

COLOMBIA

FACT SHEET

Headquartered in Johannesburg, South Africa, AngloGold Ashanti is the third largest gold producer in the world with operations around the globe. It has 20 operations in 10 countries on four continents as well as several exploration programmes in both the established and new gold producing regions of the world. Group activities are managed in four operational regions: South Africa, Continental Africa, Australasia and the Americas (both North and South America). The countries making up AngloGold Ashanti's Americas region are Argentina, Brazil, Colombia and the United States.

AngloGold Ashanti – a corporate profile

AngloGold Ashanti employed 61,242 people, including contractors, in 2011 (2010: 62,046) and produced 4.33Moz of gold (2010: 4.52Moz), generating \$6.6bn in gold income, excluding joint ventures (2010: \$5.3bn). Capital expenditure in 2011 amounted to \$1.5bn (2010: \$1.0bn).

As at 31 December 2011, AngloGold Ashanti had a total attributable Ore Reserve of 75.6Moz (2010: 71.2Moz) and a total attributable Mineral Resource of 230.9Moz (2010: 220.0Moz).

AngloGold Ashanti has its primary listing on the Johannesburg Stock Exchange (JSE) and is also listed on the New York, London, Australia and Ghana stock exchanges. As at 31 December 2011, there were 382 million ordinary shares in issue and the company had a market capitalisation of \$16.2bn (2010: \$18.8bn). Shareholders are scattered around the world, with the largest proportion (48%) being in the United States.

AngloGold Ashanti in Colombia

AngloGold Ashanti began actively exploring in Colombia in 2002. To date in excess of \$255m has been invested in various greenfield exploration projects in the country, resulting in two major discoveries, at La Colosa in the Tolima province and Gramalote in the Antioquia province. Both projects are now at the stage of advanced economic evaluation.

Gramalote project: This joint venture between AngloGold Ashanti Limited (51%) and Vancouver-based B2Gold, is located 110km northeast of Medellin in the municipality of San Roque, which is in the department of Antioquia, Colombia. The project, managed by AngloGold Ashanti, is expected to be the group's first operating gold mine in Colombia, establishing its operating credentials in the country.

La Colosa project: The exploration rights for this project are wholly held by AngloGold Ashanti. The La Colosa gold project is located 14km from the town of Cajamarca, in the department of Tolima, in Colombia. La Colosa, which lies in steep terrain in Colombia's central Cordillera province, is the largest greenfields discovery made by AngloGold Ashanti, with a resource at year-end 2011 of 16Moz. Exploration drilling at site resumed toward the middle of 2010 after a two-year hiatus to receive or renew the permits necessary to continue work on this gold porphyry deposit.

As at 31 December 2011, these two projects together had a total inclusive mineral resource of 18.26Moz. This is equivalent to 8% of the group's total mineral resource. The mineral reserve at these projects has yet to be defined.

AngloGold Ashanti employed 796 people (including contractors) at these two projects in 2011.

Capital expenditure in Colombia in 2011 totalled \$35m, the bulk of which, \$30m (attributable), was spent at Gramalote. Total capital expenditure by AngloGold Ashanti Colombia over the past three years totalled \$104m.

Key statistics – Colombia

		2011	2010
Operation			
Capital expenditure – attributable	(\$m)	35	32
Average number of employees (including contractors)		796	na
Safety			
Fatal injury frequency rate	per million hours worked	0.33	–
All injury frequency rate (AIFR)	per million hours worked	16.84	10.83
Socio-economic			
Community investment	\$000	1,210	1,557
Payments to government	\$000	10,921	14,561
– dividends paid to government	\$000	–	–
– taxation paid	\$000	125	379
– withholding tax (STC, royalties, etc)	\$000	1,488	915
– other indirect taxes and duties	\$000	4	15
– employee taxes and other contributions ⁽¹⁾	\$000	4,707	4,326
– property tax	\$000	16	4
– other (includes tax on exports)	\$000	4,581	8,922

⁽¹⁾ Includes remittance made to government but borne by employees as individual taxation eg PAYE, UIF.

Performance in Colombia in 2011

Operational performance

AngloGold Ashanti's two projects in Colombia are in line with the company's strategic focus on growing the business and promoting organic growth by means of effective project development. These projects are integral to plans to AngloGold Ashanti's achieving its planned production targets in years to come.

Gramalote: Following the acquisition of a stake in this project from B2Gold in September 2010, AngloGold Ashanti returned as operator and project manager and began the prefeasibility and feasibility analyses. The drilling programme to improve knowledge of the orebody and increased the project's resource was accelerated. During 2011, 30,683m of drilling was undertaken on satellite areas adjacent to the main Cerro Gramalote orebody, and the resource increased by 83% to 4Moz. This work built on the foundation created by B2Gold, which had completed an earlier scoping study on the project.

The initial scoping study envisaged production of between 250,000oz and 300,000oz of gold a year, though the recent resource upgrade, continued exploration success and favourable metallurgical testwork suggest the potential to increase the scale of the project.

Gramalote has several inherent advantages, most notable a benign climate, good infrastructure and good access to water and power. In addition, the area's relatively flat topography presents good opportunities for tailings storage.

This project will also help establish the necessary legal precedent for the country's nascent large-scale gold mining industry, an important potential source of foreign direct investment for the country and substantial fiscal revenues, in line with the government's economic growth objectives. Almost \$30m was spent on the prefeasibility study

in 2011, which included exploration on only about 10% of the 30,000 hectare concession area. This study is expected to be completed during 2012, and will be followed immediately by the full feasibility study which is expected to be completed in 2013. Construction is envisaged to begin in 2014 and first production in 2016.

Given the increase in the resource and the continued potential for more ounces to be added as drilling continues, trade-off studies are underway to determine the optimal size of the project.

La Colosa: Crucially, key capacity was built with a world-class team assembled to develop the appropriate sustainability model for La Colosa, build the technical case for the project, execute its development, and work closely with all stakeholders to secure the necessary permits and approvals.

The year in review marks significant progress for this project, which lies in a 600km² concession and has the potential to contribute significantly to group production. A prefeasibility study of the La Colosa project is currently under way and scheduled for completion in 2014. It will define the extent and size of the resource and will include metallurgical testwork as well as considering alternatives for mining and processing infrastructure, the purchase of the land necessary for access and infrastructure development, and conduct of the necessary social and environmental baseline and impact studies. An international geotechnical and tailings review panel comprising independent, world class experts was established in 2009 to ensure design, construction, operation and closure plans endeavour to use industry best-practice and technology.

Indicative capital expenditure on the project is about \$3.4bn with a total cash cost initially estimated at around \$495/oz. These figures will be updated on completion of the prefeasibility and feasibility studies ahead of construction which are scheduled to start at the end of 2015. First production is targeted for late 2019.

About 47,619m of drilling was completed during 2011, with resources increasing by 30% to 16Moz. The year ended with five rigs working on site, following an increasingly encouraging set of drill results – higher-than-average grades over significant widths marked each quarter. In particular, results like 202.4m at 2.27g/t Au from 236m, in the fourth quarter, were among several that compared favourably to the deposit's average grade of about 1g/t and provided continued confidence in the potential for expansion of the previously defined mineral system. Almost \$64m was spent on the prefeasibility study during the year.

At a time when many of the world's newest gold deposits are built in remote regions, La Colosa lies less than 6km from a national highway, close to Colombia's main power grid.

Exploration

Given that there are opportunities for further discoveries, AngloGold Ashanti has an active greenfields exploration programme on its tenement positions in the Colombian Cordillera. These are being advanced using modern, non-invasive exploration techniques such as those applied in exploration at La Colosa and Gramalote, including further mapping and airborne surveys of the Anaima-Tocha project area, covering some 600km² predominantly to the north of La Colosa.

It is anticipated that a number of drill-ready projects will be explored in 2012 once permits have been obtained. Elsewhere in Colombia, the completion of airborne magnetics and radiometrics and further mapping has resulted in new targets being defined and drilled at Quebradona (AngloGold Ashanti/B2Gold joint venture). Here a total of 4,711m was drilled targeting porphyry gold-copper mineralisation. Elsewhere in Colombia, exploration among others was undertaken on the Rio Dulce and La Llanada tenement groups.

Sustainability

A contribution by the La Colosa project of nearly \$4 million to the local economy through local procurement, contractors, the employment of 550 community members and social investments designed to increase the capacity of local businesses. These investments resulted in growth in the local economy due to direct employment generation and the establishment of a local supplier network, as well as through the dissemination of best practices among local businesses. Additionally, the 550 local community members currently working for AngloGold Ashanti in Cajamarca ensure that 2,750 people are benefitting economically from the company's presence. This is nearly 14% of the entire population of the local municipality.

The major challenges for AngloGold Ashanti's Gramalote and La Colosa projects in Colombia are:

Safety and health

AngloGold believes that safety and health are not only business imperatives, but are part of the company's obligation to operate with respect for human rights, and, as such, will continue to focus on improving the safety and health performance of operations. This will include further development of the safety transformation framework and its 22 governing standards. An incident investigation protocol has been developed and deployed and an incident management and tracking system developed with a global pilot already in progress.

AngloGold Ashanti has a long-term goal of operating a business free of occupational injury and illness and a five-year objective of reducing the all injury frequency rate (AIFR) to less than nine per million hours worked.

Regrettably, a contractor employee in Colombia lost his life in 2011 when he was inundated by a naturally occurring landslide after unusually heavy rainfall.

There were no reported incidences of occupational disease in the Americas region in 2011, and occupational health surveillance programmes are in place at all operations. The development of occupational health surveillance systems in Colombia was undertaken in the fourth quarter of 2011, and a baseline health survey has been scheduled as part of the La Colosa plan.

Environment

While the projects in Colombia are currently at the stage of advance economic evaluation, AngloGold Ashanti is keenly aware of the potential impact of these and as development of these proceeds, the effects of these projects and their activities are being taken into account. The company has developed and is implementing proactive community engagement strategies.

In Colombia, AngloGold Ashanti is operating in an environment where large-scale open cast gold mining has not yet been undertaken. Debate is ongoing on the extent and nature of the country's participation in the sector.

Opposition to mining activity, particularly in the Tolima province which hosts the La Colosa deposit, has centred on the perception that large-scale mining activity will have a detrimental impact on the region's river systems. It is based on the claim that the project will use a significant amount of water and will contaminate river systems, impacting on the main input for large-scale agriculture, which in the Tolima area is mostly rice production. An indigenous nursery has been set up and certain species which were considered to be at risk have either been transplanted or are being propagated.

Environmental permitting and process water management: Water quality and usage are areas of concern globally but are of particular significance for exploration projects in Colombia, where there is significant potential environmental and social impact and a high level of stakeholder scrutiny.

A team has been assembled to develop the appropriate sustainability model for La Colosa, build a technical case for the project, execute its development and work closely with all stakeholders to secure the necessary permits and approvals.

Under Colombian law, La Colosa lies in an area declared as a 'forest reserve,' a legal term for a tract of land designated for forestry use. Following a revised permitting process, extraction permits are required to reclassify land needed for mining development.

AngloGold Ashanti will be sensitive to the needs of local communities, especially as they pertain to security of water supply and minimising environmental impact. While water use is of concern in this mostly agricultural region, infrastructure location will be analysed to minimise water use and reduce impacts on critical water sources. In addition, preliminary figures demonstrate that there would be no material impact on agricultural or domestic use of water by the project. The in-country team continues to work on a broad awareness and education campaign to show the benefits of responsible mining, while explaining how impacts are mitigated and compensated for to achieve a net positive impact.

Opposition to mining activity in the Tolima province of Colombia, which hosts the La Colosa deposit, has centred on the perception that large-scale mining activity will have a detrimental impact on the region's river systems. It is based on the claim that the project will use a significant amount of water and will contaminate river systems, impacting on the main input for large-scale agriculture, which in the Tolima area is mostly rice production. Mining operations must therefore be designed to minimise their impact on such communities and the environment, either by changing mining plans to avoid such impact, by modifying mining plans and operations, or by relocating the people to be affected to an agreed location. Responsive measures may also include agreed levels of compensation for any adverse impact ongoing mining operations may continue to have upon the community.

In addressing these concerns, there are other related issues that influence the quality and availability of water in the Tolima region, including:

- The low level of development of infrastructure, including sewage systems and water conveyance systems such as aqueducts;
- Environmental damage caused to areas adjacent to rivers; and
- The expansion of agriculture, which has resulted in environmental impacts including the deforestation of watersheds and the pollution of rivers. Some 87% of current water consumption in the region is for agricultural purposes.

These issues occur independently of large-scale mining activity, but nonetheless influence water quality and availability and are therefore relevant to the debate. Any systemic approach has to consider these issues, as well as the management of impacts relating to mining activity itself.

Given these sensitivities, AngloGold Ashanti has taken a transparent approach to the discussion of water issues, holding seminars, distributing written information on the issue, and seeking out open dialogue with opposition groups. The following principles have been adopted in the company's environmental management approach in Colombia:

- Avoiding impacts on areas that are sensitive, valuable or important;
- Reducing impacts where they cannot be avoided;
- Rehabilitation of any affected areas;
- Offsetting residual impacts with compensation; and
- Supporting volunteer projects to improve regional environmental protection.

These principles were established with reference to AngloGold Ashanti's values and our environment and community policy and following consultation with various NGOs, including Conservation International (CI) and the Fund for Environmental Action and Childhood (FAAN) both of which are based in Colombia. They also reflect statements made by the authorities as well as our recognition that in the area of environment, we needed to make a visible commitment to a series of principles from the exploration and implementation phases of the project beyond pure legal requirements.

The Coello River Basin Fund: AngloGold Ashanti Colombia approached FAAN and reached an agreement with them on a co-operative venture to create an independently-managed fund to sponsor grants supporting projects to enhance regional environmental protection in the Coello River Basin in the Department of Tolima. A memorandum of understanding was signed in December 2009 to create the Coello River Basin Fund, a vehicle for financing projects

that will help create a shared vision of sustainable development in the Coello River basin. The fund was given full autonomy to select projects submitted by the local community and aimed at protecting the watershed and the water source.

The fund's selection criteria target projects that:

- Seek to solve problems at a regional level, based on best practice and reference cases that have been developed in Colombia or elsewhere;
- Are administered by technically competent community-based organisations (CBOs) or NGOs;
- Meet developmental as well as environmental goals; and
- Provide examples of best practice which can be replicated in other regions as well as in the Coello basin.

In the first half of 2011, a call for applications from NGOs and CBOs was developed in conjunction with local CBOs and NGOs, local leadership structures, independent contractors, unions, universities, irrigation schemes, as well as media and public institutions in the region. Ten initiatives were selected for funding. Significant achievements to date from this initiative are:

- The participatory design and implementation of a new way of allocating resources;
- Integration of environmental and development goals;
- Restoring confidence and trust in the company's relationships with NGOs and CBOs; and
- A strategic investment focus on the quality and efficiency of water use in the context of adaptation to climate change.

Support of \$482,000 has been given to these projects to date. Given the success of the initiative, funding was increased from the \$250,000 originally budgeted. AngloGold Ashanti's overall commitment to funding of this initiative has been carried forward in a new agreement with funding of up to \$880,000 for new projects. FAAN will continue in the role of administrator of the Coello River Basin Fund.

Additional calls for project applications will be made every two years. In addition to addressing pressing community priorities through the implementation of these projects, AngloGold Ashanti will work with project organisers to ensure that the organisations concerned use these examples of good practice to support other communities with common needs.

One such project was aimed at reducing the biological load in waste water in the rural area of the Cajamarca Municipality. This project which involves agricultural waste water being processed and used on the farm, rather than being fed into the Coello River system had led to reduced contamination.

In particular, AngloGold Ashanti's socio-economic contribution in Colombia in 2011 was as follows:

- **Payments to government:** AngloGold Ashanti is a member of the Extractive Industries Transparency Initiative (EITI) and is committed to supporting its objectives of fiscal transparency and good governance. It shares the EITI ethos that transparency and sound governance are essential in promoting sustainable economic development. All payments made to governments by the company are disclosed, whether or not the country concerned is an EITI member; Colombia is compliant with the EITI. AngloGold Ashanti's payments to the Colombian government in 2011 totalled \$10.9m (2010: \$14.6m).

- **Community:** Total community investment by AngloGold Ashanti in Colombia was \$1.2m in 2011 (2010: \$1.6m).
- **Local procurement:** AngloGold Ashanti plays an active role in the sustenance and expansion of the local economy around its operations by encouraging the development of local skills, providing business opportunities and platforms for technology enhancements supporting local suppliers so as to promote sustainable local business.

Other challenges for AngloGold Ashanti's Colombia include:

Skills shortages: From a resourcing perspective, AngloGold Ashanti and the broader mining industry are potentially faced with serious skills shortages, with few students studying mining engineering and related fields, and even fewer entering the industry. Preliminary internal findings of an overview of the global and regional training capacity for mining-related engineering skills suggest that globally, demand exceeds supply by a significant margin, particularly in respect of mining engineering, geology and metallurgical graduates as well as post-graduate mining related specialisations. Implicit in achieving AngloGold's mission is the attraction, retention and development of people.

Compliance with regulatory and fiscal environment: The Gramalote project will help establish the necessary legal precedent for the country's nascent large-scale gold mining industry, an important potential source of foreign direct investment for the country and substantial fiscal revenues, in line with the government's economic growth objectives.

There are currently six lawsuits pending before Colombian state and federal courts in relation to the La Colosa project. Each lawsuit aims to stop exploration and mining in certain restricted areas affected by the project due to environmental concerns or alleged breaches of environmental laws. AngloGold Ashanti has opposed, and sought dismissal of, most of these lawsuits.

Social issues arising from heightened community expectations and artisanal and small-scale mining (ASM): The challenge at La Colosa relates to securing an unequivocal social licence to operate. This can be achieved, in part, by demonstrating the economic benefits the project can bring to the local community, for example, contributions to improving the quality of local agriculture and in helping to promote local commerce.

There was a high level of community support for the Gramalote project during the initial exploration and prefeasibility study-phases. The relationship with artisanal and small-scale miners who operate in the general area and in the proposed project area is positive, with ongoing negotiations on relocation and new activities sought by these miners.

The possible relocation of the artisanal miners and some agricultural activities will be undertaken in accordance with international standards. Initial negotiations with artisanal miners and discussions of possible relocation have contributed to establishing trust with the local population. Relationships with the regional environmental authority have been very positive and are based on the mutual interest of building a sustainable mining operation in the region.

The successful development of Gramalote offers an ideal opportunity for AngloGold Ashanti to establish its project development credentials with the host community and the broader Colombian population.

This will demonstrate that it can develop a modern mining operation that improves the livelihoods of host communities and provides a long-life operation with predictable income flow for employees, local municipalities and the Colombian government.

Much of Gramalote's support stems from the promise of the economic development it will provide for a community with 35% of its inhabitants living in poverty and 12% in extreme poverty.

About 14% of San Roque's inhabitants are unemployed. In addition, the project has established a corporate social responsibility programme which includes supporting existing activities and social infrastructure.

In 2011, a major project was undertaken in Colombia aimed at building capacity among current and potential local suppliers. The initiative involves 50 local entrepreneurs who have received micro credits to support development of their businesses.

Security incidents: In Colombia, security risk assessments categorise threats as being high enough to require the services of public security forces on a near-permanent basis.

These are usually national police and/or military units, which provide additional security in accordance with specific agreements with the competent authorities or at the authorities' own initiative. These will be phased out if the threat and risk diminish through stronger community-enhanced policing initiatives.

Planning for mine closure: Given that all mining operations eventually cease, on-going planning for closure is an integral aspect of operational planning, as are estimations of associated liability costs and the assurance of adequate financial provisions to cover these costs. Planning for closure is integral to the development and life of project/mine of the Colombian projects and AngloGold Ashanti's activities here. These are all in line with group closure and rehabilitation management standards.

Closure planning is an activity that starts at exploration and mine design stage and continues throughout the life of mine:

- The evaluation of new projects takes into account closure and associated costs in a conceptual closure plan.
- Our standard requires that an interim closure plan be prepared within three years of commissioning an operation, or earlier if required by legislation.
- This plan is reviewed and updated every three years (annually in the final three years of a mine's life) or whenever significant changes are made, and takes into account operational conditions, planning and legislative requirements, international protocols, technological developments and advances in practice.

For many of the group's older mines, closure planning and the evaluation of environmental liabilities is a complex process.

This is particularly so in Colombia, where the long-life operations present environmental legacies that may have developed over a century or more.

AngloGold Ashanti's total rehabilitation liability in Colombia for 2011 was \$0.8m (\$63.6m) for restoration purposes.

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