obligation has been met or waived. Compensation expense will vary based on the fluctuations of the underlying stock price in excess of the exercise price. The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of SFAS123 to stock-based employee compensation.

Year Ended December 31, **(in millions, except per share data)**	**2003** **$**	**2002** **$**	**2001** **$**
Net income/(loss), as reported	247	356	(173)
Add: Variable compensation awards expense, expensed under APB No. 25			

4
-
-
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects
(12)
(7)
(2)
Pro forma net income/(loss)
239
349
(175)
Earnings per share (cents)
Basic - as reported
111
160
(81)
Basic - pro forma
107
157
(82)
Diluted - as reported
111
160
(81)
Diluted - pro forma
107
157
(82)
The calculation of diluted earnings/(loss) per common share for 2001 did not assume the effect of shares issuable upon the exercise of stock and debenture incentive options as their effects are anti-dilutive for this period.

F-15

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.19 **Recent pronouncements**

In January 2003, the FASB issued FASB interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51". FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

In December 2003, the FASB revised FIN 46 ("the Revised Interpretation"). In the Revised Interpretation the FASB agreed to a revised model for adoption of the Interpretation's provisions. Effective dates now differ based on whether variable interests (1) are held by public companies and the entities under evaluation were previously evaluated using the provisions of EITF Topic No. D-14, "Transactions involving Special- Purpose Entities", or EITF Issue No. 90-15, "Impact of Nonsubstantive Lessors, Residual Value Guarantees, and Other Provisions in Leasing Transactions" (such interests were generally held in entities previously commonly referred to as SPEs), (2) are held by public companies that are filers under Regulation S-B and (3) are held by non- public companies.

Based on the FASB's decisions, all public companies must apply the provisions of Interpretation or the Revised Interpretation to variable interests in SPEs (created before February 1, 2003) no later than the end of periods ending after December 15, 2003 (December 31, 2003 for calendar year end companies). Public companies may choose to apply the provisions of the Interpretation or the Revised Interpretation to interests held in SPEs created prior to February 1, 2003 in financial statements for periods ending after December 15, 2003 (that is, December 31, 2003 financial statements). However, if a Company chooses to report using the Interpretation's provisions, it must apply the Revised Interpretation's provisions to those variable interests in financial statements for periods ending after March 15, 2004.

Public companies that have applied the Interpretation's provisions to variable interests in entities newly created subsequent to January 31, 2003, or have early adopted the Interpretation's provisions for some or all variable interests in entities created prior to February 1, 2003 may continue to apply the Interpretation's provisions in financial statements for periods ending after December 15, 2003, or may choose to early adopt the Revised Interpretation's provisions. AngloGold does not have any SPE's as defined in the Interpretation or the Revised Interpretation that were created prior to February 1, 2003. AngloGold has not created any variable interest entities between January 31, 2003 and December 31, 2003. AngloGold does not expect to identify any variable interest entities that were created prior to February 1, 2003, for which the adoption date is the first interim or annual reporting period after March 15, 2004.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS149"). SFAS149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. The statement requires that contracts with comparable characteristics be accounted for similarly to achieve more consistent reporting of contracts as either derivative or hybrid instruments. The company adopted SFAS149 for contracts entered into or modified after June 30, 2003, and hedging relationships designated after June 30, 2003.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS150").
SFAS150 provides guidance regarding classification of freestanding financial instruments as liabilities (or assets in some circumstances). SFAS150 is generally effective for financial instruments entered into or modified after May 31, 2003, otherwise at the beginning of the first interim period beginning after June 15, 2003 and is to be applied prospectively. Nonpublic companies originally were not required to apply the provisions of SFAS150 to mandatorily

redeemable financial instruments until the first fiscal period for which GAAP financial statements are prepared beginning after December 15, 2003.

F-16
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
3.
SIGNIFICANT ACCOUNTING POLICIES *(continued)*
3.19 **Recent pronouncements** *(continued)*
The provisions of SFAS150 that are not yet effective for AngloGold are not expected to have a material impact on AngloGold's earnings and financial position.
In December 2003, the FASB issued Statement of Financial Accounting Standards No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits an amendment of FASB Statements No. 87, 88, and 106" ("SFAS132") (revised 2003).
SFAS132 (revised 2003) revises employers' disclosures about pension plans and other postretirement benefit plans. It does not change the measurement or recognition of those plans required by FASB Statements No. 87, "Employers' Accounting for Pensions", No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", and No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". This Statement retains the disclosure requirements contained in FASB Statement No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits", which it replaces. It requires additional disclosures to those in the original SFAS132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The required information should be provided separately for pension plans and for other postretirement benefit plans.
The provisions of the original SFAS132 remain in effect until the provisions of SFAS132 (revised 2003) are adopted. Except as noted below, SFAS132 (revised 2003) is effective for financial statements with fiscal years ending after December 15, 2003. The interim-period disclosures required by this Statement are effective for interim periods beginning after December 15, 2003. Disclosure of information about foreign plans, estimated future benefit payments and certain information for nonpublic entities is effective for fiscal years ending after June 15, 2004. The disclosures for earlier annual periods presented for comparative purposes should be restated for (a) the percentages of each major category of plan assets held, (b) the accumulated benefit obligation, and (c) the assumptions used in the accounting for the plans. The disclosures for earlier interim periods presented for comparative purposes should be restated for the components of net benefit cost. As at December 31, 2003, AngloGold has adopted the disclosures as required by SFAS132 (revised 2003).
4.
COSTS AND EXPENSES
Employment Severance Costs
During 2001, AngloGold sold Vaal Reefs No. 2 Shaft to African Rainbow Minerals & Exploration (Proprietary) Limited (ARM) (currently Harmony Gold Mining Company Limited), effectively cancelling the existing tributing agreement, which was in place between AngloGold and ARM up and until the sale. Refer to Note 24. Total employee severance costs amounted to $4 million for 2003 (2002: $3 million, 2001: $22 million) and were due to retrenchments in the South Africa region reflecting mainly closure of aging shafts at Matjhabeng and downsizing at Joel in 2001, rationalization of operations in 2002 and downsizing at Savuka in 2003.
Interest Expense

	2003	**2002**	**2001**
	$	**$**	**$**
Finance costs on bank loans and overdrafts	30	36	72
Finance costs on corporate bond	(1)		

11
-
-
Other
8
8
1
49
44
73
Less : Amounts capitalized
-
-
1
49
44
72
(1)
On August 21, 2003 AngloGold issued unsecured bonds in the aggregate principal amount of R2 billion ($300 million). Refer to Note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4.

COSTS AND EXPENSES *(continued)*

Impairment of Assets

The impairment loss in respect of the cash generating units arose from the declining values of the remaining ore reserves and is based on negotiations to sell the assets or the estimated remaining cashflows computed at a discount. The impairment is made up as follows:

	2003 **$**	**2002** **$**	**2001** **$**
Australia			
Impairment of various exploration assets based on net realizable value	9	-	-
South America			
Impairment of equipment based on value in use	1	-	-
South Africa			
Impairment of Savuka based on the value in use and at the relevant discount rate	59	-	-
Decline in value of non-marketable equity investments	6	-	-
Other than temporary decline in the value of investments in affiliates	3	-	-
Free State assets based on the net selling price per the agreement with Harmony Gold Mining Company Limited and ARM effective from January 1, 2002	-	-	173
	78	-	173

Asset retirement obligations

The adoption of SFAS143 on January 1, 2003 resulted in an increase in Property, plant and equipment of $1 million, an increase in Provision for environmental rehabilitation of $4 million and a cumulative effect of adoption which decreased net income and stockholder's equity by $3 million. No increase in Deferred income and mining tax was recorded upon the adoption of SFAS143.

(in US Dollars,

The following is a reconciliation of the total liabilities for asset retirement obligations:
millions)
Balance as at December 31, 2002
140
Impact of adoption of SFAS143
4
Additions to liabilities
12
Liabilities settled
(32)
(1)
Accretion expense
2
Revisions
(14)
(2)
Translation
22
Balance as at December 31, 2003
134
(1)
Includes $27 million relating to the disposal of Jerritt Canyon to Queenstake Resources USA Inc. effective June 30, 2003.
Refer to Note 4 - (Profit)/loss on sale of assets.
(2)
Represents changes in estimates and timing of cash flows.
Upon adoption of SFAS143, the total amount of recognized liabilities for asset retirement obligations was $144 million. These liabilities mainly relate to obligations at the Group's active and inactive mines to perform reclamation and remediation activities in order to meet applicable existing environmental laws and regulations. Using the principles of SFAS143, current information, assumptions and interest rates, the comparative amount of these total liabilities would have been $135 million at December 31, 2001.

Certain amounts have been contributed to an irrevocable rehabilitation trust under AngloGold's control. The monies in the trust are invested primarily in interest bearing debt securities. As at December 31, 2003 and 2002 the monies held in this trust amounted to $53 million and $32 million, respectively. Besides these assets there were no other assets that were legally restricted for purposes of settling asset retirement obligations as at December 31, 2003.

F-18
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
4.
COSTS AND EXPENSES *(continued)*
The results for the years ended December 31, 2002 and 2001 on an historical basis, do not reflect the provisions of SFAS143. Had AngloGold adopted SFAS143 on January 1, 2002, the historical net income/(loss) and basic and diluted net income/(loss) per common share before cumulative effect of accounting change, would have been changed to the adjusted amounts indicated below:
Year ended December 31, 2002
Year ended December 31, 2001
(in US Dollars, millions, except for share data)
(in US Dollars, millions, except for share data)
Net income/
(loss) before
cumulative
effect of
accounting
change
Pro forma
Net income/
(loss) per
basic
common
share (cents)
Pro forma
Net income/
(loss) per
diluted
common share
(cents)
Net income/
(loss) before
cumulative
effect of
accounting
change
Pro forma
Net income/
(loss) per
basic
common
share (cents)
Pro forma
Net income/
(loss) per
diluted
common
share (cents)
As reported
- historical basis
356

160
160
(163)
(76)
(76)
Less: Impact on
earnings before tax
-
-
-
-
-
-
Income tax impact
-
-
-
-
-
-
Adjusted
356
160
160
(163)
(76)
(76)
Goodwill amortized
AngloGold adopted SFAS 142 "Accounting for Goodwill and Intangible assets" with effect from January 1, 2002. SFAS 142 requires goodwill to be reviewed for impairment rather than amortized and that intangible assets other than goodwill be amortized over their useful lives. In accordance with the provisions of SFAS142 AngloGold performed a transitional impairment test for each reporting unit and performed its annual impairment review during the fourth quarter of each year, commencing in the fourth quarter of 2002. AngloGold's reporting units are generally consistent with the operating mines underlying the segments identified in Note 25 - Segment and Geographical Information. For the years ended December 31, 2003 and 2002 no amortization of goodwill expense is recorded in the consolidated income statement.

The results for the year ended December 31, 2001 on an historical basis, does not reflect the provision of SFAS 142. Had AngloGold adopted SFAS 142 on January 1, 2001, the historical net (loss)/income, basic and diluted net (loss)/income per common share would have been changed to the adjusted amounts indicated below:

Year ended December 31, 2001
(in US Dollars, millions, except for share data)
Net (loss)/
income
Net (loss)/
income per
basic common
share (cents)
Net (loss)/ income
per diluted

common share
(cents)
As reported - historical basis
(173)
(81)
(81)
Add: Goodwill amortization
27
13
13
Income tax impact
(1)
-
-
-
Adjusted
(146)
(68)
(68)
(1)
Goodwill is non-deductible for tax purposes.

F-19

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. **COSTS AND EXPENSES** *(continued)*

(Profit)/loss on sale of assets	**2003 $**	**2002 $**	**2001 $**
Loss on sale of Amapari project in Northern Brazil (1)	3	-	-
Sale of Jerritt Canyon Joint Venture (2)	(10)	-	-
Profit on sale of Queenstake Resources USA Inc. shares (2)	(3)	-	-
Profit on sale of shares held in East African Gold Mines Limited (3)	(25)	-	-
Gain on disposal of available-for-sale financial assets - Randgold Resources Limited (4)	(17)	-	-
Profit on sale of helicopter at Vaal River operations	(3)	-	-
Loss on sale of Normandy shares (5)	-	11	-
	(55)	11	-

(1) The sale of the Amapari project in Northern Brazil was announced on May 23, 2003.

(2)

Jerritt Canyon Joint Venture was disposed of effective June 30, 2003 and the shares acquired by AngloGold in Queenstake Resources USA Inc., as part of this transaction, were disposed of during November 2003.

(3)
On July 8, 2003 AngloGold disposed of its investment of 8,348,600 shares held in East African Gold Mines Limited for a consideration for $25 million.

(4)
In the second half of 2003, AngloGold disposed of 952,481 shares in Randgold Resources Limited, for a consideration of $23 million.

(5)
As described in Note 2 - Acquisitions and disposals of businesses and assets, the Company disposed of its holding of 159,703,481 Normandy shares during January 2002, for a gross amount of $158 million. The carrying amount was $158 million and costs related to the transaction amounted to $11 million, resulting in a loss of $11 million. The Company exchanged $147 million of its own stock for Normandy shares.

Results of operations for Jerritt Canyon Joint Venture (assets disposed of):

	2003 $	**2002 $**	**2001 $**
Revenue	35 (1)	78	91
Net (loss)/income before tax	(5) (1)	(5)	8

(1)
The Jerritt Canyon Joint Venture was disposed of effective June 30, 2003. Refer to Note 4 - (Profit)/loss on sale of assets. Figures for 2003 are for the six months ended June 30, 2003.

Results of operations for the Free State (assets disposed of):

	2003 $	**2002 $**	**2001 $**
Revenue	-	-	341
Net loss before tax	-	-	(175)

The 2001 loss includes an impairment of $173 million. These assets were disposed of as per Note 24.

Results of operations for Elandsrand and Deelkraal (assets disposed of):

2003

$
2002
$
2001
$

Revenue
-
-
9
Net loss before tax
-
-
(3)

These assets were disposed of as per Note 24.

F-20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4.

COSTS AND EXPENSES *(continued)*

Results of operations for Union Reefs Gold Mine (assets to be disposed of):

	2003 **$**	**2002** **$**	**2001** **$**
Revenue	27	36	35
Net income before tax	3	4	3

As at December 31, 2003 and 2002 the carrying amount of major assets and liabilities to be disposed of, included:

Inventories	1	3
Provision for environmental rehabilitation	(1)	(1)
Net assets	-	2

The Union Reefs Gold Mine is to be disposed of subsequent to December 31, 2003. Refer to Note 30.

Results of operations for the Western Tanami Project (assets to be disposed of):

	2003 **$**	**2002** **$**	**2001** **$**
Revenue	-	-	6
Net income before tax	5	-	-

As at December 31, 2003 and 2002 the carrying amount of major assets and liabilities to be disposed of, included:

Property, plant and equipment	8	10
Net assets	8	

10
The Western Tanami Project was disposed of subsequent to December 31, 2003. Refer to Note 30.

5.
RELATED PARTY TRANSACTIONS

As at December 31, 2003 Anglo American plc (AA plc) and its subsidiaries held an effective 54.45 percent (2002: 51.41 percent) interest in AngloGold. The group had the following transactions with related parties during the years ended December 31, 2003, 2002 and 2001:

December 31, 2003
December 31, 2002
December 31, 2001
(in millions)
Purchases
from related
party
$
Amounts
owed to
related party
$
Purchases
from related
party
$
Amounts
owed to
related party
$
Purchases
from related
party
$
Related party transactions with
subsidiaries of AA plc
Boart Longyear Limited - mining
services
11
1
9
-
11
Mondi Limited - forestry
11
1
18
(1)
1
15
Scaw Metals - A division of Anglo
Operations Limited - steel and
engineering
12

1
11
1
13
Shaft Sinker (Proprietary) Limited -
mining services
(2)
-
-
-
-
12
Related party transactions with
associates
Rand Refinery Limited - gold refinery
2
-
2
-
3
(1)
Includes $10 million as settlement by AngloGold of a claim in respect of an alleged breach of contract.
(2)
No longer considered to be a related party of AngloGold, as no longer a subsidiary of AA plc.

F-21

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2003
$
2002
$
2001
$

6. **DEFERRED INCOME AND MINING TAX**

Pretax income/(loss) from continuing operations was derived from the following jurisdictions:

South Africa
198
241
(84)
East and West Africa
138
111
49
North America
1
-
2
South America
60
49
47
Australia
16
33
(6)
413
434
8

Charge for income taxes attributable to continuing operations is as follows:

Current:

South Africa
43
110
145
East and West Africa
7
9
5
North America
-
-
-
South America
17
6
2

Australia
-
(1)
2
Total current
67
124
154
Deferred:
South Africa
89
(65)
19
East and West Africa
(4)
(5)
(7)
North America
(1)
-
-
-
South America
(2)
(9)
(1)
(1)
Australia
3
9
(2)
Total deferred
79
(62)
9
Total income and mining tax expensed
146
62
163
(1)
Net of valuation allowances of $8 million (2002: $2 million, 2001: negative
$13 million).
(2)
Includes a change in estimate resulting in a reversal of a valuation
allowance of $16 million in 2003. This relates to mining operations in Argentina where deferred tax assets are now considered to be recoverable due to an improved gold price achieved and the stabilization of the local economy during 2003. Figures for 2002 and 2001 are net of valuation allowances of $12 million and $4 million, respectively.
Mining tax on mining income in South Africa is determined according to a formula which adjusts the tax rate in accordance with the ratio of profit to revenue from mining operations. This formula also allows an initial portion of mining income to be free of tax. Deferred tax is provided at the current mining cost formula rate of 46 percent (2002: 46 percent and 2001: 46 percent) for temporary differences relating to mining operations. Non-mining income is taxed

at a standard rate.
The unutilized tax losses of the North American operations which are available for offset against future profits earned in the United States of America, amount to $209 million (2002: $182 million, 2001: $177 million).
The unutilized tax losses of the South American operations which are available for offset against future profits earned in these countries, amount to $67 million (2002: $86 million, 2001: $49 million).
Analysis of tax losses
Assessed losses utilized during the year
-
Utilized tax losses remaining to be used against future profits can be split into
the following periods:
Utilization required within one year
-
Utilization required within one and two years
-
Utilization required within two and five years
-
Utilization in excess of five years
276
276

F-22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6. **DEFERRED INCOME AND MINING TAX** *(continued)* Reconciliation between corporate income tax and statutory income tax is as follows:

	2003 Amount	**%**	**2002 Amount**	**%**	**2001 Amount**	**%**
Corporate income tax at statutory rates	173	42	182	42	3	42
Formula variation in mining taxation rate for current period	(5)	(1)	(103)	(23)	(15)	(188)
Disallowable expenditure	(1)	24	6	55	12	151	1,888
Non-taxable income	(32)	(8)	(23)	(5)	(25)	(313)
Effect of income tax rates of other countries	(22)	(5)	(71)	(16)	(25)	(313)
Sale of Free State assets	-					

-
-
-
100
1,250
Other, net
8
1
22
4
(26)
(325)
Total income and mining tax expense
146
35
62
14
163
2,041
(1)
Disallowable expenditure includes the impact of different tax rates applied to assets that are impaired.
2003
$
2002
$
Deferred income and mining tax liabilities and assets on the balance sheet as of December 31, 2003 and 2002, relate to the following:
Deferred tax liabilities:
Depreciation, depletion and amortization
987
707
Product inventory not taxed
15
12
Derivatives
23
5
Other
12
5
Total
1,037
729
Deferred tax assets:
Provisions, including rehabilitation accruals
(99)
(83)
Derivatives
(6)
(24)
Other comprehensive income deferred tax

(52)
(52)
Tax loss carry forwards
(86)
(84)
Total
(243)
(243)
Less: Valuation allowances
86
97
Total
(157)
(146)
Net deferred income and mining tax liabilities
880
583
Short-term portion classified as accounts payable and accrued liabilities
35
22
845
561
The classification of deferred income and mining tax assets is based on the related asset or liability creating the deferred tax. Deferred taxes not related to a specific asset or liability are classified based on the estimated period of reversal. As at December 31, 2003, the company had no unredeemed capital expenditure, in South Africa, available for deduction against future taxable mining income. This future deduction is utilizable against taxable mining income generated only from the company's current mining operations and does not expire unless the company ceased to operate for a period of longer than one year.

F-23
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(1)
Long-term and short-term portions relating to heap leach inventory classified separately as materials on the leach pad.
2003
$
2002
$
2001
$
7.
EARNINGS/(LOSS) PER COMMON SHARE
The following table sets forth the computation of basic and diluted earnings/(loss) per common share (in millions, except per share data):
Numerator
Income/(loss) before cumulative effect of accounting change
250
356
(163)
Cumulative effect of accounting change
(3)
-
(10)
Net income/(loss) - applicable to common stockholders
247
356
(173)
Denominator for basic earnings/(loss) per common share
Weighted average number of common shares
222,836,574
221,883,567
214,278,892
Basic earnings/(loss) per common share (cents)
Before cumulative effect of accounting change
112
160
(76)
Cumulative effect of accounting change
(1)
-
(5)
111
160
(81)
Dilutive potential common shares
Weighted average number of common shares
222,836,574
221,883,567
214,278,892
Dilutive potential of stock incentive options

881,001
1,016,359
436,914
Dilutive potential of debenture incentive options
-
-
-
Denominator for diluted earnings/(loss) per common share
Adjusted weighted average number of common
shares and assumed conversions
223,717,575
222,899,926
214,715,806
Diluted earnings/(loss) per common share (cents)
Before cumulative effect of accounting change
112
160
(76)
Cumulative effect of accounting change
(1)
-
(5)
111
160
(81)
The calculation of diluted earnings/(loss) per common share for 2001 did not assume the effect of shares issuable upon the exercise of stock and debenture incentive options as their effects are anti-dilutive for this period.
(1)
The Debenture incentive options were cancelled on June 30, 2001 in exchange for stock incentive options. Refer to Note 26.
8.
INVENTORIES
Gold in process
146
115
Gold on hand
14
3
Ore stockpiles
35
26
Uranium oxide and sulphuric acid
49
13
Supplies
66
59
310
216
Less: Heap leach inventory
(1)

(108)
(79)
202
137
(1)

F-24

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

9. PROPERTY, PLANT AND EQUIPMENT, NET

	2003 **$**	**2002** **$**
Mine development	2,112	1,617
Deferred stripping	57	5
Mine infrastructure	1,400	1,138
Mineral rights	176	96
Land	15	15
	3,760	2,871
Accumulated depreciation, depletion, amortization and impairment	(1,205)	(856)
Net book value December 31	2,555	2,015

Mining assets with a net book value of $161 million (2002: $254 million) are encumbered by project finance. Refer to Note 15.

Deferred stripping

Stripping costs incurred during the production phase to remove additional waste ore are deferred and charged to operating costs on the basis of the average life of mine stripping ratio. Refer to Note 3.6.

Movements in the deferred stripping costs balance were as follows:

	2003 **$**	**2002** **$**
Opening balance	5	(6)
Net amount deferred/(amortized)	43	11
Other movements	2	-
Translation	7	-
Closing balance	57	

5

Production costs for the years ending December 31, 2003, 2002 and 2001 as disclosed in the consolidated statements of income, would have increased by $52 million, $11 million and $nil million, respectively, if stripping costs were expensed rather than capitalized in these periods.

The full amount of stripping costs incurred during the production phase will not be expensed until the end of the life of the respective mines.

Under the current assumptions used, the following is an indication when the cumulative deferred stripping balance is expected to be fully amortized.

Open-pit operations	**Year**
East and West African operations	
- Geita	2014
- Morila	2009
- Navachab	2011
- Sadiola	2009
- Yatela	2006
- Yatela (Alamoutala)	2004
North American operations	
- Cripple Creek & Victor	2012
South American operations	
- Cerro Vanguardia	2012
- Morro Velho	2007
Australian operations	
- Sunrise dam	2009

Total stripping costs net of amoritzation included in production costs in the consolidated statements of income for the periods ended December 31, 2003, 2002 and 2001 amounted to $109 million, $87 million and $94 million, respectively.

F-25
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
2003
$
2002
$
10.
ACQUIRED PROPERTIES, NET
Acquired properties, at cost
2,366
1,927
Accumulated amortization and impairment
(1,430)
(1,025)
Net book value December 31
936
902
11.
GOODWILL
Goodwill arising on consolidation
At acquisition
495
414
Accumulated amortization
(1)
(85)
(69)
410
345
(1)
The movement in accumulated amortization reflects the strengthening of the
South African rand and the Australian dollar relative to the US dollar.
12.
OTHER LONG-TERM ASSETS
Investments in affiliates
Unlisted
Oro Group (Proprietary) Limited
5
6
Rand Refinery Limited
-
13
Carrying value of investments in affiliates (see below)
5
19
Investment in marketable equity securities
-
13
Investment in non-marketable equity securities
9
15

Other non-current assets
100
55
Investment in Environmental Rehabilitation Trust Fund
53
32
167
134
Investments in affiliates
AngloGold holds a 26.6 percent (2002: 25.0 percent) interest in Oro Group (Proprietary) Limited which is involved in the manufacture and wholesale of jewellery. The year end of Oro Group (Proprietary) Limited is March. Results are included for the twelve months ended September 30, 2003.
AngloGold holds a 53.03 percent (2002: 53.03 percent) interest in Rand Refinery Limited which is involved in the refining of bullion and by-products which are sourced inter alia from South Africa and foreign gold producing mining companies.
The difference between the carrying value of the investments in affiliates and the underlying equity in net assets is as follows:
Carrying value of investments in affiliates
5
19
Cost of affiliates
7
10
Undistributed earnings since acquisition
1
9
Other than temporary decline in the value of investments in affiliates
(3)
-
Investment in marketable equity securities
-
13
(1)
(1)
In the second half of 2003 AngloGold disposed of 952,481 shares in Randgold Resources Limited. Refer to Note 4 - (Profit)/loss on sale of assets.

F-26
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
2003
$
2002
$
12.
OTHER LONG-TERM ASSETS *(continued)*
Investment in non-marketable equity securities Investments in unlisted common stock comprise investments in various companies in South Africa for which a fair value is not readily determinable. The directors of the company perform independent valuations of the investments on an annual basis to ensure that no decline other than a temporary diminution in the value of the investment has occurred. For the year ended December 31, 2003 a decline of $6 million (2002: $nil million) was recorded and charged to income. Refer to Note 4 -Impairment of assets.
Other non-current assets
Unsecured
Loans to joint venture partners
(1)
12
13
Deferred purchase consideration in respect of sale of Jerritt Canyon
(2)
3
-
Other
73
42
88
55
Secured
Deferred purchase consideration in respect of sale of the Amapari project
(2)
8
-
Other
4
-
100
55
(1)
These loans have no fixed terms of repayment, are denominated in $ and accrue
interest at LIBOR plus 2 percent per annum.
(2)
See Note 2 - Acquisition and disposals of businesses and assets.
Joint Ventures
Joint ventures for which the income statements and balance sheets have been proportionately consolidated are as follows :
2003
percentage
held
2002
percentage

held
Sadiola
38.00
38.00
Geita
50.00
50.00
Morila
40.00
40.00
Yatela
40.00
40.00
Nufcor International Limited
50.00
50.00
Summarized financial statements of the joint ventures which have been proportionately consolidated are as follows
(Cerro Vanguardia
(1)
- income for the six months ended
June 30, 2002 included) (100 percent shown):
Statements of income for the period
Gross revenue
734
742
Operating income
231
262
Interest and other income, net
(14)
(22)
Income before taxes
217
240
Taxes
16
11
Net income
201
229
Balance sheets at December 31
Mining assets
1,112
1,147
Current assets
448
332
1,560
1,479
Long-term liabilities
(136)

(95)
Loans from shareholders
(130)
(196)
Current liabilities
(403)
(236)
Net assets
891
952
(1)
During July 2002 AngloGold acquired an additional 46.25 percent interest in the Cerro Vanguardia mine in Argentina doubling its interest in this operation to 92.50 percent.

F-27
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
2003
$
2002
$
13.
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
Trade accounts payable
101
81
Deferred income and mining tax. Refer to Note 6.
35
22
Related parties
3
2
Payroll and related benefits
62
46
Accrual for power
13
6
Other (including accrued liabilities)
171
125
385
282
14.
SHORT-TERM DEBT
Current maturities of long-term debt. Refer to Note 15.
351
84
15.
LONG-TERM DEBT
Unsecured
Syndicated loan facility ($600 million)
Interest charged at LIBOR plus 0.7% per annum. Loan is repayable in February 2005 and is US dollar-based.
469
470
Corporate Bond
(1)
Fixed semi-annual coupon of 10.50% per annum. The bond is repayable on August 28, 2008 and is ZAR-based.
308
-
Syndicated loan facility ($400 million)
Interest charged at LIBOR plus 0.75% per annum. Loan is repayable in May 2004 and is US dollar-based.
233
264
RMB International (Dublin) Limited
40

2
Interest charged at LIBOR plus 0.82% per annum. Loan is of a short-term nature, and has no fixed repayment date and is US dollar-based.
Banco Europeu para a America Latina-Brussels
10
10
Interest charged at LIBOR plus 1.75% per annum. Loan is repayable in monthly installments commencing March 2004 and terminating in September 2004 and is US dollar-based.
Australia and New Zealand Banking Group Limited
7
9
Interest charged at Bank Bill Swop Reference Rate plus 0.35% per annum. Loan is repayable by September 2004 and is Australian dollar-based.
Government of Mali
2
2
Interest charged at LIBOR plus 2% per annum. There are no fixed repayment terms and the loan is US dollar-based.
Santander Bank
-
8
Itau Bank
-
6
HSBC Bamerindus
-
5
Total unsecured borrowings
1,069
776

F-28

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2003

$

2002

$

15. **LONG-TERM DEBT** *(continued)*

Secured

Geita Syndicated Project finance

Interest charged at LIBOR plus 1.7% per annum. Loan is repayable half-yearly until 2007 and is US dollar-based. The loan is secured by a pledge over the shares in the project company.

33

51

Cerro Vanguardia Syndicated Project finance

Interest charged at LIBOR plus 1.75% per annum. Loan is repayable in half-yearly installments terminating in December 2004 and is US dollar-based. The loan is secured by a fixed and floating charge over the project assets (Refer to Note 9), the major project contracts and a pledge over the shares in the project company.

24

54

Morila Syndicated Project finance

Interest charged at LIBOR plus 2% per annum. Loan is repayable in half-yearly installments terminating in December 2004 and is US dollar-based. The loan is secured by a fixed and floating charge over the project assets (Refer to Note 9), the hedging contracts and a pledge over the shares in the project company.

7

15

Senstar Capital Corporation

Interest charged at an average rate of 6.89% per annum. Loans are repayable in monthly installments terminating in November 2009 and are US dollar-based. The equipment financed is used as security for these loans.

15

18

Rolls Royce

Interest is index linked to the United Kingdom Consumer Price Index (CPI). Loan is repayable in monthly installments terminating in December 2010 and is US dollar-based. The equipment financed is used as security for this loan.

7

8

Investec

Interest charged at 6.5% per annum. Loan is repayable in half-yearly installments terminating in June 2006 and is US dollar-based. The loan is guaranteed by AngloGold.

2

3

Kudu Finance Company

Interest charged at LIBOR plus 2% per annum. Loan is repayable in monthly installments terminating in December 2010 and is US dollar-based. The equipment financed is used as security for this loan.

1

1

Total long-term debt

1,158

926

Current maturities included in short-term debt. Refer to Note 14.

351

84
807
842
Scheduled minimum long-term debt repayments are:
2004
351
2005
482
2006
15
2007
5
2008
300
2009 onwards
5
1,158
The currencies in which the borrowings are denominated are as follows:
Australian dollars
7
9
South African rands
308
-
United States dollars
843
917
1,158
926
Undrawn borrowing facilities as at December 31, 2003 are as follows:
Syndicated loan ($400 million) - US dollar
168
138
Syndicated loan ($600 million) - US dollar
135
135
Australia and New Zealand Banking Group Limited - Australian dollar
30
20
333
293
On February 7, 2002, the group entered into a new three year $600m unsecured syndicated borrowing facility, at a margin of 0.7% over LIBOR, that was used in part to refinance near- term maturing debt. The loan is repayable in February 2005. The amount drawn under this facility was $469 million as at December 31, 2003.

F-29
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
2003
$
2002
$
15.
LONG-TERM DEBT *(continued)*
On October 14, 2002, a new loan facility of A$50 million was arranged with the Australia and New Zealand Banking Group Limited, at 0.35% over the Bank Bill Swop Reference Rate. During 2003 the facility, originally repayable by September 2003, was extended to September 2004. The amount drawn under this facility was $7 million as at December 31, 2003.
(1)
Corporate Bond
Senior unsecured fixed rate bond
300
-
Less: Unamortized discount and bond issue costs
3
-
297
-
Add: Accrued interest
11
-
308
-
On August 21, 2003, AngloGold issued unsecured bonds in the aggregate principle amount of R2 billion ($300 million) at a fixed semi-annual coupon of 10.50 percent per annum. The bond is repayable on August 28, 2008, subject to early redemption at AngloGold's option and is listed on the Bond Exchange of South Africa. The net proceeds of the bond are for general corporate purposes.
16.
PROVISION FOR ENVIRONMENTAL REHABILITATION
Accrued environmental rehabilitation costs
134
140
Long-term environmental obligations comprising decommissioning and restoration are based on the group's environmental management plans, in compliance with the current environmental and regulatory requirements.
Decommissioning costs
The provision for decommissioning represents the cost that will arise from rectifying damage caused from establishing mining operations.
Decommissioning costs, representing obligations associated with the retirement of long- lived assets that result from the acquisition, construction or normal operations of long-lived assets, are accounted for in accordance with the provisions of SFAS143. The effect of adoption of SFAS143 in respect of decommissioning is described in Note 4 - Asset retirement obligations.
Restoration costs
The provision for restoration represents the closure cost for restoration of site damage. Rehabilitation of site damage only commences at the closure stage of the mine. Site damage are not costs associated with the construction or normal operations of long-lived assets and do not create probable future economic benefits.
At each reporting balance sheet date, gross restoration costs are estimated at the present value of the expenditures expected to settle the obligation, using estimated cash flows based on current prices. The estimates are discounted at a

pre-tax rate that reflects current market assessments of the time value of money.
While the ultimate amount of rehabilitation cost to be incurred in the future is uncertain, AngloGold has estimated that the total cost for mine rehabilitation and closure, in current monetary terms, will be $249 million. Certain amounts have been contributed to an irrevocable rehabilitation trust under AngloGold's control. The monies in the trust are invested primarily in interest bearing debt securities. AngloGold North America has posted reclamation bonds with various federal and governmental agencies to cover environmental obligations. Refer to Note 19.
AngloGold intends to finance the ultimate rehabilitation costs from the monies invested with the rehabilitation trust fund as well as the proceeds on sale of assets and gold from plant clean-up at the time of mine closure.

F-30
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
2003
$
2002
$
17.
OTHER ACCRUED LIABILITIES
Other accrued liabilities
(1)
12
12
(1)
Including civil claims arising from former employees for medical costs, other civil
claims and retirement benefit provisions. Refer to Note 23.
18.
PROVISION FOR POST-RETIREMENT MEDICAL BENEFITS
Accrued liability at December 31
130
127
The provision for post-retirement medical funding represents the provision for health care benefits for employees, retired employees and their dependants. The post- retirement medical liability is assessed in accordance with the advice of independent professionally qualified actuaries. The actuarial method used is the projected unit credit actuarial valuation method. The above accrued liability includes the North America Retiree Medical Plan. AngloGold has not incurred material expenses related to the plan during 2003. Refer to Note 23. South American and Australian governments provide post-retirement health care benefits. The costs of post- retirement benefits are made up of those obligations which the group has towards current and retired employees.
19.
COMMITMENTS AND CONTINGENCIES
Capital expenditure commitments
Contracts for capital expenditure
98
107
Authorized by the directors but not yet contracted for
627
377
725
484
Allocated for:
Expansion of operations
- within one year
389
166
- thereafter
83
176
472
342
Maintenance of operations
- within one year
243

133
- thereafter
10
9
253
142
The group has given collateral to certain bankers for satisfactory contract performance in relation to exploration and development tenements and mining operations in Australia amounting to:
12
17
AngloGold has signed as surety in favor of the bankers on the Yatela loan for:
This loan is included in Long-term debt in the Company's consolidated balance sheet.
6
8
Pursuant to US environmental regulations, gold mining companies are obligated to close their operations and rehabilitate the lands that they mine in accordance with these regulations. AngloGold North America has posted reclamation bonds with various federal and governmental agencies to cover potential environmental obligations in amounts aggregating approximately:
45
59
AngloGold has provided a guarantee for these obligations which would be payable in the event of AngloGold North America not being able to meet their environmental obligations. As at December 31, 2003 the carrying value of these environmental obligations relating to AngloGold North America amounted to $22 million and are included in the Provision for environmental rehabilitation. Refer to Note 16. The environmental obligations will expire upon completion of such rehabilitation. There are no recourse provisions that would enable AngloGold to recover from third parties any of the amounts paid under the guarantee.

F-31

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2003

$

2002

$

19.

COMMITMENTS AND CONTINGENCIES (*continued)*

Pursuant to the assignment of equipment leases to Queenstake Resources USA Inc., as a result of the sale of Jerritt Canyon effective June 30, 2003, AngloGold North America has become secondarily liable in the event of a default by Queenstake Resources USA Inc. in performance of any of the lessee's obligations arising under the Lease. These agreements have an approximate term of 3 years and the maximum potential amount of future payments amounted to:
1
-

AngloGold has provided a letter of credit in favour of the Geita project finance lenders for:
19
19

The letter of credit may be called if Geita Gold Mining Limited fails to perform under their project finance agreement and has a potential maximum tenor in accordance with this agreement. See Note 15 - Long-term debt - Geita Project Finance. In this event, Geita Gold Mining Limited would be liable to AngloGold.

AngloGold North America has a potential liability in respect of preference claims from a third party amounting to:
2
-

The potential liability is in respect of gold shipments returned by the third party to AngloGold North America, which the bankruptcy trustee is claiming should not have been returned and final shipments that should not have been paid as the third party had filed for protection under Chapter 11 of the U.S. Bankruptcy Code.

AngloGold Offshore Investments Limited increased its existing guarantee of the Nufcor International Limited loan facility:
40
25

During September 2003, AngloGold Offshore Investments Limited a wholly-owned subsidiary of AngloGold increased its existing guarantee of 50 percent of the Nufcor International Limited loan facility with RMB International (Dublin) Limited from $25 million to $40 million. AngloGold has a 50 percent interest in its subsidiary Nufcor International Limited. This loan is included in Long-term debt in the Company's consolidated balance sheet.

Tax claims in Mali including interest and penalties of:
6
-

Discussions are underway with the Mali Government as to the validity of tax claims including interest and penalties. The claims have arisen due to new legislation that is in conflict with AngloGold's prior mining convention stability agreements and different interpretations of the legislation. The final outcome of these claims cannot be determined at present.

Various equipment tax claim guarantees in South America amounting to:
3
7

Contingent assets

Future royalty payments are anticipated from Queenstake Resources USA Inc. in terms of the sale agreement of the Jerritt Canyon Joint Venture, which cannot be estimated at present as these payments are dependent on future production. See Note 2 - Acquisition and disposal of businesses and assets.

Vulnerability from concentrations

The majority of AngloGold's 55,439 employees (2002: 54,042, 2001: 70,380) are subject to collective bargaining agreements. These agreements are established in negotiations between the Chamber of Mines, the body which represents the gold mining industry in South Africa, and representative groups of labor. The agreements have a two-year validity period. The most recent settlement negotiation was completed in July 2003, when the parties reached an agreement covering the period from July 1, 2003 to June 30, 2005.

F-32

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20.

STOCKHOLDERS' EQUITY

The authorized common stock of AngloGold was increased in 1998 to 400,000,000 shares of common stock of 25 ZAR cents each principally to meet its obligations regarding the proposed merger of AAC gold interests through AngloGold. No changes to the authorized shares of common stock of AngloGold were made in 2003.

During 2003, 514,320 shares of common stock in AngloGold were issued as follows:

·

508,020 shares of common stock were issued as part of the share incentive scheme and 6,300 shares of common stock were issued in terms of the Acacia Employee Option Plan for a consideration of $8 million.

During 2002, 7,353,906 shares of common stock in AngloGold were issued as follows:

·

478,720 shares of common stock were issued as part of the share incentive scheme and 66,598 shares of common stock were issued in terms of the Acacia Employee Option Plan for a consideration of $7 million.

·

278,196 shares of common stock in AngloGold were issued as part of the odd-lot offer by AngloGold (Refer to Note 29) for a consideration of $7 million.

·

6,530,392 shares of common stock in AngloGold were issued to facilitate the share swap and top-up facility for the bid for the acquisition of Normandy Mining Limited which closed in 2002, amounting to $138 million.

During 2001, 1,225,942 shares of common stock in AngloGold were issued as follows:

·

718,000 shares of common stock were issued as part of the share incentive scheme and 25,102 shares of common stock were issued in terms of the Acacia Employee Option Plan for a consideration of $10 million.

·

482,840 shares of common stock in AngloGold were issued to facilitate the share swap and top-up facility for the bid for the acquisition of Normandy Mining Limited, amounting to $9 million.

The unissued common stock of 170,727,409 of 25 ZAR cents each is under the control of the directors until the forthcoming annual general meeting. In terms of a specific authority granted at the general meeting of stockholders held on March 29, 1993, the directors are authorized to issue the 4,221,104 unissued B redeemable preferred stock of 1 ZAR cent each to Eastvaal Gold Holdings Limited.

21. **GOLD PRICE AND CURRENCY RISK MANAGEMENT ACTIVITIES**

The group does not acquire, hold or issue derivatives for economic trading purposes. A number of products, including derivatives are used to manage gold price and foreign exchange risks, that arise out of the group's core business activities. Forward sales contracts and call and put options are used by the company to manage its exposure to gold price and currency fluctuations. The board of directors sets limits for the volume of production to be hedged, the nature of instruments utilized and the maximum tenor of hedging structures.

SFAS133 requires that derivatives be accounted for as follows:

·

Commodity based ("normal purchase or normal sale") contracts that meet the requirements of SFAS 138 are recognized in earnings when they are settled by physical delivery.

·

Where the conditions in SFAS133 for special hedge accounting are met, the derivative is recognized on the balance sheet as either a derivative asset or derivative liability, and recorded at fair value. The group enters into cash flow hedges whereby the effective portion of fair value gains or losses are recognized in equity (other comprehensive income) until the underlying transaction occurs, then the gains or losses are recognized in earnings. The ineffective portion of changes in fair value is reported in earnings as gains or losses on derivatives in the period in which they occur. Of the contracts accounted for as cash flow hedges, contracts with a carrying value, net of tax, of $97 million at December 31, 2003 are expected to be removed from other comprehensive income and included in income during 2004.

.

All other derivatives are measured at their estimated fair value, with the changes in estimated fair value at each reporting date being reported in earnings as gains or losses on derivatives in the period in which they occur.

Gain on non-hedge derivatives of $119 million (2002: $73 million) (2001: $5 million loss) was included in the current year income statement.

Gold hedging instruments are denominated in South African rands, US dollars and Australian dollars. The hedging instruments utilized are forward sales contracts, purchased and sold put options and purchased and sold call options. The mix of hedging instruments, the volume of production hedged and the tenor of the hedging book is continuously reviewed in the light of changes in operational forecasts, market conditions and the group's hedging policy. The group's reserve and financial strength has allowed it to arrange unmargined credit lines of up to ten years with counterparties.

F-33

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

21. **GOLD PRICE AND CURRENCY RISK MANAGEMENT ACTIVITIES** *(continued)*

Forward sales contracts establish the price of future gold sales at a specified price. A number of these contracts are intended by AngloGold for delivery against production in a future period. The notional volume of outstanding forward sales type contracts at the end of 2003 was 180,693kg (2002: 235,111kg).

A put option gives the put buyer the right, but not the obligation, to sell gold to the put seller at a predetermined price on a predetermined date. A call option gives the call buyer the right, but not the obligation, to buy gold from the call seller at a predetermined price on a predetermined date. The group's risk as outlined above in purchasing compound options is limited to the premium paid. Net cash receipts received under the option hedging strategies for the year were $33 million (2002: $35 million).

The following table indicates the group's gold hedge position at a weighted average settlement price as at December 31, 2003:

The total net delta tonnage of the hedge on this date was 8.59 million ounces or 267.1 tonnes.

The marked-to-market value of all hedge transactions making up the hedge positions was a negative $663.7 million (negative R4.4 billion) as at December 31, 2003 (as at December 31, 2002: negative $446.6 million - negative R3.81 billion). These values were based on a gold price of $415.75 per ounce, exchange rates of R/$6.6376 and A$/$0.7525 and the prevailing market interest rates and volatilities at the time.

These marked-to-market valuations are in no way predictive of the future value of the hedge position nor of future impact on the revenue of the company. The mark-to-market represents the current profit/loss value of the hedge book at market prices and rates available at that time.

Year
2004
2005
2006
2007
2008
2009-2013
Total
DOLLAR GOLD
Forward contracts
Amount (kg)
18,374
26,576
19,862
18,974
15,801
10,078
109,665
$ per oz
$315
$324
$333
$337
$352
$360
$334
Put options purchased
Amount (kg)
5,772
2,624

4,918
728
14,042
$ per oz
$382
$363
$363
$292
$367
*Delta (kg)
1,703
637
1,102
49
3,491
Put options sold
Amount (kg)
13,997
2,799
4,354
21,150
$ per oz
$362
$345
$339
$355
*Delta (kg)
2,800
441
681
3,922
Call options purchased
Amount (kg)
7,112
7,112
$ per oz
$330
$330
*Delta (kg)
6,990
6,990
Call options sold
Amount (kg)
14,413
18,227
16,547
14,308
14,183
40,061
117,739
$ per oz

$376
$338
$346
$336
$347
$369
$355
*Delta (kg)
10,973
15,419
13,564
12,201
11,911
33,244
97,312
RAND GOLD
Forward contracts
Amount (kg)
6,249
8,145
4,500
2,830
2,799
933
25,456
Rand per kg
R73,930
R119,409
R96,436
R118,197
R120,662
R116,335
R104,074
Put options purchased
Amount (kg)
933
2,808
2,808
6,549
Rand per kg
R99,346
R95,511
R95,511
R96,057
*Delta (kg)
614
964
721
2,299
Put options sold
Amount (kg)

2,333
1,400
1,400
5,133
Rand per kg
R89,250
R88,414
R88,414
R88,794
*Delta (kg)
1,061
364
280
1,705
Call options purchased
Amount (kg)
Rand per kg
*Delta (kg)
Call options sold
Amount (kg)
4,679
5,620
5,621
1,493
2,986
8,958
29,357
Rand per kg
R118,661
R130,321
R131,389
R173,119
R187,586
R216,522
R162,971
*Delta (kg)
384
1,694
2,188
294
615
2,396
7,571

F-34
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
21. **GOLD PRICE AND CURRENCY RISK MANAGEMENT ACTIVITIES** *(continued)*
Year
2004
2005
2006
2007
2008
2009-2013
Total
AUD DOLLAR GOLD
Forward contracts
(1)
Amount (kg)
8,279
6,221
9,331
8,398
3,110
10,233
45,572
A$ per oz
A$533
A$680
A$661
A$633
A$647
A$651
A$632
Put options purchased
Amount (kg)
A$ per oz
*Delta (kg)
Put options sold
Amount (kg)
A$ per oz
*Delta (kg)
Call options purchased
Amount (kg)
3,110
6,221
3,732
3,110
8,087
24,260
A$ per oz
A$724
A$673
A$668
A$680

A$710
A$692
*Delta (kg)
714
2,985
2,013
1,843
4,996
12,551
Call options sold
Amount (kg)
933
933
A$ per oz
A$506
A$506
*Delta (kg)
933
933
Delta (kg)
36,658
58,137
47,322
40,733
32,393
51,888
267,131
Total net gold:
Delta (oz)
1,178,572
1,869,146
1,521,446
1,309,585
1,041,466
1,668,226
8,588,441
Hedge delta as a percentage of current
production levels (%)
23%
36%
28%
23%
18%
6%
15%
*
The Delta position indicated above reflects the nominal amount of the option multiplied by the mathematical probability of the option being exercised. This is calculated using the Black-Scholes option formula with the ruling market prices, interest rates and volatilities as at December 31, 2003.
Year
2004

2005
2006
2007
2008
2009-2013
Amount (oz)
175,000
200,000
300,000
270,000
100,000
350,000
Gold borrowing cost associated
with forward contracts
(1)
Interest rate %
0.1%
0.5%
0.8%
1.0%
1.2%
1.4%
Amount (oz)
923,301
638,363
702,507
758,678
441,000
299,000
Gold lease rate swaps
(2)
Interest rate %
1.5%
1.4%
1.5%
1.8%
1.8%
2.0%
(1)
The Australian dollar denominated gold forward contract prices are shown on a net basis where the final price of the contract is determined by the cost of borrowing gold over the full duration of the contract. The net prices shown in the table above have been adjusted to take account of the total expected future cost of all accumulated costs incurred to date and the expected future borrowing cost based on ruling market prices at the financial statement date. The amount shown under "Gold borrowing cost associated with forward contracts" in the table above is the face value of the borrowing amount and the period in which it matures. The interest rates shown are the future market rates prevailing at the time of the financial statement.
(2)
The gold lease rate swaps are contracts where the company receives a fixed percentage of the outstanding amount in gold and pays a floating market determined percentage in gold, quarterly in arrears. The amount shown in the table above is the number of ounces outstanding at the beginning of each period. The interest rate shown is the weighted average fixed rate that the company will receive for that period.

As at December 31, 2003 none of the hedging positions reported in the above table were governed by "right-to-break" clauses.

Disclosure of the fair value of financial instruments is as follows:

Foreign exchange price risk protection agreements

The group periodically enters into forward exchange and currency option contracts to hedge certain recorded transactions, firm commitments and other anticipated transactions denominated in foreign currencies. The objective of the group's foreign hedging activities is to protect the group from the risk that the eventual cash flows resulting from transactions denominated in US dollars will be adversely affected by changes in exchange rates.

F-35
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
21. **GOLD PRICE AND CURRENCY RISK MANAGEMENT ACTIVITIES** *(continued)*
The following table indicates the group's currency hedge position at December 31, 2003:
Year
2004
2005
2006
2007
2008
2009-2013
Total
RAND DOLLAR (000)
Forward contracts
Amount ($)
Rand per $
Put options purchased
Amount ($)
35,000
35,000
Rand per $
R7.20
R7.20
*Delta ($)
27,689
27,689
Put options sold
Amount ($)
35,000
35,000
Rand per $
R6.74
R6.74
*Delta ($)
17,417
17,417
Call options purchased
Amount ($)
Rand per $
*Delta ($)
Call options sold
Amount ($)
50,000
50,000
Rand per $
R7.21
R7.21
*Delta ($)
14,318
14,318
AUD DOLLAR (000)

Forward contracts
Amount ($)
29,275
29,267
58,542
$ per A$
$0.59
$0.55
$0.57
Put options purchased
Amount ($)
10,000
10,000
$ per A$
$0.63
$0.63
*Delta ($)
9,269
9,269
Put options sold
Amount ($)
10,000
10,000
$ per A$
$0.68
$0.68
*Delta ($)
7,491
7,491
Call options purchased
Amount ($)
$ per A$
*Delta ($)
Call options sold
Amount ($)
20,000
20,000
$ per A$
$0.60
$0.60
*Delta ($)
582
582
*
The Delta position indicated above reflects the nominal amount of the option multiplied by the mathematical probability of the option being exercised. This is calculated using the Black-Scholes option formula with the ruling market prices, interest rates and volatilities as at December 31, 2003.

Interest rate and liquidity risk

Fluctuations in interest rates impact on the value of short-term cash investments and financing activities, giving rise to interest rate risk.

In the ordinary course of business, AngloGold receives cash from the proceeds of its gold sales and is required to fund working capital requirements. This cash is managed to ensure surplus funds are invested in a manner to achieve market related returns while minimizing risks. AngloGold is able to actively source financing at competitive rates. AngloGold has sufficient undrawn borrowing facilities available to fund working capital requirements.

Investment maturity profile
Maturity date
Currency
Fixed rate
investment
amount
(million)
Effective
rate
%
Floating rate
investment
amount
(million)
Effective
rate
%
Less than one year
$
23
0.9
120
0.9
ZAR
884
7.9
1,206
7.5
A$
4
2.8
EUR
4
1.0
FCFA
1,375
3.0
REAIS
98
16.3
PESOS
3
6.0
Greater than one year
$
20

1.9
ZAR
396
7.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
21. **GOLD PRICE AND CURRENCY RISK MANAGEMENT ACTIVITIES** *(continued)*
Borrowings maturity profile
Within one year
Between
one and two years
Between
two and five years
After five years
Currency
Borrowings
Amount
(million)
Effective
rate
%
Borrowings
Amount
(million)
Effective
rate
%
Borrowings
Amount
(million)
Effective
rate
%
Borrowings
Amount
(million)
Effective
rate
%
$
333
1.9
482
2.0
23
4.2
5
4.9
A$
10
5.9
ZAR
72
(1)
-

1,980
10.5
Interest rate risk
Fixed for less than
one year
Fixed for between
one and three years
Fixed for greater than
three years
Currency
Borrowings
Amount
(million)
Effective rate
%
Borrowings
Amount
(million)
Effective
rate %
Borrowings
Amount
(million)
Effective
rate %
Total
borrowings
amount
(million)
$
819
2.0
2
6.5
22
5.3
843
A$
10
5.9
10
ZAR
72
(1)
-
1,980
10.5
2,052
(1)
Represents interest accrual on the Corporate Bond as at December 31, 2003.

Interest rate swaps

AngloGold has interest rate swap agreements to convert $150 million (R1,000 million) of its $300 million (R2,000 million) fixed rate bond to variable rate debt. The interest rate swap runs over the term of the bond and receives interest at a fixed rate of 10.5 percent and pays floating JIBAR (reset quarterly) plus a spread of 0.195 percent.
This transaction matures in August 2008. The swap is subsequently re-measured at fair value, but is not designated as a fair value hedge. The mark-to-market of the transaction was a positive $5 million (R32 million) as at December 31, 2003.

Credit risk

Realization of all these contracts is dependent upon the counterparties performing in accordance with the terms of the contracts. AngloGold generally does not obtain collateral or other security to support financial instruments subject to credit risk, but monitors the credit standing of counterparties. AngloGold spreads its business over a number of predominantly international, creditworthy counterparties and believes that no concentration of credit risk exists.
Limits for each counterpart are based on the assessed credit quality of each counterpart. The AngloGold Treasury Committee make recommendation for board approval of all counterparts and the limits to be applied against each counterpart.
The table below provides a summary of the number type and credit quality of AngloGold's hedge counterparts.

Number of Counterparts	**Type**	**Credit Rating (Fitch)**
2	International Bank	AAA
15	International Bank	AA
6	International Bank	A
1	International Bank	BBB
4	South African Bank	AA(zaf) (International BBB-)
1	South African Bank	A+(zaf) (International BBB)
1	Brazilian Bank	AA(bra)
1	Trade Finance House	Not rated

AngloGold does not anticipate non-performance by any counterparts.

Fair value of financial instruments

The estimated fair values of financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The estimated fair values of the company's financial instruments, as measured at December 31, 2003 and 2002, are as follows:

F-37

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

21. **GOLD PRICE AND CURRENCY RISK MANAGEMENT ACTIVITIES** *(continued)*

	December 31, 2003		**December 31, 2002**	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair value $**
Cash and cash equivalents	505	505	413	413
Receivables	225	225	255	255
Short-term debt	351	351	84	84
Long-term debt	807	807	842	842
Accounts payable and accrued liabilities	385	385	282	282
Derivatives	(299)	(659)	(241)	(447)
Forward sales type agreements	(233)	(332)	(153)	

(196)
Option contracts
(84)
(319)
(73)
(236)
Foreign exchange contracts
3
3
(17)
(17)
Foreign exchange option contracts
2
2
-
-
Interest rate swaps - Gold
8
(18)
2
2
Sub total - Hedge derivatives
(304)
(664)
(241)
(447)
Interest rate swaps - Non-gold
5
5
-
-
Derivatives maturity profile
Total
$
2003
Assets
$
Liabilities
$
Total
(299)
471
(770)
Less: Amounts to mature within twelve months of balance sheet date
64
(377)
441
Amounts to mature thereafter
(235)
94
(329)

Total
$
2002
Assets
$
Liabilities
$
Total
(241)
297
(538)
Less: Amounts to mature within twelve months of balance sheet date
69
(233)
302
Amounts to mature thereafter
(172)
64
(236)
The following methods and assumptions were used to estimate the fair value of each class of financial instrument:
Receivables, cash and cash equivalents and other current liabilities
The carrying amounts approximate fair value because of the short-term duration of these instruments.
Long-term debt
The fair value of listed fixed rate debt is shown at its market value. The remainder of debt re-prices on a short-term floating rate basis, and accordingly the carrying amount is considered to approximate fair value.
Derivatives
The fair value of volatility-based instruments are estimated based on market prices, volatilities and interest rates, while the fair value of forward sales and purchases are estimated based on the quoted market price for the contracts at December 31, 2003 and 2002. The amounts include those contracts accounted for as normal purchases and sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
2003
$
2002
$
22.
ADDITIONAL CASH FLOW INFORMATION
Non-cash items
Reported as non-cash items in the statements of consolidated
cash flows are the following:
Amortization:
Mining assets
200
212
Acquired properties
121
121
321
333
Impairment:
Mining assets
44
-
Acquired properties
25
-
Non-marketable equity investments and investment in affiliates
9
-
78
-
Interest paid during the year
49
44
Taxation paid during the year
102
131
23. **EMPLOYEE BENEFIT PLANS**
The group has made provision for pension and provident schemes covering substantially all employees.
South Africa region
Eligible employees are members of either AngloGold's defined benefit fund or one of the industry-based defined contribution funds. There is one defined benefit scheme and three defined contribution schemes. The assets of these schemes are held in administered trust funds separated from the group's assets. Scheme assets primarily consist of listed shares, fixed income securities and foreign assets.
Defined Benefit Fund
A statutory valuation of the defined benefit pension fund was performed as at December 31, 2002, which showed that the fund was in deficit. This will require a review of the company's rate of contribution to the fund, with the aim of restoring the fund to a sound financial position over a period of time. In arriving at their conclusions, the actuaries took into account reasonable long-term estimates of inflation, increases in wages, salaries and pension as well as returns on investments. Calculations for the Pension Fund's financial position are carried out in years when a statutory

valuation is not performed.

Information with respect to the Defined Benefit Fund, which includes benefits for AngloGold employees, for the year ended December 31, is set forth in the table below:

Pension benefits	**2003**	**2002**	**2001**
	$	**$**	**$**
Change in benefit obligation			
Benefit obligation at January 1,	100	69	88
Service cost	4	3	4
Interest cost	13	8	10
Plan participants' contributions	2	1	2
Acquisition	-	-	13
Plan amendment	22	-	-
Actuarial (gain)/loss	-	(1)	2
Benefits paid	(10)	(10)	(11)
Translation	31	30	(39)
Benefit obligation at December 31,	162	100	69

F-39

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. **EMPLOYEE BENEFIT PLANS** *(continued)*

Pension benefits	**2003**	**2002**	**2001**
	$	**$**	**$**
Change in plan assets			
Fair value of plan assets at January 1,	93	70	91
Actual return on plan assets	16	1	11
Acquisition	-	-	13
Company contributions	8	3	4
Plan participants' contributions	2	1	2
Benefits paid	(10)	(10)	(11)
Translation	28	28	(40)
Fair value of plan assets at December 31,	137	93	70
Funded status at end of year	(25)	(7)	1
Unrecognized net actuarial loss/(gain)	25	7	(1)

Unrecognized prior service cost benefit
-
-
-
Net amount recognised
-
-
-
Pension projected and accumulated benefit obligation
Projected benefit obligation
162
Accumulated benefit obligation
126
Fair value of plan assets
137
Components of net periodic benefit cost
Service cost
4
3
4
Interest cost
13
8
10
Expected return on assets
(12)
(8)
(11)
Amortisation of prior service cost
2
-
-
Amortisation of net (gain)/loss
-
-
2
Net periodic benefit cost
7
3
5
Assumptions
Weighted-average assumptions used to determine benefit obligations at December 31,
Discount rate
8.5%
11.5%
10.5%
Rate of compensation increase
5.0%
7.75%
7.5%
Weighted-average assumptions used to determine the net periodic benefit cost for the years ended December 31,

Discount rate
8.5%
11.5%
10.5%
Expected long-term return on plan assets
8.5%
11.5%
10.5%
Rate of compensation increase
5.0%
7.75%
7.5%
Pension increase
3.6%
6.1%
6.5%
The expected long-term return on plan assets is determined using the after tax return of RSA Government long bond yields as a guide.
Plan assets
AngloGold's pension plan weighted-average asset allocations at December 31, 2003 and 2002, by asset category are as follows:
Asset Category
Equity securities
68%
68%
Debt securities
25%
22%
Real estate
-
3%
Other
7%
7%
100%
100%

F-40

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. **EMPLOYEE BENEFIT PLANS** *(continued)*

Investment Policy

The general policy of the fund is to select investments with the aim of achieving an optimal return taking into account associated risks. The Board of Trustees are in the process of reviewing this policy and will formulate an updated investment strategy during 2004.

The fund is administered by Old Mutual Employee Benefits. The Board of Trustees review the investments tabled at a meeting of Board of Trustees. The allocation of the funds available for investment up to November 2003 has been made to Coronation Asset Management and funds withdrawn were made from Investec Asset Management. From December 2003 the monthly net cash flow is invested in or disinvested from Old Mutual Asset Managers, Coronation Asset Managers and Investec Asset Managers in the ratio of 50:25:25.

	2003			**2002**	
	No. of Shares	**Percentage of total assets**	**Fair Value $**	**Percentage of total assets**	**Fair Value $**
Related Parties					
Investments held in related parties are summarized as follows:					
Equity Securities					
With AngloGold and fellow subsidiaries of AA plc					
Anglo American Platinum Group	7,616	0.2%	-	0.7%	1
Anglo American plc	375,664	5.8%	8	5.5%	5
AngloGold	29,760	1.0%	1	1.2%	1
With associates of AA plc					
Gold Fields Limited					

96,991
1.0%
1
0.8%
1
Bonds
AngloGold 2008 10.5%
0.1%
1
11
8
Other investments exceeding 5% of total plan assets
Bonds
RSA 2010 Government Bonds 13%
5.5%
7
5.3%
5
Cash Flows
Contributions
AngloGold expect to contribute $8 million to its pension plan in 2004.
Estimated future benefit payments
The following pension benefit payments, which reflect the expected future service, as appropriate, are expected to be paid:
2004
7
2005
7
2006
6
2007
7
2008
7
thereafter
40

F-41

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. **EMPLOYEE BENEFIT PLANS** *(continued)*

Defined Contribution Funds

Contributions to the various retirement schemes are fully expensed during the year in which they are funded and the cost of providing retirement benefits for the year amounted to $25 million (2002: $16 million). All funds are governed by the Pension Funds Act of 1956.

Post-retirement medical benefits

The provision for post-retirement medical funding represents the provision for health care benefits for employees and retired employees and their registered dependants.

The post-retirement benefit costs are assessed in accordance with the advice of independent professionally qualified actuaries. The actuarial method used is the projected unit credit funding method. This scheme is unfunded.

Information with respect to the defined benefit liability, which includes post-retirement medical benefits for AngloGold South Africa employees, for the year ended December 31, is set forth in the table below:

	Other benefits		
	2003	**2002**	**2001**
	$	**$**	**$**
Change in benefit obligation			
Benefit obligation at January 1,	125	93	110
Service cost	1	1	1
Interest cost	12	11	17
Plan participants contributions	10	-	-
Amendments	(28)	(35)	-
Benefits paid	(18)	(7)	(9)
Actuarial gains	(9)	18	24
Translation			

35
44
(50)
Benefit obligation at December 31,
128
125
93
Unfunded benefit liability
(128)
(125)
(93)
(1)
Amendments include the reversal of the liability of $44 million which
in prior years represented the excess liability not covered by members' contributions. With the transfer of the scheme to an outside service provider, this liability will now be borne by the service provider and not by AngloGold.
Components of net periodic benefit cost Service cost
1
1
1
Interest cost
12
11
17
Amortization of prior service cost
18
-
-
31
12
18
The assumptions used in calculating the above amounts are:
Discount rate
10.0%
11.5%
11.0%
Expected increase in health care costs
5.5%*
9.2%
10.0%
*
The 2003 short-term (1 year) health care inflation costs was 5,5 percent and 5 percent thereafter.
(1)

F-42

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. **EMPLOYEE BENEFIT PLANS** *(continued)*

2003
2002
2001
Assumed health care cost trend rates at December 31,
Health care cost trend assumed for next year
5.5%
9.2%
10.5%
Rate to which the cost trend is assumed to decline
(the ultimate trend rate)
5.0%
5.0%
7.0%
Year that the rate reaches the ultimate trend
2005
2006
2002

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one percentage-point change in assumed health care cost trend rates would have the following effect:

1-percentage point
increase
1-percentage point
decrease
Effect on total service and interest cost
2
(2)
Effect on post-retirement benefit obligation
11
(9)

Cash flows

Post-retirement medical plan

AngloGold expects to contribute $11 million to the post-retirement
medical plan in 2004.

Estimated future benefit payments

The following benefit payments, which reflect expected future service,
as appropriate, are expected to be paid:
2004
15
2005
14
2006
14
2007
15
2008
16
Thereafter
201

East and West Africa region

Namibia (Navachab)

Navachab employees are members of a defined contribution provident fund. The fund is administered by the Old Mutual insurance company. Both the company and the employees make contributions to this fund. AngloGold seconded employees at Navachab remain members of the applicable pension or retirement fund in terms of their conditions of employment with AngloGold.

Mali (Sadiola, Yatela and Morila)

The Malian operations do not have retirement schemes for employees. All employees (local and expatriate) contribute towards the Government social security fund, and the company also makes a contribution towards this fund. On retirement, Malian employees are entitled to a retirement benefit from the Malian Government. Expatriate employees are reimbursed only their contributions to the social security fund. AngloGold seconded employees in Mali remain members of the applicable pension or retirement fund in terms of their conditions of employment with AngloGold.

Tanzania (Geita)

Geita does not have a retirement scheme for employees. Tanzanian nationals contribute towards the Government social security fund, and the company also makes a contribution towards this fund. On retirement, employees are entitled to a retirement benefit from the Tanzanian Government. The company makes no contribution towards any retirement schemes for contracted expatriate employees. AngloGold seconded employees in Tanzania remain members of the applicable pension or retirement fund in terms of their conditions of employment with AngloGold.

F-43
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
23. **EMPLOYEE BENEFIT PLANS** *(continued)*
Australia region
The region contributes to the Australian Retirement Fund for the provision of benefits to employees and their dependants on retirement, disability or death. The fund is a multi-industry national fund with defined contribution arrangements. Contribution rates by the operation on behalf of employees varies, with minimum contributions meeting compliance requirements under the Superannuation Guarantee legislation. Members also have the option of contributing to approved personal superannuation funds. The contributions by the operation are legally enforceable to the extent required by the Superannuation Guarantee legislation and relevant employment agreements.
North America region
Retirement plan - Substantially all AngloGold North America employees at December 31, 1999 were covered by the AngloGold North America Inc. Retirement Plan (the "Plan"), a non-contributory defined benefit plan. With effect from December 31, 1999, the benefits of the Plan participants were frozen and the Plan was terminated during 2000. Curtailment accounting was applied to the Plan at December 31,1999 and the liability was extinguished at December 31, 2000 with the termination of the Plan and related distribution of Plan assets to participants. At December 31, 2001, all of the Plan assets had been distributed and the Plan has filed its final termination forms with the Federal government in 2002.
Post retirement medical benefits - AngloGold North America provides health care and life insurance benefits for certain retired employees under the AngloGold North America Retiree Medical Plan (the "Retiree Medical Plan"). With effect December 31, 1999, no additional employees were eligible to receive post-retirement benefits under the Retiree Medical Plan. Curtailment accounting was applied at December 31, 1999.
The Retiree Medical Plan is a non-contributory defined benefit plan. This plan was last evaluated by independent actuaries in December 2002 who took into account reasonable long-term estimates of increases in health care costs and mortality rates in determining the obligations of AngloGold North America under the Retiree Medical Plan. The evaluation of the Retiree Medical Plan reflected liabilities of $2 million (2002: $2 million). The Retiree Medical Plan is an unfunded plan. The Retiree Medical Plan is evaluated on an annual basis using the projected benefit method.
The cost of providing benefits under the Retirement Plan and the Retiree Medical Plan was insignificant in 2003 and 2002.
Information with respect to the Plan and Retiree Medical Plan, which includes benefits for AngloGold North America employees, for the year ended December 31, is set forth in the table below:

	Other benefits 2003 $	**Other benefits 2002 $**	**Other benefits 2001 $**
Change in benefit obligation			
Benefit obligations at January 1,	2	2	2
Service cost	-	-	

-
Interest cost
-
-
-
Effect of curtailment
-
-
-
Benefits paid
-
-
-
Actuarial gain
-
-
-
Translation
-
-
-
Benefit obligation at December 31,
2
2
2
Change in plan assets
Fair value of plan assets at January 1,
-
-
-
Actual return on plan assets
-
-
-
Company contribution
-
-
-
Benefits
-
-
-
Translation
-
-
-
Fair value of plan assets at December 31,
-
-
-
Unfunded benefit liability

(2)
(2)
(2)

F-44
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
23. **EMPLOYEE BENEFIT PLANS** *(continued)*
Other
benefits
2003
$
Other
benefits
2002
$
Other
benefits
2001
$
The assumptions used in calculating the above amounts are:
Discount rate: retired/all others
6.25%
6.75%
7.25%
Rate of compensation increase
N/A
N/A
N/A
Net periodic pension and post-retirement benefit costs include:
Service cost
-
-
-
Interest cost
-
-
-
Expected return on assets
-
-
-
Curtailment accounting charge
-
-
-
Actuarial gain
-
-
-
Translation
-
-
-
Net amount recognized
-

-
-
The assumptions used in calculating the above amounts are:
Discount rate
6.25%
6.75%
7.25%
Expected return on plan assets
N/A
N/A
N/A
Rate of compensation increase
N/A
N/A
N/A
Defined Contribution Plan - AngloGold North America sponsors a 401(k) savings plan whereby employees may contribute up to 17 percent of their salary, of which up to 5 percent is matched at a rate of 150 percent by AngloGold North America. AngloGold North America's contributions were $2 million (2002: $2 million) during the years ended December 31, 2003 and 2002.
Supplemental Employee Retirement Plan - Certain former employees of Minorco (USA) Inc. were covered under the Minorco (USA) Inc. Supplemental Employee Retirement Plan (the "SERP"), a non-contributory defined benefit plan. The SERP was last evaluated by independent actuaries in 2002 who took into account long-term estimates of inflation, and mortality rates in determining the obligations of AngloGold North America under the SERP. This evaluation of the SERP reflected Plan liabilities of $1 million (2002: $1 million). The SERP is an unfunded plan.
The SERP is evaluated on an annual basis using the projected benefit method. The cost of providing benefits under the SERP for the year ended December 31, 2003 and 2002 were nominal.
South America region
The AngloGold South America operations operate a number of defined contribution arrangements for their employees. These arrangements are funded by the operations (basic plan) and operations/employees (optional supplementary plan) and are embodied in a pension plan entity, Fundambras Sociedade de Previdencia Privada, which is responsible for administering the funds and making arrangements to pay the benefits. On conversion of the defined benefit fund to the defined contribution fund on November 30, 1998, an actuarial liability in the amount of $6 million was calculated. This liability is annually revised by Mercer, the plan's actuary, and provided for under other accrued liabilities which as at December 31, 2003 and 2002, amounted to $6 million and $3 million, respectively. (Refer to Note 17).
In December 2001, contributions commenced to a new PGBL fund, a defined contribution plan similar to the American 401 (k) type of plan, administered by Bradesco Previdencia e Seguros. The transfer of funds from Fundambras to PGBL requires approval from the governmental SPC agency (which is still in the process of being finalized) and is conditional to the full funding of the actuarial liability.
24. **SALES OF SHAFTS**
The Free State assets were disposed of to a joint venture between Harmony Gold Mining Company Limited (Harmony) and ARM with effect from January 1, 2002 for a net consideration of $229 million including tax payable by AngloGold and net of contractual obligations pursuant to the sale. The final condition precedent relative to the sale was fulfilled on April 11, 2002 on which date the agreement of sale became unconditional.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

24. **SALES OF SHAFTS** *(continued)*

The Deelkraal and Elandsrand mines were disposed of to Harmony Gold Mining Company Limited with effect from February 1, 2001 for an amount of $109 million. All conditions precedent relative to the sale were fulfilled by April 9, 2001 on which date the agreement of sale became unconditional.

In addition during 2001, the Vaal Reefs No. 2 shaft owned by ARM on a profit share basis was disposed of to ARM for $1 million, effectively cancelling the tribute arrangement which was in place between AngloGold and ARM up and until the sale.

25. **SEGMENT AND GEOGRAPHICAL INFORMATION**

AngloGold produces gold as its primary product and does not have distinct divisional segments in terms of principal business activity, but manages its business on a geographical basis. Therefore information regarding separate geographic segments is provided.

Year ended December 31			
Business segment data	**2003** **$**	**2002** **$**	**2001** **$**
Revenues			
Revenues from product sales:			
South Africa	1,179	930	1,298
East and West Africa	338	329	250
North America	128	152	161
South America	224	195	177
Australia	157	155	155
Total revenues from product sales	2,026	1,761	2,041
Depreciation and amortization expense			
South Africa	118	120	

184
East and West Africa
70
73
62
North America
47
58
41
South America
56
49
42
Australia
30
33
42
Total depreciation and amortization expense
321
333
371
Segment income/(loss) before deferred income and mining tax
South Africa
158
236
(26)
East and West Africa
138
112
47
North America
4
(12)
3
South America
68
61
44
Australia
9
22
(5)
Total segment income/(loss)
377
419
63
Reconciliation of segment income/(loss) to Net income
Segment total
377
419

63
Exploration costs
(40)
(28)
(26)
General and administrative expenses
(43)
(30)
(24)
Non-hedge derivative gains/(loss)
119
73
(5)
Deferred income and mining tax expensed
(146)
(62)
(163)
Minority interest
(17)
(16)
(8)
Cumulative effect of accounting change
(3)
-
(10)
Net income/(loss)
247
356
(173)

F-46

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. **SEGMENT AND GEOGRAPHICAL INFORMATION** *(continued)*

Year ended December 31

Business segment data	**2003** **$**	**2002** **$**	**2001** **$**
Segment assets			
South Africa	3,120	2,243	1,731
East and West Africa	810	837	769
North America	416	557	546
South America	584	455	310
Australia	649	485	432
Total segment assets	5,579	4,577	3,788
Expenditure for additions to long-lived assets			
South Africa	246	112	106
East and West Africa	26	27	34
North America	27	74	93
South America	43		

27
23
Australia
21
31
42
Total expenditure for additions to long-lived assets
363
271
298
Geographical area data
Total revenues
South Africa
1,206
966
1,308
East and West Africa
343
333
258
North America
129
153
163
South America
227
192
182
Australia
157
155
155
Total revenues
2,062
1,799
2,066
Long-lived assets by area
South Africa
2,294
1,669
1,451
East and West Africa
607
624
642
North America
300
412
366
South America
400

429
362
Australia
568
405
367
Total long-lived assets
4,169
3,539
3,188
26. **ANGLOGOLD LIMITED SHARE INCENTIVE SCHEME**
The company has adopted the disclosure-only provisions of SFAS123 and applies Accounting Principles Board Opinion No. 25 (APB No. 25) and related interpretations in accounting for its employee stock-based compensation plans.
At a general meeting held on June 4, 1998, shareholders approved the introduction of the AngloGold Limited Share Incentive Scheme for the purpose of providing an incentive to executive directors and senior employees of the company and its subsidiaries to identify themselves more closely with the fortunes of the group and its continued growth, and also to promote the retention of such employees by giving them an opportunity to acquire shares in the company. Employees participate in the scheme to the extent that they are granted options and accept them.

F-47

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

26. **ANGLOGOLD LIMITED SHARE INCENTIVE SCHEME** *(continued)*

At a general meeting held on April 30, 2002, it was approved that the rules of the Share Incentive Scheme be amended to provide for the exercise of options to be based on a condition, related to the performance of the company, as determined by the directors and which will be objective and specified. An employee would only be able to exercise his options after the date upon which he has received written notification from the directors that the previously specified performance condition has been fulfilled or waived. The options which have been granted prior to May 1, 2002 remained subject to the conditions under which they were granted. Although there are no automatically convertible unsecured debentures (1) currently in issue under the rules of the Share Incentive Scheme, consequential amendments were approved to the rules of the scheme which effectively made the conversion of debentures subject to the same terms as the exercise of options.

At December 31, 2003, the maximum number of ordinary shares that may be allocated for the purposes of the scheme is 6,136,249 (December 31, 2002: 6,122,106), equivalent to 2.75 percent of the total number of ordinary shares in issue at that date. The maximum aggregate number of shares which may be acquired by any one participant in the scheme is 300,000.

Ordinary shares issued in terms of the Share Incentive Scheme shall, subject to the provisions of the Share Incentive Scheme, rank *pari passu* with issued shares in all respects, including participation in dividends declared by AngloGold.

Non-executive directors are not eligible for participation in the Share Incentive Scheme.

Options

An option may only be granted to an employee to purchase a certain number of shares, specified by the directors, at the option price payable in accordance with the Share Incentive Scheme. It is personal to the employee to whom it is addressed and may only be accepted by him or his family, or his company or his family trust.

(1) The debenture incentive options were cancelled on June 30, 2001 in exchange for stock incentive options.

The Share Incentive Scheme provides for the granting of options based on two separate criteria:

- *Time related options*

As approved by shareholders at the general meeting held on June 4, 1998 and amended by shareholders at the general meeting held on April 30, 2002, time related options may be exercised as follows:

Percentage	**Period after date of grant of options**
20%	2 years
40%	3 years
60%	4 years
100%	5 years

No further options will be granted under this plan which will terminate on February 1, 2012, being the date on which the last options granted under this plan, may be exercised or will expire.

A summary of time related options showing movement from the beginning of the year to the end of the year, is presented below:

	2003 Options (000)	**2003 Weighted-average exercise price R**	**2002 Options (000)**	**2002 Weighted-average exercise price R**
Outstanding at the beginning of the year	2,159	125	2,566	121
Granted	-	-	108	190
Exercised	(508)	123	(479)	119
Forfeited	(47)	128	(36)	146
Outstanding at the end of the year	1,604	125	2,159	125
Exercisable at the end of the year	733	115	1,227	117
Weighted-average fair value of options granted during the year		-		89

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

26. **ANGLOGOLD LIMITED SHARE INCENTIVE SCHEME** *(continued)*

-

Performance related options

Performance related options, as approved by shareholders at the general meeting held on April 30, 2002, granted, may be exercised in full, three year's after date of grant, provided that the condition on which the options were granted, namely related to the performance of the company, as determined by the directors, are met.

The performance related options are accounted for as variable compensation awards, accordingly the compensation expense is calculated at the end of each reporting period until the performance obligation has been met or waived. Compensation expense will vary based on the fluctuations of the underlying stock price in excess of the exercise price.

A summary of performance related options showing movement from the beginning of the year to the end of the year, is presented below:

	2003 Options (000)	**2003 Weighted-average exercise price R**	**2002 Options (000)**	**2002 Weighted-average exercise price R**
Outstanding at the beginning of the year	1,179	300	-	-
Granted	1,240	222	1,182	300
Exercised	-	-	-	-
Forfeited	(103)	287		

(3)
300
Outstanding at the end of the year
2,316
259
1,179
300
Exercisable at the end of the year
-
-
-
-
Weighted-average fair value of options
granted during the year
78
100
All options which have not been exercised within ten years from the date on which they were granted automatically lapse. At the year end, the unallocated balance of shares subject to the Share Incentive Scheme amount to 2,216,289 (2002: 2,783,726).
During the years ended December 31, 2003, 2002 and 2001 there was no compensation expense recognized related to time-based awards as the exercise price of all awards was greater than or equal to the fair market value of the underlying stock on the date of grants. As of December 31, 2003 compensation expense of $4 million was recognised and recorded in additional paid in capital, related to the performance awards under APB No. 25, of which the fair market value was greater than or equal to the exercise price at the end of the reporting period.
During 2003 a total of 508,020 common shares were issued under the share incentive scheme.
The weighted average of all options outstanding as at December 31, 2003 is as follows:

Range of exercise prices R	**Quantity of options within range (000)**	**Weighted average exercise price R**	**Weighted average contractual life Years**
95 - 142	1,352	118	5.72
143 - 214	232	157	7.06
215 - 321	2,336	258	8.86
	3,920		

(1)
204
7.67
(1)
Represents a total of 1,603,660 time related options and 2,316,300 performance related options outstanding as at December 31, 2003.
No options expired during the year ended December 31, 2003.

F-49
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
26. **ANGLOGOLD LIMITED SHARE INCENTIVE SCHEME** *(continued)*
Since December 31, 2003, 103,200 options have been exercised and 5,600 options have lapsed.
Pro forma information regarding net income and earnings per share is required by SFAS123, and has been determined as if the company had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted- average assumptions for 2003, respectively: risk-free interest rates of 11.00 percent (2002: 11.00 percent); dividend yields of 4.27 percent (2002: 4.27 percent); volatility factors of the expected market price of the company's common stock of 0.390 (2002: 0.390) and a weighted-average expected life of the option of 7 years (2002: 7 years) in respect of time related scheme options and risk-free interest rates of 8.85 percent (2002: 11.00 percent); dividend yields of 3.34 percent (2002: 4.27 percent); volatility factors of the expected market price of the company's common stock of 0.325 (2002: 0.31) and a weighted-average expected life of the option of 6.5 years (2002: 6.5 years) in respect of performance based scheme options.
The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.
For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The pro forma option expense in 2003 may not be indicative of pro forma option expense in future years. The company's pro forma information follows (in millions except for earnings per share information):

	2003 $	**2002 $**	**2001 $**
Pro forma net income/(loss)	239	349	(175)
Pro forma earnings(loss) per common share			
Basic (cents)	107	157	(82)
Diluted (cents)	107	157	(82)

The calculation of diluted earnings/(loss) per common share for 2001 did not assume the effect of shares issuable upon the exercise of stock and debenture incentive options as their effects are anti-dilutive for this period.
Acacia Employee Option Plan
The company's wholly-owned subsidiary, AngloGold Australia Limited (formerly AngloGold Australasia Limited and originally Acacia Resources Limited) operates the Acacia Employee Option Plan for certain of its employees. In terms of this plan, on exercising of options, a ratio of 7 AngloGold ordinary shares for every 100 options held will be applied. The issue price of the AngloGold shares is calculated using the A$/R exchange rate ruling on the date of allotment. At December 31, 2003, all options granted in terms of the Acacia Employee Option Plan had been exercised or lapsed and the plan has been terminated.

During 2002 a total of 66,598 shares were issued under the Acacia Employee Option Plan. Since December 31, 2002, 90,000 options, equivalent to 6,300 AngloGold shares have been exercised. No options lapsed.

27. **MINERAL AND PETROLEUM RESOURCES DEVELOPMENT ACT**

AngloGold's rights to own and exploit mineral reserves and deposits are governed by the laws and regulations of the jurisdictions in which the mineral properties are located. Currently, a significant portion of its mineral reserves and deposits are located in South Africa.

F-50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

27. **MINERAL AND PETROLEUM RESOURCES DEVELOPMENT ACT** *(continued)*

In October 2002, the President of South Africa assented to the Mineral and Petroleum Resources Development Act ("MPRDA"), which was passed by the parliament of South Africa in June 2002. It will take effect on a date to be proclaimed by the President, which is expected to be during 2004. Until then the existing regulatory regime for mineral rights will remain in place whereby the holder of mineral rights is entitled to mine on obtaining a mining authorization. AngloGold owns substantially all the mineral rights for which it holds mining authorizations.

The MPRDA vests custodianship of South Africa's mineral rights in the State, which will issue prospecting rights or mining rights to applicants in the future. The existing common law prospecting, mining and mineral rights will cease to exist, but transitional arrangements are provided in order to give holders of existing rights the opportunity to convert their current rights into new rights.

Where AngloGold holds mineral rights and mining authorizations and is conducting mining operations on the date on which the MPRDA comes into effect, it will be able, within five years from the date of effectiveness of the MPRDA to submit the old rights and authorizations for conversion to new mining rights. AngloGold will need to submit a mining work programme and thereby substantiate the area and period of the new rights and also to comply with the requirements of the Charter as described below. A similar procedure applies where it holds prospecting rights and a prospecting permit and is conducting prospecting operations, but AngloGold must apply for conversion to new prospecting rights within two years from the date of effectiveness of the MPRDA for which purpose a prospecting work programme must be submitted. Where it holds unused rights, however, AngloGold will have one year to apply for new prospecting rights or mining rights, the requirements in regard to which are more stringent than for conversion, requiring, for example, non-concentration of resources, fair competition, non-exclusionary effects and proof of financial and technical ability.

Even where new rights are obtained under the MPRDA, these rights will not be equivalent to the existing rights. The area covered by the new rights may be reduced by the State if it finds that the prospecting or mining work programme submitted by an applicant does not substantiate the need to retain the area covered by the old rights. The duration of the new rights will no longer be perpetual but rather, in the case of new mining rights, for a maximum of 30 years with renewals of up to 30 years each and, in the case of prospecting rights, up to five years with one renewal of up to three years. The MPRDA provides for a retention period after prospecting of up to three years with one renewal of up to two years, subject to certain conditions, such as non-concentration of resources, fair competition, and non-exclusion of others. In addition, the new rights will only be transferable subject to the approval of the Minister of Minerals and Energy. Mining or prospecting must commence within one year or 120 days, respectively, of the mining right or prospecting right becoming effective, and must be conducted continuously and actively thereafter.

The new rights can be suspended or cancelled by the Minister of Minerals and Energy on breach or, in the case of a mining right, on non-optimal mining in accordance with the mining work programme.

The new rights will be subject to a State royalty calculated on gross revenue as proposed in the draft Mineral and Petroleum Royalty Bill, 2003, which was released in March 2003 for comment and which proposes a royalty payment of three percent of gross revenue per annum, payable quarterly, in the case of gold. As proposed, royalty payments will commence upon the conversion and granting of a new mining right. AngloGold and other members of the South African mining community have submitted comments on the draft bill to the relevant authorities. These comments included recommendations for a profit based, rather than a revenue based, royalty and in order not to delay the conversion of mineral rights from old to new order mining rights, that the proposed royalty should only become payable from a fixed date being five years after the MPRDA takes effect, which date is the final date for the conversion of old order to new order mining rights under the MPRDA. In addition, a reduction in the royalty rate from that proposed in the draft Mineral and Petroleum Royalty Bill has been proposed. On February 18, 2004, in the Budget Speech for the 2004 fiscal year, the South African Minister of Finance proposed several refinements to the draft Mineral and Petroleum Royalty Bill. These include a delay in the introduction of the royalty to five years after the introduction of the MPRDA and confirmation of the South African Government's preference for a revenue based royalty. It was further indicated that the royalty regime would take cognisance of the mining sectors' diverse production and profitability dynamics with differential rates to apply to marginal mining operations. The introduction of the proposed royalty, will have an adverse impact upon AngloGold's profitability, as currently no royalty is payable.

F-51

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)* 27. **MINERAL AND PETROLEUM RESOURCES DEVELOPMENT ACT** *(continued)*

The MPRDA calls for a Charter to be developed by the Minister of Minerals and Energy within six months of commencement of the Act, the content of which has largely been agreed with mining industry representatives (including AngloGold), and with representatives of other stakeholders. The Charter's stated objectives include the:

- expansion of opportunities for persons disadvantaged by unfair discrimination under the previous political dispensation;
- expansion of the skills base of such persons;
- promotion of employment and advancement of the social and economic welfare of mining communities; and
- promotion of beneficiation, or the crushing and separation of ore into valuable substances or waste within South Africa.

The Charter requires that each mining company achieve 15 percent ownership by historically disadvantaged South Africans of its South African mining assets within five years, and 26 percent ownership within ten years. It contemplates that this will be achieved by, amongst other things, disposals of assets by mining companies to historically disadvantaged persons on a willing seller - willing buyer basis at fair market value. In addition, the Charter requires mining companies to formulate plans for achieving employment equity at management level with a view to achieving 40 percent participation by historically disadvantaged persons in management and 10 percent participation by women in the mining industry, each within five years. When considering applications for the conversion of existing rights, the State will take a "scorecard" approach, evaluating the commitments of each company to the different facets of promoting the objectives of the Charter. The draft scorecard was published by the South African government in February 2003.

AngloGold fully supports the principle that the mining industry and the wider South African economy have to find ways of dealing with the legacy of the country's history in a manner that promotes economic development and growth. AngloGold has made progress in adjusting the ownership structure of its South African mining assets and the composition of its management consistent with the Charter's spirit. It believes that it is well placed to meet the Charter's targets in accordance with the scorecard.

AngloGold has completed a number of asset sales to companies owned by historically disadvantaged persons in the past four years, which meet the requirements of the Charter and the scorecard. According to AngloGold's estimates based on operating data for the twelve months ended September 30, 2003, these transactions transfer 22.4 percent of its attributable units of production in South Africa to historically disadvantaged persons. However, AngloGold would expect the State to conduct its own assessment of these transfers when AngloGold submits its conversions or applications for acquisition of new rights to replace its existing rights. In addition, it is continuing to evaluate alternative ways in which to achieve the objectives of the Charter through, for example, forms of broad-based equity ownership by historically disadvantaged entities, groups or individuals, including employee share ownership and empowerment unit trusts.

AngloGold believes that it has made significant progress towards meeting the requirements of the Charter and the scorecard in human resource development, employment equity, mine community and rural development, housing and living conditions, procurement and beneficiation. It will also reflect these results when it lodges its conversions or applications for acquisition of new rights to replace its existing rights. Its performance under the criteria set by the Charter and the scorecard will be assessed by the State upon the occurrence of such lodgements or applications. Details of the State's methodology for calculating performance in regard to beneficiation have, however, not yet been made public. Failure on the part of AngloGold to comply with the requirements of the Charter and the scorecard could subject it to negative consequences.

AngloGold may also incur expenses in giving additional effect to the Charter and the scorecard, including costs which it may incur in facilitating the financing of initiatives towards ownership by historically disadvantaged persons as part of the industry-wide commitment to assist such persons in securing R100 billion of financing during the first five years of the Charter's life. There is furthermore no guarantee that any steps AngloGold might take to comply with the Charter would ensure that it could successfully acquire new mining rights in place of its existing rights. In addition, the terms of such new rights may not be as favourable to AngloGold as the terms applicable to its existing rights. Based on present indications, however, AngloGold believes that it should be able to successfully acquire new rights on reasonable terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

27. **MINERAL AND PETROLEUM RESOURCES DEVELOPMENT ACT** *(continued)*

The MPRDA also imposes on mining companies additional responsibilities relating to environmental management and to environmental damage, degradation or pollution resulting from their prospecting or mining activities. AngloGold has a policy of evaluating, minimising and addressing the environmental consequences of its activities and, consistent with this policy and the MPRDA, has undertaken a review of the environmental costs and liabilities associated with its South African operations in light of the new, as well as the existing, environmental requirements. While this examination could result in an increase in its compliance costs and accruals for environmental remediation, it is not certain at this stage whether these costs or liabilities will have a material adverse effect on its financial condition or results of operations.

28. **SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION**

Proposed transfer of certain of AngloGold's operations located outside South Africa to wholly-owned subsidiary

Subject to the necessary regulatory approvals, it is AngloGold's current intention to transfer certain of its operations and assets located outside South Africa (excluding certain operations and assets in the United States) to AngloGold Holdings plc. (originally SMI Holdings Limited and formerly AngloGold Holdings Limited) ("IOMco"), its wholly-owned subsidiary. IOMco is an Isle of Man registered company.

It is AngloGold's current intention that from time to time IOMco may assume or issue debt securities which may be fully and unconditionally guaranteed by AngloGold Limited (being the "Guarantor"). The following is condensed consolidating financial information for the AngloGold group as of December 31, 2003 and 2002 and for the years ended December 31, 2003, 2002 and 2001, with a separate column for each of IOMco as Issuer, AngloGold Limited as Guarantor and the other businesses of the AngloGold group combined (the "Non-Guarantor Subsidiaries"). For the purposes of the condensed consolidating financial information, AngloGold carries its investments under the equity method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
28.
SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (*continued)*
ANGLOGOLD LIMITED
Condensed consolidating statements of income
FOR THE YEAR ENDED DECEMBER 31,
(In millions, except share information)

	2003 $ AngloGold (the "Guarantor")	**2003 $ IOMco** (the "Issuer")	**2003 $ Other subsidiaries** (the "Non-Guarantor subsidiaries")	**2003 $ Cons adjustments**	**2003 $ Total**
Sales and other income	1,257	-	865	(60)	2,062
Product sales	1,179	-	847	-	2,026
Interest, dividends and other	78	-	18	(60)	36
Costs and expenses	1,019	-	632	-	1,651
Production costs					

782
-
424
-
1,206
Exploration costs
4
-
36
-
40
Related party transactions
35
-
1
-
36
General and administrative
41
-
2
-
43
Royalties paid/(received)
69
-
(42)
-
27
Market development costs
15
-
4
-
19
Research and development
-
-
-
-
-
Depreciation, depletion and amortization
91
-
230
-
321
Impairment of assets
69
-
9

-
78
Goodwill amortized
-
-
-
-
-
Interest expense
26
-
23
-
49
Accretion expense
1
-
1
-
2
Employment severance costs
4
-
-
-
4
Loss on sale of mining assets
-
-
-
-
-
Profit on sale of assets
(2)
-
(53)
-
(55)
Non-hedge derivative gains
(116)
-
(3)
-
(119)
Other
-
-
-
-
-
Income/(loss) before equity income and income tax

238
-
233
(60)
411
Equity income in affiliates
2
-
-
-
2
Equity income/(loss) in subsidiaries
128
-
-
(128)
-
Income/(loss) before income tax provision
368
-
233
(188)
413
Deferred income and mining tax expensed
(113)
-
(33)
-
(146)
Income/(loss) before minority interest
255
-
200
(188)
267
Minority interest
-
-
(17)
-
(17)
Income/(loss) after minority interest
255
-
183
(188)
250
Preferred stock dividends
(8)
-
(52)

60
-
Income/(loss) before cumulative effect of accounting change
247
-
131
(128)
250
Cumulative effect of accounting change
-
-
(3)
-
(3)
Net income/(loss) -
applicable to common stockholders
247
-
128
(128)
247
F-53

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

28.

SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (*continued)*

ANGLOGOLD LIMITED

Condensed consolidating statements of income

FOR THE YEAR ENDED DECEMBER 31,

(In millions, except share information)

2002
$
AngloGold
2002
$
IOMco
2002
$
Other subsidiaries
2002
$
Cons adjustments
2002
$
Total
(the "Guarantor")
(the "Issuer")
(the "Non-Guarantor
subsidiaries")
Sales and other income
1,027
-
843
(71)
1,799
Product sales
931
-
830
-
1,761
Interest, dividends and other
96
-
13
(71)
38
Costs and expenses
764
-
605
-
1,369
Production costs

527
-
383
-
910
Exploration costs
3
-
25
-
28
Related party transactions
40
-
-
-
40
General and administrative
24
-
6
-
30
Royalties paid/(received)
83
-
(58)
-
25
Market development costs
17
-
-
-
17
Research and development
1
-
-
-
1
Depreciation, depletion and amortization
96
-
237
-
333
Impairment of assets
-
-
-

-
-
Goodwill amortized
-
-
-
-
-
Interest expense
15
-
29
-
44
Accretion expense
-
-
-
-
-
Employment severance costs
3
-
-
-
3
Loss on sale of mining assets
-
-
-
-
-
Loss on sale of assets
11
-
-
-
11
Non-hedge derivative gains
(56)
-
(17)
-
(73)
Other
-
-
-
-
-
Income/(loss) before equity income and income tax

263
-
238
(71)
430
Equity income in affiliates
4
-
-
-
4
Equity income/(loss) in subsidiaries
116
-
-
(116)
-
Income/(loss) before income tax provision
383
-
238
(187)
434
Deferred income and mining tax expensed
(18)
-
(44)
-
(62)
Income/(loss) before minority interest
365
-
194
(187)
372
Minority interest
-
-
(16)
-
(16)
Income/(loss) after minority interest
365
-
178
(187)
356
Preferred stock dividends
(9)
-
(62)

71
-
Income/(loss) before cumulative effect of accounting change
356
-
116
(116)
356
Cumulative effect of accounting change
-
-
-
-
-
Net income/(loss) -
applicable to common stockholders
356
-
116
(116)
356

F-54
The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
28.
SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (*continued)*
ANGLOGOLD LIMITED
Condensed consolidating statements of income
FOR THE YEAR ENDED DECEMBER 31,
(In millions, except share information)
2001
$
AngloGold
2001
$
IOMco
2001
$
Other subsidiaries
2001
$
Cons adjustments
2001
$
Total
(the "Guarantor")
(the "Issuer")
(the "Non-Guarantor
subsidiaries")
Sales and other income
1,377
-
767
(78)
2,066
Product sales
1,298
-
743
-
2,041
Interest, dividends and other
79
-
24
(78)
25
Costs and expenses
1,438
-
621
-
2,059
Production costs

854
-
391
-
1,245
Exploration costs
4
-
22
-
26
Related party transactions
54
-
-
-
54
General and administrative
20
-
4
-
24
Royalties paid/(received)
99
-
(83)
-
16
Market development costs
16
-
-
-
16
Research and development
2
-
-
-
2
Depreciation, depletion and amortization
154
-
217
-
371
Impairment of assets
173
-
-

-
173
Goodwill amortized
1
-
26
-
27
Interest expense
22
-
50
-
72
Accretion expense
-
-
-
-
-
Employment severance costs
22
-
-
-
22
Loss on sale of mining assets
4
-
-
-
4
(Profit)/loss on sale of assets
-
-
-
-
-
Non-hedge derivative loss/(gains)
10
-
(5)
-
5
Other
3
-
(1)
-
2
(Loss)/income before equity income and income tax

(61)
-
146
(78)
7
Equity income in affiliates
1
-
-
-
1
Equity income/(loss) in subsidiaries
21
-
-
(21)
-
(Loss)/income before income tax provision
(39)
-
146
(99)
8
Deferred income and mining tax expensed
(132)
-
(31)
-
(163)
(Loss)/income before minority interest
(171)
-
115
(99)
(155)
Minority interest
-
-
(8)
-
(8)
(Loss)/income after minority interest
(171)
-
107
(99)
(163)
Preferred stock dividends
(8)
-
(70)

78
-
(Loss)/income before cumulative effect of accounting change
(179)
-
37
(21)
(163)

F-55
Cumulative effect of accounting change
6
-
(16)
-
(10)
Net (loss)/income -
applicable to common stockholders
(173)
-
21
(21)
(173)
The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
28.
SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (*continued)*
ANGLOGOLD LIMITED
Condensed consolidating balance sheets
AT DECEMBER 31,
(In millions, except share information)

	2003 $ AngloGold (the "Guarantor")	2003 $ IOMco (the "Issuer")	2003 $ Other subsidiaries (the "Non-Guarantor subsidiaries")	2003 $ Cons adjustments	2003 $ Total
ASSETS					
Current Assets	1,547	-	1,475	(1,612)	1,410
Cash and cash equivalents	280	-	225	-	505
Receivables	1,157	-	1,057	(1,612)	602
Trade	23	-	24	-	47

Inter-group balances
746
-
866
(1,612)
-
Derivatives
316
-
61
-
377
Value added taxes
11
-
16
-
27
Other
61
-
90
-
151
Inventories
110
-
92
-
202
Materials on the leach pad
-
-
101
-
101
Property, plant and equipment, net
1,452
-
1,103
-
2,555
Acquired properties, net
313
-
623
-
936
Goodwill
3
-

666
(259)
410
Derivatives
85
-
9
-
94
Materials on the leach pad
-
-
7
-
7
Other long-term assets
1,542
-
171
(1,546)
167
Total assets
4,942
-
4,054
(3,417)
5,579
LIABILITIES AND STOCKHOLDERS' EQUITY
Current liabilities
1,526
-
1,228
(1,552)
1,202
Accounts payable and accrued liabilities
244
-
106
35
385
Inter-group balances
662
-
925
(1,587)
-
Derivatives
328
-
113
-

441
Short-term debt
284
-
67
-
351
Income and mining tax payable
8
-
17
-
25
Long-term debt
297
-
510
-
807
Derivatives
144
-
185
-
329
Deferred income and mining tax
716
-
164
(35)
845
Provision for environmental rehabilitation
49
-
85
-
134
Other accrued liabilities
-
-
12
-
12
Provision for post-retirement medical benefits
128
-
2
-
130
Minority interest
14

-
38
-
52
Commitments and contingencies
-
-
-
-
-
Stockholders' equity
2,068
-
1,830
(1,830)
2,068
Common stock issued
9
-
451
(451)
9
Additional paid in capital
3,415
-
1,111
(1,111)
3,415
Accumulated deficit
(616)
-
220
(220)
(616)
Accumulated other comprehensive income
(740)
-
48
(48)
(740)
F-56
Total liabilities and stockholders' equity
4,942
-
4,054
(3,417)
5,579
The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
28.
SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (*continued)*
ANGLOGOLD LIMITED
Condensed consolidating balance sheets
AT DECEMBER 31,
(In millions, except share information)
2002
$
AngloGold
2002
$
IOMco
2002
$
Other subsidiaries
2002
$
Cons adjustments
2002
$
Total
(the "Guarantor")
(the "Issuer")
(the "Non-Guarantor
subsidiaries")
ASSETS
Current Assets
1,100
-
1,437
(1,499)
1,038
Cash and cash equivalents
184
-
229
-
413
Receivables
858
-
1,129
(1,499)
488
Trade
4
-
44
-
48

Inter-group balances
548
-
951
(1,499)
-
Derivatives
180
-
53
-
233
Value added taxes
10
-
16
-
26
Other
116
-
65
-
181
Inventories
58
-
79
-
137
Materials on the leach pad
-
-
-
-
-
Property, plant and equipment, net
939
-
1,076
-
2,015
Acquired properties, net
294
-
608
-
902
Goodwill
1
-

603
(259)
345
Derivatives
61
-
3
-
64
Materials on the leach pad
-
-
79
-
79
Other long-term assets
1,079
-
131
(1,076)
134
Total assets
3,474
-
3,937
(2,834)
4,577
LIABILITIES AND STOCKHOLDERS' EQUITY
Current liabilities
656
-
1,599
(1,456)
799
Accounts payable and accrued liabilities
159
-
101
22
282
Inter-group balances
126
-
1,352
(1,478)
-
Derivatives
247
-
55
-

302
Short-term debt
2
-
82
-
84
Income and mining tax payable
122
-
9
-
131
Long-term debt
264
-
578
-
842
Derivatives
137
-
99
-
236
Deferred income and mining tax
427
-
156
(22)
561
Provision for environmental rehabilitation
45
-
95
-
140
Other accrued liabilities
-
-
12
-
12
Provision for post-retirement medical benefits
125
-
2
-
127
Minority interest
-

-
40
-
40
Commitments and contingencies
-
-
-
-
-
Stockholders' equity
1,820
-
1,356
(1,356)
1,820
Common stock issued
9
-
451
(451)
9
Additional paid in capital
3,403
-
901
(901)
3,403
Accumulated deficit
(567)
-
92
(92)
(567)
Accumulated other comprehensive income
(1,025)
-
(88)
88
(1,025)

F-57
3,474
-
3,937
(2,834)
4,577
The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

28.

SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (*continued)*

ANGLOGOLD LIMITED

Condensed consolidating statements of cash flows

FOR THE YEAR ENDED DECEMBER 31,

(In millions, except share information)

	2003 $ AngloGold (the "Guarantor")	**2003 $ IOMco** (the "Issuer")	**2003 $ Other subsidiaries** (the "Non-Guarantor subsidiaries")	**2003 $ Cons adjustments**	**2003 $ Total**
Net cash provided by/(used in) operating activities	305	-	208	(60)	453
Income/(loss) after minority interest	255	-	183	(188)	250
Reconciled to net cash provided by/(used in) operations:					
Loss on sale of mining assets	-	-	-	-	-
Profit on sale of assets	(2)	-	(53)	-	(55)

Depreciation, depletion and amortization
91
-
230
-
321
Deferred stripping costs
-
-
(43)
-
(43)
Impairment of assets
69
-
9
-
78
Deferred income and mining tax
96
-
(17)
-
79
Other non cash items
(160)
-
49
128
17
Net decrease in provision for environmental rehabilitation and post-retirement medical benefits
(76)
-
(12)
-
(88)
Effect of changes in operating working capital items:
Net movement in inter-group receivables and payables
124
-
(124)
-
-
Receivables
(65)
-
12
-
(53)
Inventories

(45)
-
(42)
-
(87)
Accounts payable and accrued liabilities
18
-
16
-
34
Net cash used in investing activities
(236)
-
(71)
-
(307)
Cash acquired in acquisitions
9
-
-
-
9
Increase in non-current investments
-
-
(1)
-
(1)
Additions to property, plant and equipment
(246)
-
(117)
-
(363)
Proceeds on sale of mining assets
2
-
4
-
6
Proceeds on sale of investments
-
-
56
-
56
Cash effects of acquisitions or disposals
-
-
1

-
1
Loans receivable advanced
(1)
-
(18)
-
(19)
Loans receivable repaid
-
-
4
-
4
Net cash (used)/generated in financing activities
(14)
-
(153)
60
(107)
Short-term debt repaid
(69)
-
(56)
-
(125)
Short-term debt raised
79
-
-
-
79
Issuance of stock
10
-
-
-
10
Long-term debt repaid
-
-
(40)
-
(40)
Long-term debt raised
270
-
13
-
283
Dividends paid

(304)
-
(70)
60
(314)
Net increase/(decrease) in cash and cash equivalents
55
-
(16)
-
39
Effect of exchange rate changes on cash
41
-
12
-
53
Cash and cash equivalents - January 1,
184
-
229
-
413

F-58
Cash and cash equivalents - December 31,
280
-
225
-
505
The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
28.
SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (*continued)*
ANGLOGOLD LIMITED
Condensed consolidating statements of cash flows
FOR THE YEAR ENDED DECEMBER 31,
(In millions, except share information)
2002
$
AngloGold
2002
$
IOMco
2002
$
Other subsidiaries
2002
$
Cons adjustments
2002
$
Total
(the "Guarantor")
(the "Issuer")
(the "Non-Guarantor
subsidiaries")
Net cash provided by/(used in) operating activities
269
-
396
(71)
594
Income/(loss) after minority interest
365
-
178
(187)
356
Reconciled to net cash provided by/(used in) operations:
Loss on sale of mining assets
-
-
-
-
-
(Profit)/loss on sale of assets
-
-
-
-
-

Depreciation, depletion and amortization
96
-
237
-
333
Deferred stripping costs
-
-
(11)
-
(11)
Impairment of assets
-
-
-
-
-
Deferred income and mining tax
(55)
-
(7)
-
(62)
Other non cash items
(109)
-
4
116
11
Net decrease in provision for environmental rehabilitation and post- retirement medical benefits
(3)
-
(14)
-
(17)
Effect of changes in operating working capital items:
Net movement in inter-group receivables and payables
(69)
-
69
-
-
Receivables
17
-
(22)
-
(5)
Inventories
(16)

-
(38)
-
(54)
Accounts payable and accrued liabilities
43
-
-
-
43
Net cash generated/(used) in investing activities
161
-
(252)
-
(91)
Cash acquired in acquisitions
-
-
8
-
8
Increase in non-current investments
(28)
-
(6)
-
(34)
Additions to property, plant and equipment
(112)
-
(159)
-
(271)
Proceeds on sale of mining assets
-
-
1
-
1
Proceeds on sale of investments
158
-
-
-
158
Cash effects of acquisitions or disposals
140
-
(105)
-

35
Loans receivable advanced
(1)
-
(4)
-
(5)
Loans receivable repaid
4
-
13
-
17
Net cash (used)/generated in financing activities
(350)
-
(77)
71
(356)
Short-term debt repaid
(141)
-
(513)
-
(654)
Short-term debt raised
-
-
38
-
38
Issuance of stock
18
-
-
-
18
Long-term debt repaid
(138)
-
(120)
-
(258)
Long-term debt raised
180
-
580
-
760
Dividends paid
(269)

-
(62)
71
(260)
Net increase in cash and cash equivalents
80
-
67
-
147
Effect of exchange rate changes on cash
63
-
12
-
75
Cash and cash equivalents - January 1,
41
-
150
-
191

F-59
Cash and cash equivalents - December 31,
184
-
229
-
413
The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
28.
SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (*continued)*
ANGLOGOLD LIMITED
Condensed consolidating statements of cash flows
FOR THE YEAR ENDED DECEMBER 31,
(In millions, except share information)
2001
$
AngloGold
2001
$
IOMco
2001
$
Other subsidiaries
2001
$
Cons adjustments
2001
$
Total
(the "Guarantor")
(the "Issuer")
(the "Non-Guarantor
subsidiaries")
Net cash provided by/(used in) operating activities
201
-
378
(78)
501
(Loss)/income after minority interest
(171)
-
107
(99)
(163)
Reconciled to net cash provided by/(used in) operations:
Loss on sale of mining assets
4
-
-
-
4
(Profit)/loss on sale of assets
-
-
-
-
-

Depreciation, depletion and amortization
154
-
217
-
371
Deferred stripping costs
-
-
1
-
1
Impairment of assets
173
-
-
-
173
Deferred income and mining tax
20
-
(11)
-
9
Other non cash items
9
-
25
21
55
Net increase in provision for environmental rehabilitation and post- retirement medical benefits
25
-
-
-
25
Effect of changes in operating working capital items:
Net movement in inter-group receivables and payables
(54)
-
54
-
-
Receivables
56
-
9
-
65
Inventories
38

-
(16)
-
22
Accounts payable and accrued liabilities
(53)
-
(8)
-
(61)
Net cash generated/(used) in investing activities
17
-
(165)
-
(148)
Cash acquired in acquisitions
-
-
-
-
-
Increase in non-current investments
-
-
(4)
-
(4)
Additions to property, plant and equipment
(106)
-
(192)
-
(298)
Proceeds on sale of mining assets
-
-
6
-
6
Proceeds on sale of investments
-
-
-
-
-
Cash effects of acquisitions or disposals
109
-
-
-

109
Loans receivable advanced
-
-
(4)
-
(4)
Loans receivable repaid
14
-
29
-
43
Net cash (used)/generated in financing activities
(132)
-
(244)
78
(298)
Short-term debt repaid
(192)
-
(191)
-
(383)
Short-term debt raised
16
-
20
-
36
Issuance of stock
7
-
-
-
7
Long-term debt repaid
-
-
(31)
-
(31)
Long-term debt raised
212
-
28
-
240
Dividends paid
(175)

-
(70)
78
(167)
Net increase/(decrease) in cash and cash equivalents
86
-
(31)
-
55
Effect of exchange rate changes on cash
(58)
-
(1)
-
(59)
Cash and cash equivalents - January 1,
13
-
182
-
195
F-60
Cash and cash equivalents - December 31,
41
-
150
-
191
The accompanying notes are an integral part of these Consolidated Financial Statements.

F-61

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

29. **STOCK SPLIT**

Throughout the annual financial statements presented herein, the number of AngloGold common shares and the calculation of basic and diluted earnings/(loss) per share information for AngloGold have been adjusted retroactively to reflect AngloGold's two-for-one stock split and the issuance of a total of 278,196 AngloGold common shares under AngloGold's odd lot offer as approved at the general meeting of AngloGold's shareholders held on December 5, 2002.

30. **SUBSEQUENT EVENTS (UNAUDITED)**

Disposal of Union Reefs Gold Mine

AngloGold Australia Limited announced on November 14, 2003 that it had entered into an agreement with Greater Pacific Gold Ltd to sell its 100 percent owned Northern Territory gold mining assets. These comprise the Union Reefs Gold Mine at Pine Creek and associated assets and tenements. The sale is dependent upon Greater Pacific Gold Ltd meeting the staged payments schedule and various other AngloGold Australia Limited related performance criteria. The transaction is conditional upon a satisfactory due diligence outcome, the attainment of all regulatory approvals, shareholder approval and securing requisite financing arrangements. The agreed staged purchase consideration for these assets is A$6 ($5) million. The potential profit on the disposal of Union Reefs is A$5 ($3) million. Additional profit may arise if the rehabilitation provision is not fully depleted prior to sale or if interest is payable on payments not paid by the due date.

Sale of Western Tanami Project

AngloGold Australia Limited announced on November 24, 2003 that it has agreed to sell its Western Tanami Project to Tanami Gold NL. The Western Tanami Project comprises an established exploration camp and associated equipment, a number of Exploration Licences in northern Western Australia and includes the Coyote gold project. The sales agreement was concluded on January 20, 2004. In addition to the deposit made on November 24, 2003 of A$0.3 ($0.20) million, Tanami Gold has made a further A$4 ($3) million cash payment and issued 25 million fully paid ordinary shares to AngloGold. A further payment of A$5 ($3) million will be made by May 16, 2004 and future royalty payments will be made on gold produced above 300,000 ounces up to 1 million ounces. The potential profit on the disposal of the Western Tanami Project is A$3 ($2) million excluding the potential royalty payments. Including the royalty payments the potential profit would be dependent on the final gold production.

Launch of Convertible Bonds Offer

On February 27, 2004, AngloGold Holdings plc, a wholly-owned subsidiary of AngloGold, issued $1,000,000,000 2.375 per cent guaranteed convertible bonds due 2009, convertible into AngloGold ADSs and guaranteed by AngloGold.

Subject to certain restrictions, holders of convertible bonds are entitled to convert each convertible bond into an AngloGold ADSs at the then applicable conversion price at any time from April 8, 2004 to February 20, 2009, or, if the convertible bonds are called for redemption earlier than February 27, 2009, the seventh business day prior to the date of early redemption.

If the bonds have not been converted by February 20, 2009, they will be redeemed at par on February 27, 2009. AngloGold Holdings plc has the option of calling an early redemption of all the bonds 3 years after their issuance, if the price of the ADSs exceeds 130 percent of the conversion price for more than 20 days during any period of 30 consecutive trading days.

The initial conversion price for the convertible bonds is $65.00 per AngloGold ADS. The conversion premium to the reference volume weighted average price of the ADSs on the New York stock exchange of $40.625 on February 19, 2004, when the issue of the convertible bonds was announced, was 60 per cent. If all bond holders exercise their option to convert their bonds into ADSs and assuming no adjustments are made to the initial conversion price, up to 15,384,615 new ADSs will be issued. The conversion ratio is subject to adjustment in case of various corporate events including share splits and capital distributions.

Exhibits to Form 20-F
Exhibit Number
Description
Remarks
Exhibit 19.1
Memorandum and Articles of Association of AngloGold Limited as in effect April 4, 2003
Incorporated by reference to Exhibit 3.1 of AngloGold's registration statement on Form F-3 filed with the Securities and Exchange Commission on December 17, 2002.
Exhibit 19.2
Trust Deed dated February 27, 2004 between AngloGold Holdings plc as Issuer, AngloGold Limited as Guarantor and the Law Debenture Trust Corporation p.l.c. as Trustee
Exhibit 19.4.1
AngloGold Limited Share Incentive Scheme in effect April 4, 2003
Incorporated by reference to Exhibit 19.4(c) of AngloGold's annual report on Form 20-F filed with the Securities and Exchange Commission on June 28, 2002.
Exhibit 19.4.2
Service contract of Robert M Godsell
Exhibit 19.4.3
Service contract of Jonathan G Best
Exhibit 19.4.4
Service contract of David L Hodgson
Exhibit 19.4.5
Service contract of Kelvin H Williams
Exhibit 19.4.6
Transaction Agreement between AngloGold Limited and Ashanti Goldfields Company Limited, dated August 4, 2003 and five amendments thereto
Exhibit 19.6
Statement regarding how earnings per share information was calculated
See note 7 to the consolidated financial statements
Exhibit 19.8
List of AngloGold subsidiaries
Exhibit 19.12.1
Certification of Robert M Godsell, Chief Executive Officer of AngloGold Limited, pursuant to Section 302 of the Sarbanes -Oxley Act of 2002
Exhibit 19.12.2
Certification of Jonathan G Best, Executive Director, Finance of AngloGold Limited, pursuant to Section 302 of the Sarbanes -Oxley Act of 2002

Exhibit 19.13
Certification pursuant to 18 U.S.C. Section 1350, as adopted
pursuant to Section 906 of the Sarbanes -Oxley Act of 2002
Exhibit 19.14
Consent of Ernst & Young, independent accountants

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and
authorized the undersigned to sign this annual report on its behalf.

ANGLOGOLD LIMITED

/s/ Jonathan Gourlay Best
Name: Jonathan Gourlay Best
Title: Executive Director, Finance
Date: March 18, 2004.