

ANGLOGOLD ASHANTI LTD

Form 6-K

December 18, 2009

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**

**PURSUANT TO RULE 13a-16 or 15d-16 OF**

**THE SECURITIES EXCHANGE ACT OF 1934**

**Report on Form 6-K dated December 18, 2009**

*This Report on Form 6-K shall be incorporated by reference in our automatic shelf Registration Statement on Form F-3 as amended (File No. 333-161634) and our Registration Statements on Form S-8 (File Nos. 333-10990 and 333-113789) as amended, to the extent not superseded by documents or reports subsequently filed by us under the Securities Act of 1933 or the Securities Exchange Act of 1934, in each case as amended*

Commission file number: 1-14846

AngloGold Ashanti Limited

**(Name of Registrant)**

76 Jeppe Street

Newtown, Johannesburg, 2001

(P O Box 62117, Marshalltown, 2107)

South Africa

**(Address of Principal Executive Offices)**

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

**Form 20-F:**            Form 40-F:

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes:

**No:**

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes:

**No:**

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes:

**No:**

Enclosures:

Unaudited condensed consolidated financial statements as of September 30, 2009 and December 31, 2008 and for each of the nine month periods ended September 30, 2009 and 2008, prepared in accordance with U.S. GAAP, and related management's discussion and analysis of financial condition and results of operations.

**ANGLOGOLD ASHANTI LIMITED**

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**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

Prepared in accordance with US GAAP

**Nine months ended September 30,**

**2009**

**2008**

(unaudited)

(unaudited)

(in US Dollars, millions, except for share data)

**Sales and other income**

2,628

2,848

Product sales

2,548

2,787

Interest, dividends and other

80

61

**Cost and expenses**

3,440

2,820

Production costs

1,593

1,579

Exploration costs

91

96

Related party transactions

(12)

(6)

General and administrative

109

97

Royalties

60

62

Market development costs

9

9

Depreciation, depletion and amortization

443

455

Impairment of assets

16

1

Interest expense

91

58

Accretion expense  
 13  
 18  
 Employment severance costs  
 9  
 7  
 Profit on sale of assets, realization of loans, indirect taxes and other (see note F)  
 (62)  
 (63)  
 Non-hedge derivative loss (see note G)  
 1,080  
 483  
 Other operating items  
 -  
 24  
**(Loss)/income from continuing operations before income tax and equity income  
 in affiliates**  
 (812)  
 28  
 Taxation benefit/(expense) (see note H)  
 47  
 (91)  
 Equity income/(loss) in affiliates  
 66  
 (101)  
**Net loss from continuing operations**  
 (699)  
 (164)  
 Discontinued operations (see note I)  
 -  
 24  
**Net loss**  
 (699)  
 (140)  
 Less: Net income attributable to noncontrolling interests  
 (26)  
 (35)  
**Net loss - attributable to AngloGold Ashanti**  
 (725)  
 (175)  
**Net loss - attributable to AngloGold Ashanti**  
 Loss from continuing operations  
 (725)  
 (199)  
 Discontinued operations  
 -  
 24  
 (725)  
 (175)  
**(Loss)/income per share attributable to AngloGold Ashanti common stockholders:  
 (cents) (see note K)**

From continuing operations

Ordinary shares

(202)

(66)

E Ordinary shares

(101)

(33)

Ordinary shares – diluted

(202)

(66)

E Ordinary shares – diluted

(101)

(33)

Discontinued operations

Ordinary shares

-

8

E Ordinary shares

-

4

Ordinary shares – diluted

-

8

E Ordinary shares – diluted

-

4

Net loss

Ordinary shares

(202)

(58)

E Ordinary shares

(101)

(29)

Ordinary shares – diluted

(202)

(58)

E Ordinary shares – diluted

(101)

(29)

**Weighted average number of shares used in computation**

Ordinary shares

355,460,005

299,968,646

E Ordinary shares – basic and diluted

3,894,634

4,068,636

Ordinary shares – diluted

355,460,005

299,968,646

**Dividend declared per ordinary share (cents)**

13

13

**Dividend declared per E ordinary share (cents)**

7

7

**ANGLOGOLD ASHANTI LIMITED**

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**CONDENSED CONSOLIDATED BALANCE SHEETS**

Prepared in accordance with US GAAP

**At September 30,**

**At December 31,**

**2009**

**2008**

(unaudited)

(in US Dollars, millions)

**ASSETS**

**Current assets**

3,098

2,947

Cash and cash equivalents

1,108

575

Restricted cash

67

44

Receivables

499

224

Trade

85

39

Recoverable taxes, rebates, levies and duties

69

64

Related parties

7

4

Other

338

117

Inventories (see note C)

649

552

Materials on the leach pad (see note C)

37

49

Derivatives

386

571

Deferred taxation assets

281

150

Assets held for sale (see note N)

71

782

**Property, plant and equipment, net**

5,290

4,765

**Acquired properties, net**

833

814

**Goodwill and other intangibles, net**

179

152

**Other long-term inventory (see note C)**

28

40

**Materials on the leach pad (see note C)**

325

261

**Other long-term assets (see note O)**

518

421

**Deferred taxation assets**

66

51

**Total assets**

10,337

9,451

**LIABILITIES AND EQUITY**

**Current liabilities**

3,168

3,445

Accounts payable and other current liabilities

605

550

Derivatives

2,256

1,758

Short-term debt (see note E)

269

1,067

Tax payable

30

28

Liabilities held for sale (see note N)

8

42

**Other non-current liabilities**

159

117

**Long-term debt (see note E)**

1,680

873

**Derivatives**

166

130

**Deferred taxation liabilities**

1,126

1,008

**Provision for environmental rehabilitation**

344

302

**Provision for labor, civil, compensation claims and settlements**

45

31

**Provision for pension and other post-retirement medical benefits**

172

139

**Commitments and contingencies**

-

-

**Equity**

3,477

3,406

**Common stock**

600,000,000 (2008 – 400,000,000) authorized common stock of 25 ZAR cents each

Stock issued 2009 – 362,003,085 (2008 – 353,483,410)

12

12

Additional paid in capital

7,825

7,502

Accumulated deficit

(3,814)

(3,044)

Accumulated other comprehensive income (see note L)

(656)

(1,148)

Total AngloGold Ashanti stockholders' equity

3,367

3,322

Noncontrolling interests

110

84

**Total liabilities and equity**

10,337

9,451



**ANGLOGOLD ASHANTI LIMITED**

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

Prepared in accordance with US GAAP

**Nine months ended September 30,**

**2009**

**2008**

(unaudited)

(unaudited)

(in US Dollars, millions)

**Net cash used in operating activities**

(51)

(148)

Net loss

(699)

(140)

Reconciled to net cash used in operations:

Profit on sale of assets, realization of loans, indirect taxes and other

(61)

(63)

Depreciation, depletion and amortization

443

455

Impairment of assets

16

1

Deferred taxation

(172)

21

Cash utilized for hedge book settlements

(797)

(1,112)

Movement in non-hedge derivatives

1,340

813

Equity (income)/loss in affiliates

(66)

101

Dividends received from affiliates

82

58

Other non cash items

(36)

1

Net increase in provision for environmental rehabilitation, pension and other post-retirement medical benefits

14

2

Effect of changes in operating working capital items:

Receivables  
 (97)  
 (53)  
 Inventories  
 (137)  
 (134)  
 Accounts payable and other current liabilities  
 119  
 (97)  
 Net cash used in continuing operations  
 (51)  
 (147)  
 Net cash used in discontinued operations  
 -  
 (1)  
**Net cash generated/(used) in investing activities**  
 45  
 (1,263)  
 Increase in non-current investments  
 (61)  
 (74)  
 Additions to property, plant and equipment  
 (737)  
 (895)  
 Proceeds on sale of mining assets  
 900  
 36  
 Proceeds on sale of discontinued assets  
 -  
 10  
 Proceeds on sale of investments  
 56  
 68  
 Proceeds on sale of affiliate  
 -  
 50  
 Cash outflows from derivatives purchased  
 (102)  
 (439)  
 Change in restricted cash  
 (11)  
 (19)  
**Net cash generated by financing activities**  
 421  
 1,511  
 Net repayments of debt  
 (2,708)  
 (597)  
 Issuance of stock  
 301  
 1,722

Share issue expenses	
(6)	
(52)	
Net proceeds from debt	
2,745	
704	
Debt issue costs	
(14)	
-	
Cash inflows/(outflows) from derivatives with financing	
153	
(208)	
Dividends paid to common stockholders	
(45)	
(41)	
Dividends paid to noncontrolling interests	
(5)	
(17)	
<b>Net increase in cash and cash equivalents</b>	
415	
100	
<b>Effect of exchange rate changes on cash</b>	
118	
(22)	
<b>Cash and cash equivalents - January 1,</b>	
575	
477	
<b>Cash and cash equivalents - September 30,</b>	
1,108	
555	

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**ANGLOGOLD ASHANTI LIMITED  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

Prepared in accordance with US GAAP

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**

(unaudited)

(In millions, except share information)

**AngloGold Ashanti stockholders**

**Common**

**stock**

**Additional**

**paid in capital**

**Accumulated**

**other**

**comprehensive**

**income**

**Accumulated**

**deficit**

**Noncontrolling**

**interests**

**Total**

**Common stock**

**\$**

**\$**

**\$**

**\$**

**\$**

**\$**

**Balance - December 31, 2008**

352,627,761

12

7,502

(1,148)

(3,044)

84

3,406

Net (loss)/income

(725)

26

(699)

Translation gain

367

4

371

Net loss on cash flow hedges removed from other  
comprehensive income and reported in income, net of tax of

\$33 million

78

1

79

Net loss on cash flow hedges, net of tax of \$1 million	-
-	-
Hedge ineffectiveness on cash flow hedges, net of tax of \$nil million	3
	3
Net gain on available-for-sale financial assets arising during the period, net of tax of \$1 million	32
	32
Realized loss in earnings on available-for-sale financial assets arising during the period, net of tax of \$nil million	12
	12
Other comprehensive income	497
Comprehensive income	(202)
Stock issues as part of equity offering	(1)
	7,624,162
-	-
280	280
280	
Stock issues as part of Share Incentive Scheme	894,332
-	-
22	22
22	
Stock issues in exchange for E Ordinary shares cancelled	1,181
-	-
2	2
2	
Stock issues transferred from Employee Share Ownership Plan to exiting employees	44,757
-	-
2	2
2	
Stock based compensation expense	17
	17
Dividends	(45)
	(5)
	(50)
<b>Balance - September 30, 2009</b>	
	361,192,193
	12

7,825  
(656)  
(3,814)  
110  
3,477  
(1)

On September 1, 2009 AngloGold Ashanti announced the placement of 7,624,162 ordinary shares at a issue price of \$37.25 per American Depositary Share (ADR) resulting in total net proceeds of \$280 million.

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**ANGLOGOLD ASHANTI LIMITED  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

Prepared in accordance with US GAAP

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008**

(unaudited)

(In millions, except share information)

**AngloGold Ashanti stockholders**

**Common**

**stock**

**Additional**

**paid in capital**

**Accumulated**

**other**

**comprehensive**

**income**

**Accumulated**

**deficit**

**Noncontrolling**

**interests**

**Total**

**Common stock**

**\$**

**\$**

**\$**

**\$**

**\$**

**\$**

**Balance - December 31, 2007**

276,544,061

10

5,607

(625)

(2,440)

63

2,615

Net (loss)/income

(175)

35

(140)

Translation loss

(317)

(6)

(323)

Net loss on cash flow hedges removed from other  
comprehensive income and reported in income, net of tax of

\$49 million

131

4

135

Net loss on cash flow hedges, net of tax of \$25 million  
 (56)  
 (56)  
 Net loss on available-for-sale financial assets arising during  
 the period, net of tax of \$2 million  
 (26)  
 (26)  
 Release on disposal of available-for-sale financial assets  
 during the period, net of tax of \$nil million  
 (1)  
 (1)  
 Other comprehensive income  
 (271)  
 Comprehensive income  
 (411)  
 Stock issues as part of rights offer  
 69,470,442  
 2  
 1,664  
 1,666  
 Stock issues as part of Golden Cycle acquisition  
 3,181,198  
 -  
 118  
 118  
 Stock issues as part of Share Incentive Scheme  
 568,545  
 -  
 15  
 15  
 Stock issues in exchange for E Ordinary shares cancelled  
 94  
 -  
 2  
 2  
 Stock issues transferred from Employee Share Ownership  
 Plan to exiting employees  
 45,781  
 -  
 2  
 2  
 Stock based compensation expense  
 21  
 21  
 Dividends  
 (41)  
 (17)  
 (58)  
**Balance - September 30, 2008**  
 349,810,121  
 12



7,429  
(894)  
(2,656)  
79  
3,970

**ANGLOGOLD ASHANTI LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS**  
**ENDED**  
**SEPTEMBER 30, 2009**

Prepared in accordance with US GAAP

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**Note A. Basis of presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by US GAAP for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine-month period ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

The balance sheet as at December 31, 2008 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by US GAAP for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 20-F for the year ended December 31, 2008. References made to accounting pronouncements include both pre-codification literature and the relevant codification reference.

The Company adopted FASB Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS160") (FASB ASC Topic 810), which requires the noncontrolling interests to be classified as a separate component of net income and equity.

**Note B. Accounting developments**

**Recently adopted pronouncements**

*The accounting standards codification*

In June 2009, the FASB issued FASB Statement No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162" ("SFAS168" or "the Codification" or "ASC") (FASB ASC Topic 105). SFAS168 will allow the FASB Accounting Standards Codification ("the Codification" or "ASC") to become the source of authoritative U.S. GAAP. The Codification will supersede all non-SEC accounting and reporting standards. SFAS168 is effective for interim and annual periods ending after September 15, 2009. The adoption of SFAS168 had no impact on the Company's financial statements, other than the references to authoritative U.S. GAAP.

*Subsequent events*

In May 2009, the FASB issued FASB Statement No. 165, "Subsequent Events" ("SFAS165") (FASB ASC Topic 855). SFAS165 is intended to establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS165 requires the disclosure of the date through which an entity has evaluated subsequent events and whether that date represents the date the financial statements were issued.

SFAS165 is effective for interim and annual periods ending after June 15, 2009. The adoption of SFAS165 had no impact on the Company's financial statements.

**ANGLOGOLD ASHANTI LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS**  
**ENDED**  
**SEPTEMBER 30, 2009**

Prepared in accordance with US GAAP

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**Note B. Accounting developments (continued)**

**Recently adopted pronouncements (continued)**

*Fair value determination when there is no active market*

In April 2009, the FASB issued FSP FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly” (“FSP FAS 157-4”) (FASB ASC Topic 820). FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, “Fair Value Measurements” (“SFAS157”), when the volume and level of activity have significantly decreased. FSP FAS 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is applied prospectively. The adoption of FSP FAS 157-4 had no impact on the Company’s financial statements.

*Recognition and presentation of other-than-temporary impairments*

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments” (“FSP FAS 115-2 and FAS 124-2”) (FASB ASC Topic 320), which: (i) clarifies the factors that should be considered when determining whether a debt security is other than temporarily impaired, (ii) provides guidance on the amount recognized of an other-than-temporary impairment and (iii) expands the disclosures required.

FSP FAS 115-2 and FAS 124-2 is effective for interim and annual reporting periods ending after June 15, 2009. See note D “Impairment of assets” and note O “Other long-term assets” for additional information.

*Interim disclosures about fair value of financial instruments*

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments” (“FSP FAS 107-1 and APB 28-1”) (FASB ASC Topic 825). FSP FAS 107-1 and APB 28-1 require disclosures about fair value of financial instruments for interim reporting periods as well as in annual financial statements. FSP FAS 107-1 and APB 28-1 shall be effective for interim reporting periods ending after June 15, 2009. Except for presentation changes, the adoption of FSP FAS 107-1 and APB 28-1 had no impact on the Company’s financial statements.

*Assets and liabilities from contingencies in business combinations*

In April 2009, the FASB issued FSP FAS 141(R)-1, “Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies” (“FSP FAS 141(R)-1”) (FASB ASC Topic 805). FSP FAS 141(R)-1 addresses issues raised on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. FSP FAS 141(R)-1 is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after January 1, 2009. The Company adopted the provisions of FSP FAS 141(R)-1 on January 1, 2009 to be applied to all future business combinations.

*Equity method investment*

In November 2008, The Emerging Issues Task Force (“EITF”) reached consensus on Issue No. 08-6, “Equity Method Investment Accounting Considerations” (“EITF 08-6”) (FASB ASC Topic 323), which clarifies the accounting for certain transactions and impairment considerations involving equity method investments. EITF 08-6 provides guidance on (i) determining the initial

carrying value of an equity method investment, (ii) performing an impairment assessment of an underlying indefinite-lived intangible asset of an equity method investment, (iii) accounting for an equity method investee's issuance of shares, and (iv) accounting for a change in an investment from the equity method to the cost method. EITF 08-6 was effective for the Company's fiscal year beginning January 1, 2009 and has been applied prospectively. The adoption of EITF 08-6 had no impact on the Company's financial statements.

**ANGLOGOLD ASHANTI LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS**  
**ENDED**  
**SEPTEMBER 30, 2009**

Prepared in accordance with US GAAP

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**Note B. Accounting developments (continued)**

**Recently adopted pronouncements (continued)**

*Instrument indexed to own stock*

In June 2008, the EITF reached a consensus on Issue No. 07-5, “Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity’s Own Stock” (“EITF 07-5”) (FASB ASC Topic 815). The consensus was reached on the following three issues:

- How an entity should evaluate whether an instrument (or embedded feature) is indexed to its own stock.
- How the currency in which the strike price of an equity-linked financial instrument is denominated affects the determination of whether the instrument is indexed to an entity’s own stock.
- How an issuer should account for market-based employee stock option valuation instruments.

EITF 07-5 was effective for the Company’s fiscal year beginning January 1, 2009. The adoption of EITF 07-5 had no impact on the Company’s financial statements.

*Participating securities*

In June 2008, the FASB issued FSP EITF 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities” (“FSP EITF 03-6-1”) (FASB ASC Topic 260). FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method as described in FASB ASC Topic 260. Under the guidance in FSP EITF 03-6-1, unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 was effective for the Company’s fiscal year beginning January 1, 2009. The adoption of FSP EITF 03-6-1 had no impact on the Company’s financial statements.

*Convertible debt instruments*

In May 2008, the FASB issued FSP APB 14-1, “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)” (“FSP APB 14-1”) (FASB ASC Topic 470 and ASC Topic 825) which addresses the accounting for convertible debt securities that may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative. FSP APB 14-1 was effective for the Company’s fiscal year beginning January 1, 2009. The adoption of FSP APB 14-1 had no impact on the Company’s financial statements.

*Useful life of intangible assets*

In April 2008, the FASB issued FASB Staff Position No. FAS 142-3, “Determination of the Useful Life of Intangible Assets” (“FSP FAS 142-3”) (FASB ASC Topic 275 and ASC Topic 350). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. FSP FAS 142-3 removes the requirement to consider whether an intangible asset can be renewed without substantial cost or material modifications to the existing terms and conditions and instead,

requires an entity to consider its own historical experience in renewing similar arrangements. FSP FAS 142-3 was effective for the Company's fiscal year beginning January 1, 2009 and has been applied prospectively to intangible assets acquired after the effective date. The adoption of FSP FAS 142-3 had no impact on the Company's financial statements.

**ANGLOGOLD ASHANTI LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS**  
**ENDED**

**SEPTEMBER 30, 2009**

Prepared in accordance with US GAAP

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**Note B. Accounting developments (continued)**

**Recently adopted pronouncements (continued)**

*Derivative instruments*

In March 2008, the FASB issued FASB statement No. 161, “Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB statement No. 133” (“SFAS161”) (FASB ASC Topic 815). SFAS 161 requires entities to provide enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for, and (iii) how derivative instruments and related hedged items affect an entity’s financial position, results of operations and cash flows. The Company adopted the provisions of SFAS161 on January 1, 2009. Except for presentation changes, the adoption of SFAS161 had no impact on the Company’s financial statements. See note P “Derivative instruments” for additional information.

*Fair value measurements*

In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, “Effective date of FASB Statement No. 157” (“FSP FAS 157-2”) (FASB ASC Topic 820). FSP FAS 157-2 provided a one year deferral until January 1, 2009 for certain non-financial assets and non-financial liabilities, except for those items that are recognized or disclosed at fair value on a recurring basis (at least annually). The Company adopted the provisions of FSP FAS 157-2 on January 1, 2009. See note T “Fair value measurements” for additional information.

*Noncontrolling interests*

In December 2007, the FASB issued FASB Statement No. 160, “Noncontrolling Interests in Consolidated Financial Statements” (“SFAS160”) (FASB ASC Topic 810). SFAS160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The Company adopted the provisions of SFAS160 on January 1, 2009. Except for presentation changes, the adoption of SFAS160 had no impact on the Company’s financial statements.

*Business combinations*

In December 2007, the FASB issued FASB Statement No. 141 (R), “Business Combinations” (“SFAS141(R)”) (FASB ASC Topic 805). SFAS141(R) requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose information on the nature and financial effect of the business combination. The Company adopted the provisions of SFAS141(R) on January 1, 2009 to be applied to all future business combinations.

**Recently issued pronouncements**

*Fair value accounting*

In August 2009, the FASB issued Accounting Standards Update (ASU) 2009-05, “Measuring Liabilities at Fair Value”, to amend ASC 820 to clarify how entities should estimate the fair value of liabilities. ASC 820, as amended, provides clarification for circumstances in which: (i) a quoted price in an active market for the identical liability is not available, (ii) the liability has a restriction that prevents its transfer, and (iii) the identical liability is traded as an asset in an

active market in which no adjustments to the quoted price of an asset are required. The amended guidance in ASC 820 on measuring liabilities at fair value is effective for the first interim or annual reporting period beginning after August 28, 2009. The Company is currently evaluating the potential impact of adopting the amended guidance in ASC 820 on the Company's financial statements.

*Variable interest entities*

In June 2009, the ASC guidance for consolidation accounting was updated to require an entity to perform a qualitative analysis to determine whether the enterprise's variable interest gives it a controlling financial interest in a variable interest entity ("VIE"). This analysis identifies a primary beneficiary of a VIE as the entity that has both of the following characteristics: (i) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses or receive benefits from the entity that could potentially be significant to the VIE. The updated guidance is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company does not expect the adoption of this guidance to have a material impact on the Company's financial statements.



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**Note C. Inventories**

**At September 30,**

**At December 31,**

**2009**

**2008**

(unaudited)

(in US Dollars, millions)

The components of inventory consist of the following:

**Short-term**

Gold in process

114

118

Gold on hand (doré/bullion)

71

37

Ore stockpiles

215

182

Uranium oxide and sulfuric acid

30

24

Supplies

256

240

686

601

Less: Heap leach inventory

(1)

(37)

(49)

649

552

(1)

Short-term portion relating to heap leach inventory classified separately, as materials on the leach pad.

**At September 30,**

**At December 31,**

**2009**

**2008**

(unaudited)

(in US Dollars, millions)

**Long-term**

Gold in process

325

261

Ore stockpiles

27

39

Supplies

1

1

353

301

Less: Heap leach inventory

(1)

(325)

(261)

28

40

(1)

Long-term portion relating to heap leach inventory classified separately, as materials on the leach pad.

**Note D. Impairment of assets**

Impairments are made up as follows:

**Nine months ended September 30,**

**2009**

**2008**

(unaudited)

(unaudited)

(in US Dollars, millions)

Write-off of oxide treatment plant at Obuasi (in Ghana)

(1)

4

-

Impairment of B2Gold available for sale marketable equity security

(2)

12

-

Impairment and write-off of vehicles at Geita (in Tanzania)

-

1

16

1

(1)

Due to damage suffered by the leach tanks of the treatment plant at Obuasi.

(2)

Impairment of B2Gold due to uncertainty in intent to hold until fair value recovers. See note T "Fair value measurements" for additional information.

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**Note E. Debt**

*Loan facilities*

On December 13, 2007, AngloGold Ashanti entered into a \$1.15 billion syndicated loan facility, and on November 20, 2008, AngloGold Ashanti entered into a \$1.0 billion term loan facility (the "Term Facility"). The Term Facility was fully drawn down on February 26, 2009 to refinance the \$1.0 billion convertible bond issued by AngloGold Ashanti Holdings plc, which matured on February 27, 2009.

On August 24, 2009, the Company completed an amendment to the Term Facility by prepaying an amount of \$750 million and satisfying certain other conditions. As a result, (i) the balance of the Term Facility has been converted into a new term loan of \$250 million (the "2009 Term Facility") and (ii) a new revolving credit facility of \$250 million has been made available (the "2009 Revolving Credit Facility").

As of September 30, 2009, \$1.036 billion and \$250 million, respectively, were drawn under the \$1.15 billion syndicated loan facility and the 2009 Term Facility.

An amount of \$1.035 billion due on the \$1.15 billion syndicated loan facility is included in long-term debt as of September 30, 2009. Short-term debt as of September 30, 2009 includes \$250 million under the 2009 Term Facility and \$1 million under the \$1.15 billion syndicated loan facility.

*Convertible bonds*

On May 22, 2009, the Company concluded an issue of convertible bonds, in the aggregate principal amount of \$732.5 million at an interest rate of 3.5 percent convertible into American depositary shares ("ADSs") of AngloGold Ashanti at an initial conversion price of \$47.6126. The conversion price is subject to standard weighted average anti-dilution protection. The convertible bonds were issued by AngloGold Ashanti Holdings Finance plc, a finance company wholly-owned by AngloGold Ashanti Limited. AngloGold Ashanti Limited has fully and unconditionally guaranteed the convertible bonds issued by AngloGold Ashanti Holdings Finance plc. There are no significant restrictions on the ability of AngloGold Ashanti Limited to obtain funds from its subsidiaries by dividend or loan.

The convertible bonds mature on May 22, 2014. However, at any time on or after June 12, 2012 the Company has the right, but not the obligation, to redeem all (but not part) of the convertible bonds at their principal amount together with accrued interest if the volume weighted average price of the ADSs that would be delivered by the Company on the conversion of a convertible bond of principal amount of \$100,000 exceeds \$130,000 on each of at least 20 consecutive dealing days ending not earlier than five days prior to the date that the Company gives notice of the redemption.

Upon the occurrence of a change of control of the Company, each convertible bond holder will have the right to require the Company to redeem its convertible bonds at their principal amount plus accrued interest thereon. If the convertible bond holder elects to convert its convertible bonds in connection with such change of control, the Company will pay a "make whole" premium to such convertible bond holder in connection with such conversion.

The conversion features of the convertible bonds, which include the make whole premium ("conversion features"), give rise to an embedded derivative instrument that is required to be accounted for separately in accordance with SFAS133, "Accounting for Derivative Instruments

and Hedging Activities” (FASB ASC Topic 815) and EITF 00-19, “Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock” (FASB ASC Topic 815). Accordingly, the Company is separately accounting for the conversion features of the convertible bonds at fair value as a derivative liability, which was determined to be \$142.2 million on May 22, 2009, with subsequent changes in fair value recorded in earnings each period. As at September 30, 2009, the fair value of the derivative liability was approximately \$166 million and the \$23.8 million increase in fair value was recorded during the nine months ended September 30, 2009 as a non-hedge derivative loss. As a result of the separate accounting treatment for the conversion features, the carrying value of the convertible bonds on May 22, 2009 was \$590.3 million. The difference between the initial carrying value and the stated value of the convertible bonds, \$732.5 million, is being accreted to interest expense using the effective interest method over the 5 year term of the bonds, resulting in a carrying value as at September 30, 2009 of \$609 million.

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**Note F. Profit on sale of assets, realization of loans, indirect taxes and other**

The Company recorded a profit of \$62 million (before taxation of \$12 million) in the nine months ended September 30, 2009, compared to a profit of \$63 million (before taxation of \$3 million) recorded in the corresponding period in 2008, consisting of:

**Nine months ended September 30,**

**2009**

**2008**

(unaudited)

(unaudited)

(in US Dollars, millions)

Profit on disposal of a 33 percent joint venture interest in Boddington Gold Mine in Australia

79

-

Reassessment of indirect taxes payable in Brazil

4

-

(Loss)/profit on disposal of land, equipment and assets in South America and South Africa

(1)

5

Provision for bad debt – Pamodzi Gold

(6)

-

Loss on consignment stock

(14)

-

Profit on disposal of exploration interests in Colombia to B2Gold Corporation

-

33

Royalty and production related interests in North America sold to Royal Gold Inc.

-

14

Deferred income on sale of La Rescatada exploration interest recognized

-

8

Reassessment of indirect taxes payable in Guinea

-

6

Recovery of exploration costs previously expensed in South America (Peru)

-

5

Profit on disposal of a 50 percent equity interest in Nufcor International Limited

-

2

Costs relating to the issue of rights granted to E ordinary shareholders

(1)

-

(10)

62

63

(1)

Rights offer completed in early July 2008.

**Note G. Non-hedge derivative loss**

A loss on non-hedge derivatives of \$1,080 million was recorded in the nine months ended September 30, 2009 (which includes derivative instruments re-designated to non-hedging instruments during the period) compared to a loss of \$483 million in the same period of 2008 relating to the use of non-hedging instruments, which represent derivatives not designated in formal hedge accounting relationships. The change in fair value of such derivatives is recorded each period in the income statement.

Gold derivative liability positions to the value of \$797 million were accelerated and cash settled in July 2009. Of these accelerated settlements, the majority, being \$580 million, were previously designated as normal purchase and sale exempted (“NPSE”) contracts, which allowed them to be accounted for off-balance sheet in prior periods. A further \$217 million was also incurred in accelerating the cash settlement of existing non-hedge derivative contracts. However, as a result of the accelerated cash settlement of the NPSE contracts during July 2009, the provisions of SFAS133, “Accounting for Derivative Instruments and Hedging Activities” (FASB ASC Topic 815), necessitated a review of the continuing designation of, and accounting treatment for, the remaining NPSE contracts that were not part of the accelerated settlement. As the Company will continue to consider alternatives to reduce its outstanding gold derivatives position in future periods including, where appropriate, the accelerated settlement of contracts previously qualifying for the NPSE designation, management concluded, in accordance with the provisions of SFAS133, to re-designate all remaining NPSE contracts as non-hedge derivatives and to account for such contracts at fair value on the balance sheet with changes in fair value accounted for in the income statement.

The accelerated settlement and related re-designation of the contracts discussed above resulted in cash outflows of \$797 million (\$580 million of which related to previously designated NPSE contracts) during July 2009, a loss on non-hedge derivatives of \$1,028 million and an increase in non-hedge derivative liability (current) of \$543 million as of July 31, 2009. During August and September 2009 there was an immaterial movement in this balance and at quarter end September 30, 2009 a derivative liability balance of previously designated NPSE contracts of \$542 million is included in the non-hedge derivative balance.

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**Note G. Non-hedge derivative loss (continued)**

Therefore, the loss on non-hedge derivatives recorded in the nine months ended September 30, 2009 primarily relates to the accelerated settlement and related re-designation of the NPSE contracts discussed above, the fair value movement of the conversion features of convertible bonds amounting to \$23.8 million (as described in note E) and the revaluation of non-hedge derivatives resulting from changes in the prevailing spot gold price, exchange rates, interest rates and volatilities compared to the same period in 2008.

If an event of default occurs and is continuing, generally the Trustee will be under no obligation to exercise any of its rights under the Indenture at the request of any of the holders, unless those holders offer to the Trustee indemnity satisfactory to it. (Section 603) If the Trustee is offered indemnity satisfactory to it under the Indenture, the holders of a majority of the aggregate principal amount of the notes of each series will have the right to direct (provided such direction shall not conflict with any rule of law or the Indenture) the time, method and place of:

conducting any proceeding for any remedy available to the Trustee; or

exercising any trust or power conferred on the Trustee with respect to the notes of that series. (Section 512)

No holder of a note will have any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or a trustee or for any other remedy under the Indenture, unless:

the holder has previously given to the Trustee written notice of a continuing event of default;

the holders of at least 25% of the aggregate principal amount of the outstanding notes of that series have made written request, and the holder or holders have offered reasonable indemnity, to the Trustee to institute the proceeding; and

the Trustee has failed to institute a proceeding, and has not received from the holders of a majority of the aggregate principal amount of the outstanding notes of that series a direction inconsistent with the request, within 60 days after the notice, request and offer. (Section 507)

However, the limitations do not apply to a suit instituted by a holder of a note for the enforcement of payment of the principal of or any premium or interest on any note on or after the applicable due date specified in the note. (Section 508)

We will furnish annually a statement to the Trustee by certain of our officers as to whether or not we, to the best of their knowledge, are in default in the performance or observance of any of the terms, provisions, conditions or covenants of the Indenture and, if so, specifying all known defaults. (Section 1004)

**Modification and Waiver**

Modifications and amendments of the Indenture may be made by us and the Trustee with the consent of the holders of a majority of aggregate principal amount of the outstanding notes affected by the modification or amendment. No modification or amendment may, without the consent of the holder of each affected outstanding note:

- (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any note;
- (ii) reduce the principal amount of, or any premium or interest on, any note;



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- (iii) reduce the amount of principal of an original issue discount security payable upon acceleration of maturity;
- (iv) change the place or currency of payment of principal of, or any premium or interest on, any note;
- (v) impair the right to institute suit for the enforcement of any payment on or with respect to any note;
- (vi) reduce the percentage of the principal amount of outstanding notes required to consent to the modification or amendment of the Indenture;
- (vii) reduce the percentage of the principal amount of outstanding notes necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults; or
- (viii) make certain modifications to the provisions of the Indenture with respect to modification and waiver. (Section 902)

The holders of a majority of the aggregate principal amount of the notes may waive any past default or compliance with certain restrictive provisions under the Indenture, except a default in the payment of principal, premium or interest and certain covenants and provisions of the Indenture which cannot be amended without the consent of the holder of each outstanding note. (Sections 513 and 1008)

In determining whether the holders of the requisite principal amount of the outstanding notes have given or taken any direction, notice, consent, waiver or other action under the Indenture as of any date, the principal amount of an original issue discount security that will be deemed to be outstanding will be the amount of its principal that would be due and payable at that time if the note were accelerated to that date.

Certain notes, including those owned by us or any of our affiliates or for which payment or redemption money has been deposited or set aside in trust for the holders, will not be deemed to be outstanding. (Section 101)

We will generally be entitled to set any day as a record date for the purpose of determining the holders of notes entitled to give or take any direction, notice, consent, waiver or other action under the Indenture, in the manner and subject to the limitations provided in the Indenture. In certain limited circumstances, the Trustee will be entitled to set a record date for action by holders, and to be effective, that action must be taken by holders of the requisite principal amount of the notes within 90 days following the record date. (Sections 104, 502 and 512)

**Defeasance and Discharge Provisions**

The provisions of Section 1302, relating to defeasance and discharge of indebtedness, or Section 1303, relating to defeasance of certain restrictive covenants in the Indenture, apply to the notes. (Section 1301)

*Defeasance and Discharge.* Section 1302 of the Indenture provides that we may be discharged from all of our obligations with respect to the notes of each series (except for the right of holders to receive payments of principal and any premium or interest solely from funds deposited in trust, and certain obligations to exchange or register the transfer of notes, to replace stolen, lost or mutilated notes, to maintain paying agencies, to hold moneys for payment in trust and to defease and discharge notes under Article Thirteen of the Indenture). To be discharged from those obligations, we must deposit in trust for the benefit of the holders of the notes of that series money or government obligations, or both, which, through the payment of principal of and interest on the deposited money or government obligations, will provide enough money to pay the principal of and any premium and interest on those notes on the stated maturities and any sinking fund payments in accordance with the terms of the Indenture and the notes. We may only do this if, among other things, we have delivered to the Trustee an opinion of counsel to the effect that we have

received from, or there has been published by, the United States Internal Revenue Service a ruling, or there has been a change in tax law, in either case to the effect that holders of the notes will not recognize income, gain or loss for federal income tax purposes as a result of the defeasance and discharge and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if the defeasance and discharge were not to occur. (Sections 1302 and 1304)

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*Defeasance of Certain Covenants.* Section 1303 of the Indenture provides that:

in certain circumstances, we may omit to comply with certain restrictive covenants, including those described under Covenants Restrictions on Secured Debt, Covenants Limitations on Sale and Leasebacks, SEC Reports, Consolidation, Merger and Sale of Assets and other covenants identified in any supplemental indenture; and

in those circumstances, the occurrence of certain events of default, which are described above in clause (iv) (with respect to the restrictive covenants) under Events of Default, will be deemed not to be or result in an event of default with respect to the notes.

We, to exercise this option in respect of the notes of a series, will be required to deposit, in trust for the benefit of the holders of the notes of that series, money or government obligations, or both, which, through the payment of principal of and interest on the deposited money or government obligations, will provide enough money to pay the principal of and any premium and interest on those notes on the stated maturities in accordance with the terms of the Indenture and the notes. We will also be required, among other things, to deliver to the Trustee an opinion of counsel to the effect that holders of the notes of that series will not recognize income, gain or loss for federal income tax purposes as a result of the deposit and defeasance and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if the deposit and defeasance were not to occur. If we exercise this option with respect to any notes and those notes are accelerated because of the occurrence of any event of default, the amount of money and U.S. government obligations deposited in trust will be sufficient to pay amounts due on those notes at the time of their stated maturities but might not be sufficient to pay amounts due on those notes upon that acceleration. In that case, we will remain liable for the payments. (Sections 1303 and 1304)

**Notices**

Notices to holders of notes will be given by mail to the addresses of the holders as they appear in the security register. (Section 106)

**Title**

We, the Trustee, the paying agent and any of their agents may treat the registered holder of a note as the absolute owner of the note for the purpose of making payment and for all other purposes. (Section 308)

**Payment of Securities**

We will duly and punctually pay the principal of and any premium or interest on the notes in accordance with the terms of the notes and the Indenture. (Section 1001)

**Maintenance of Office or Agency**

We will maintain an office or agency where the notes may be paid and notices and demands to or upon us in respect of the notes and the Indenture may be served and an office or agency where notes may be surrendered for registration of transfer or exchange. We will give prompt written notice to the Trustee of the location, and any change in the location, of any such office or agency. If at any time we shall fail to maintain any required office or agency or shall fail to furnish the trustee with the address of any required office or agency, all presentations, surrenders, notices and demands may be served at the office of the Trustee. (Section 1002)

**Form, Exchange and Transfer**

Holders may, at their option, but subject to the terms of the Indenture and the limitations that apply to global securities, exchange their notes for other notes of the same series of any authorized denomination and of a like tenor and aggregate principal amount. (Section 305)

Subject to the terms of the Indenture and the limitations that apply to global securities, holders may exchange notes as provided above or present for registration of transfer at the office of the security registrar or at the office of any transfer agent designated by us. No service charge applies for any registration of transfer or exchange of notes,

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but the holder may have to pay any tax or other governmental charge associated with registration of transfer or exchange. The transfer or exchange will be made after the security registrar or the transfer agent is satisfied with the documents of title and the identity of the person making the request. We have appointed Citibank, N.A. as security registrar and transfer agent. (Section 305) We may at any time designate additional transfer agents or cancel the designation of any transfer agent or approve a change in the office through which any transfer agent acts. However, we will be required to maintain a transfer agent in each place of payment for the notes. (Section 1002).

If the notes are to be partially redeemed, we will not be required to:

issue or register the transfer of or exchange any note during a period beginning 15 days before the day of mailing of a notice of redemption and ending on the day of the mailing; or

register the transfer of or exchange any note selected for redemption, in whole or in part, except the unredeemed portion of any note being redeemed in part. (Section 305)

## **Payment and Paying Agents**

We will pay interest on a note on any interest payment date to the registered holder of the note as of the close of business on the regular record date for payment of interest. (Section 307)

We will pay the principal of and any premium and interest on the notes at the office of the paying agent or paying agents that we designate. Principal and interest payments on global securities registered in the name of DTC's nominee (including the global securities representing the notes) will be made in immediately available funds to DTC's nominee as the registered owner of the global securities.

We have appointed Citibank, N.A. as paying agent. We may at any time designate additional paying agents, rescind the designation of any paying agent or approve a change in the office through which any paying agent acts. We must maintain a paying agent in each place of payment for the notes. (Sections 1002 and 1003)

## **Concerning the Trustee and Agent**

Wilmington Trust Company will initially act as trustee and Citibank, N.A. will initially act as authenticating agent, paying agent, registrar and transfer agent for the notes. Citicorp USA Inc., an affiliate of Citibank, N.A., is a lender under our five-year credit facility.

The Trustee may resign or be removed at any time with respect to the notes by any act of holders of a majority in principal amount of the outstanding notes, and we may appoint a successor trustee to act. (Section 610)

## **Governing Law**

The laws of the State of New York will govern the Indenture and the notes. (Section 112)

## **Global Securities**

The notes will be issued in the form of one or more global securities that will be deposited with DTC, which will act as depository for each series of notes. Unless it is exchanged in whole or in part for debt securities in definitive form, a global security may not be transferred. However, transfers of the whole security between the depository for that global security and its nominees or their respective successors are permitted. Beneficial interests in global securities will be shown on, and transfers of global securities will be effected only through, records maintained by DTC and its

participants.

DTC has provided the following information to us. DTC is a:

limited-purpose trust company organized under the New York Banking Law;

banking organization within the meaning of the New York Banking Law;

member of the U.S. Federal Reserve System;

clearing corporation within the meaning of the New York Uniform Commercial Code; and

clearing agency registered under the provisions of Section 17A of the Exchange Act.

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DTC holds securities that its direct participants deposit with DTC. DTC also facilitates the settlement among direct participants of securities transactions, in deposited securities through electronic computerized book-entry changes in the direct participant's accounts. This eliminates the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to DTC's book-entry system is also available to indirect participants such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant. The rules applicable to DTC and its direct and indirect participants are on file with the SEC.

Principal and interest payments on global securities registered in the name of DTC's nominee will be made in immediately available funds to DTC's nominee as the registered owner of the global securities. We and the trustee will treat DTC's nominee as the owner of the global securities for all other purposes as well. Accordingly, we, the trustee and any paying agent will have no direct responsibility or liability to pay amounts due on the global securities to owners of beneficial interests in the global securities. It is DTC's current practice, upon receipt of any payment of principal or interest, to credit direct participants' accounts on the payment date according to their respective holdings of beneficial interests in the global securities. These payments will be the responsibility of the direct and indirect participants and not of DTC, the trustee, the paying agent or us.

Notes represented by a global security will be exchangeable for debt securities in definitive form of like amount and terms in authorized denominations only if:

DTC notifies us that it is unwilling or unable to continue as depository or DTC ceases to be a registered clearing agency and, in either case, a successor depository is not appointed by us within 90 days;

we determine not to require all of the debt securities of a series to be represented by a global security and notify the applicable trustee of our decision; or

an event of default is continuing.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the global security certificates among participants, DTC is under no obligation to perform or continue to perform these procedures, and these procedures may be discontinued at any time. We will not have any responsibility for the performance by DTC or its direct participants or indirect participants under the rules and procedures governing DTC. The information in this section concerning DTC and its book-entry system has been obtained from sources that we believe to be reliable, but we have not attempted to verify the accuracy of this information.

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**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES**

The following discussion summarizes the material U.S. federal income tax consequences relating to the exchange of old notes for exchange notes by a U.S. Holder (as defined below) pursuant to the exchange offer.

This summary is based on the Internal Revenue Code of 1986, as amended (the Code), regulations issued under the Code, judicial authority and administrative rulings and practice, all of which are subject to change and differing interpretation. Any such change may be applied retroactively and may adversely affect the U.S. federal income tax consequences described herein. This summary applies only to those persons holding old notes and exchange notes as capital assets within the meaning of Section 1221 of the Code. This summary does not discuss all of the tax consequences that may be relevant to particular investors or to investors subject to special treatment under the U.S. federal income tax laws (such as insurance companies, financial institutions, tax-exempt organizations, partnerships or other pass-through entities (and persons holding old notes or exchange notes through a partnership or other pass-through entity), retirement plans, regulated investment companies, securities dealers, traders in securities who elect to apply a mark-to-market method of accounting, persons holding old notes or exchange notes as part of a straddle, constructive sale, or a conversion transaction for U.S. federal income tax purposes, or as part of some other integrated investment, expatriates or persons whose functional currency for tax purposes is not the U.S. dollar). This summary also does not discuss any tax consequences arising under the laws of any state, local, foreign or other tax jurisdiction or any tax consequences arising under U.S. federal tax laws other than U.S. federal income tax laws. We do not intend to seek a ruling from the Internal Revenue Service, or the IRS, with respect to any matters discussed in this section, and we cannot assure you that the IRS will not challenge one or more of the tax consequences described below. The term holder as used in this section refers to a beneficial holder of old notes or exchange notes and not the record holder.

**Persons who purchase or hold old notes or exchange notes should consult their own tax advisors concerning the application of U.S. federal tax laws to their particular situations as well as any consequences of the purchase, beneficial ownership and disposition of the old notes or exchange notes arising under the laws of any other taxing jurisdiction.**

For purposes of this discussion, a U.S. Holder is a beneficial owner of the notes who is also:

a citizen or resident of the United States;

a corporation or other business entity taxable as a corporation created or organized in or under the laws of the United States or any State or the District of Columbia;

an estate whose income is subject to U.S. federal income taxation regardless of its source; or

a trust if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust, or certain electing trusts that were in existence on August 20, 1996 and were treated as domestic trusts before that date.

If a partnership holds old notes or exchange notes, the tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Persons who are partners in a partnership holding old notes or exchange notes should consult their tax advisors.



The exchange of old notes for exchange notes in the exchange offer generally will not constitute a taxable exchange to U.S. Holders for U.S. federal income tax purposes. As a result, (1) U.S. Holders will not recognize taxable gain or loss as a result of exchanging old notes for exchange notes in the exchange offer; (2) the holding period of a U.S. Holder's exchange notes will include the holding period of such holder's old notes; and (3) the tax basis of the exchange notes that a U.S. Holder receives will be the same as the tax basis of such holder's old notes.

THE PRECEDING PARAGRAPH DOES NOT DESCRIBE ALL OF THE U.S. FEDERAL INCOME TAX CONSEQUENCES THAT MAY BE RELEVANT TO A HOLDER IN LIGHT OF ITS PARTICULAR CIRCUMSTANCES OR TO HOLDERS SUBJECT TO SPECIAL RULES. PERSONS CONSIDERING AN EXCHANGE OF OLD NOTES FOR EXCHANGE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES ARISING UNDER U.S. FEDERAL, STATE, LOCAL AND FOREIGN LAWS OF SUCH AN EXCHANGE.

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**PLAN OF DISTRIBUTION**

Each broker-dealer that receives exchange notes for its own account in the exchange offer may be a statutory underwriter and must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for old notes where the old notes were acquired as a result of market-making activities or other trading activities. We have agreed that, for a period of time ending on the earlier of 180 days from the date on which exchange notes were first issued in the exchange offer or the date upon which a broker-dealer no longer owns old notes, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, all dealers effecting transactions in the exchange notes may be required to deliver a prospectus.

We will not receive any proceeds from any sale of exchange notes by broker-dealers. Exchange notes received by broker-dealers for their own account in the exchange offer may be sold, from time to time, in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the exchange notes or a combination of these methods of resale. These resales may be made at market prices prevailing at the time of resale, at prices related to these prevailing market prices or negotiated prices. Any resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any broker-dealer or the purchasers of any of the exchange notes. Any broker-dealer that resells exchange notes that were received by it for its own account in the exchange offer and any broker or dealer that participates in a distribution of the exchange notes may be deemed to be an underwriter within the meaning of the Securities Act, and any profit on the resale of exchange notes and any commission or concessions received by those persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act.

We have agreed to pay all expenses incident to the performance of our obligations in relation to the exchange offer and will indemnify the holders of the old notes, including any broker-dealers, against certain liabilities, including liabilities under the Securities Act.

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**LEGAL MATTERS**

The validity of the exchange notes will be passed upon for us by Wachtell, Lipton, Rosen & Katz, who will rely with respect to matters of New Jersey law on Lowenstein Sandler PC.

**EXPERTS**

The consolidated financial statements and the related financial statement schedule, incorporated in this prospectus by reference from Vulcan's Annual Report on Form 10-K for the year ended December 31, 2008, and the effectiveness of Vulcan's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such consolidated financial statements and financial statement schedule have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

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**Vulcan Materials Company**

**EXCHANGE OFFER FOR**

\$150,000,000 10.125% Notes due 2015  
and  
\$250,000,000 10.375% Notes due 2018

Prospectus

Dated May 29, 2009