

# Letter from the Chairman and Chief Executive

Dear Shareholder

The planned merger of AngloGold with Ghana's Ashanti Goldfields, which is expected to be concluded during April 2004, has been the most significant recent strategic event for AngloGold. The merger will bring together AngloGold's technical and financial strength and Ashanti's substantial ore reserves, making possible the development of the Obuasi Deeps project – one of the most prospective gold orebodies in the world – and extending Obuasi's life by some 20 years.

In 2003, AngloGold's performance was affected by a combination of stronger local currencies in most of the company's operating regions, as well as lower ore grades in several operations. As anticipated, gold production declined by 5% to 5.62Moz, as a result of the lower grades at Morila, following the extraordinary but unsustainable production levels of 2002, and at Great Noligwa. In addition AngloGold sold its stake in Jerritt Canyon in Nevada.

Total cash costs across the company were \$68/oz higher, at \$229/oz, mainly as a result of translating local currency costs to US Dollars at a significantly lower Dollar exchange rate. Adjusted headline earnings in 2003 were 23% lower than those for the previous year, at \$282 million, or 127 US cents per share.

received the full spot price for the year on its gold sales. Against this background, AngloGold's net delta hedge position of 8.59Moz was 16% lower at the end of 2003 than it had been a year previously, illustrating the company's continued faith in the strength of the gold price.

Mine safety performance in South Africa for the year 2003 was disappointing, after a 14% improvement in the lost time injury frequency rate (LTIFR) during the previous year. The LTIFR for 2003 for the South African operations increased by 4% and the fatal injury frequency rate (FIFR) was unchanged. However, FIFR in the second half of 2003 improved by 40% compared with the first half of the year. If we can continue this trend, a step change in our safety performance seems possible.

On the subject of expansion, the company has a number of major, well advanced capital projects in South Africa: at Mponeng, Moab Khotsong and two at TauTona, which will yield some 12Moz of gold over their lives, while future capital projects could add a further 7.5Moz. Potential growth projects elsewhere include the Cuiabá Expansion in Brazil, and the Sunrise Dam underground project and Boddington mine in Australia, which together could add a further 7Moz of attributable gold production.



Russell Edey, Chairman

**"The combination of AngloGold and Ashanti will form a company which is likely to cement Africa's leading position in the global gold industry."**



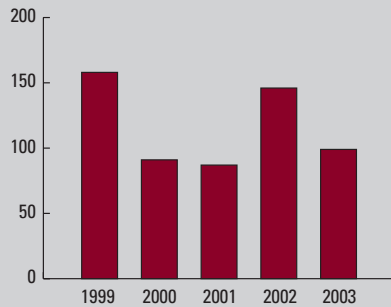
Bobby Godsell, Chief Executive Officer

In January we announced that AngloGold would pay a final dividend for the year of \$0.50 per ADS, giving a total dividend for the year of \$1.01 per ADS, thus continuing AngloGold's practice of paying to shareholders a high proportion of the company's earnings after providing for long-term growth.

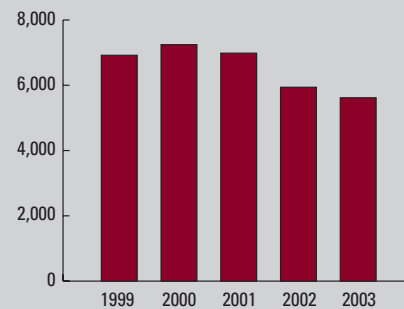
The average spot price for gold in 2003, at \$363/oz, was 17% higher than the average for 2002 and AngloGold

In February this year, AngloGold successfully launched a convertible bond, raising \$1 billion. The five-year bond, which carries a 2.375% coupon, has a conversion premium of 60% on the current share price. The proceeds of the offering will be used to replace existing debt of the greater group, including Ashanti (assuming that the merger is completed). This was one of the most successful public offerings ever by a South African company and illustrates AngloGold's capacity to raise

Dividend declared per ordinary share (US cents)



Gold produced (000oz)



money at very competitive rates, effectively reducing its cost of capital and ensuring that the growth projects, which the cash will be used to fund, will bring enhanced value to shareholders.

On AngloGold's South African mines, progress continues to be made with the company's campaign to effectively manage HIV and AIDS. More than 3,000 voluntary counselling and testing (VCT) sessions were conducted by trained counsellors during 2003, almost double the number recorded in 2002 and some 3,000 employees registered with the AngloGold Wellness programme during 2003. The full-scale roll-out of the company's anti-retroviral therapy (ART) programme began in 2003, and by the end of the year, some 530 employees had begun the treatment. Most patients receiving ART have returned to work.

Looking forward to the rest of 2004, and assuming the conclusion of the merger with Ashanti in April, production from the enlarged group is expected to be around 6.47Moz. Assuming an average exchange rate of R7.00 to the Dollar, AngloGold is expecting total cash costs to rise to \$243/oz, with earnings being largely dependent on exchange rates and the gold price. Capital expenditure is expected to increase to \$596 million.

We expect the gold price to continue to be supported by positive investment sentiment and by the weak Dollar, but we are concerned about the negative trend evident in the last few years in the fall in demand for gold in jewellery. In the light of this, we intend to continue and, indeed to expand our efforts to re-invigorate all aspects of the gold jewellery value chain.

Finally, we must note that Julian Ogilvie Thompson and Nicky Oppenheimer, both founding members of the Board, have indicated that they will not be standing for re-election to the Board at the forthcoming AGM. We take this opportunity to record our sincere appreciation to both of them for their immense contribution to AngloGold since its formation.

**Russell Edey**  
Chairman

**Bobby Godsell**  
Chief Executive Officer