



Highlights of the year

In 2012, attributable production at Serra Grande rose to 98,000oz, equivalent to 2.5% of total group production and 10% of production for the Americas region. There was an average of 1,421 employees for the year at Serra Grande (2011: 1,339), with a productivity rate of 11.40oz/total employee costed (TEC) (2011: 12.98oz/TEC).

Capital expenditure at Serra Grande in 2012 was \$41m, a decrease of 9% on the \$45m spent in 2011 bringing total capital expenditure for the five years 2008 – 2012 to \$245m.

At 31 December 2012, AngloGold Ashanti had a total Mineral Resource in Brazil of 14.58Moz (2011: 12.65Moz) and a total Ore Reserve of 3.1Moz (2011: 2.42Moz), equivalent to 6% and 4% respectively of group resources and reserves. Serra Grande accounted for 2.79Moz of the Mineral Resource and 0.77Moz of the Ore Reserve.

DESCRIPTION

Serra Grande is one of two AngloGold Ashanti operations in Brazil – the other being AGA Córrego do Sítio Mineração (AGA Mineração), and is included in the group's Americas region. On 1 July 2012, Serra Grande became a wholly owned subsidiary of the group when AngloGold Ashanti acquired the remaining 50% stake held by Kinross Gold Corporation. The full acquisition of Serra Grande is expected to increase annual production in Brazil to more than 550,000oz and the contribution to group production from the Americas region, to more than 1Moz.

Serra Grande is located in central Brazil, in the state of Goiás, about 5km from the city of Crixás. The mine comprises three mechanised underground mines – Mina III, Mina Nova, which exploits the Pequidão orebody, and Palmeiras – and an open pit on the outcrop of the Mina III orebody.

One dedicated metallurgical plant treats all ore mined. Nominal annual project capacity of the processing circuit, which has grinding, leaching, filtration, precipitation and smelting facilities, is 1.15Mt, but improvement initiatives to increase this are under way.

PERFORMANCE IN 2012

Operational performance

Attributable production in 2012 was significantly higher for the year, due in large part to its being 100% attributable following the full acquisition of Serra Grande from July 2012. Profit before taxation was \$80m and the profit after taxation was \$113m, due to a deferred tax credit of \$58m.

Attributable total cash costs were 6% higher at \$816/oz, caused mainly by lower gold production from the operation as a whole, maintenance costs and lower capitalised mine development, which was in turn partially offset by a positive exchange rate effect.

Measures implemented in 2011 to reduce dilution and monitor drilling and blasting processes were successful, with an average operational dilution of 15.2% recorded for 2012, in-line with expectations.

Equipment performance in 2012 was mostly according to plan. Despite increased utilisation, truck fleet (underground and surface) availability was slightly higher than planned. Performance of the simba fleet (long drilling fandrill) exceeded targets by 10% and availability was just below target. Once

Contribution to group production

(%)



this fleet had been identified as a pilot project for the Business Performance Framework's (BPF's) analyse and improvement programme there was a significant increase in the second half of the year. The LHD fleet had the most challenging year of all the heavy mining equipment in terms of availability, due to the fleet age, increased availability and operation with remote control in the sub-level areas.

In the process plant, equipment performance was excellent with 95.5% utilisation of the hydrometallurgical circuit, allowing the plant to achieve a record of 1.2Mt treated during the year. Optimisation of the gravity circuit, completed in mid-2012, is expected to yield further improvements in recoveries. In 2012, 57% of the gold produced at Serra Grande was recovered through gravity.

An operational control centre has been established on site to improve maintenance and enhance the general skills level of heavy mining equipment operators to achieve better operational performance and reduce breakdowns.

Cost savings continued to receive attention in 2012, with benefits still flowing from the on-going programme to develop alternative sources of supplies. This programme saved \$406,000 during the year. A new approach to the management of support services, launched in December 2011, resulted in savings in 2012 of \$400,000 in civil works, food, transport of people and travel.

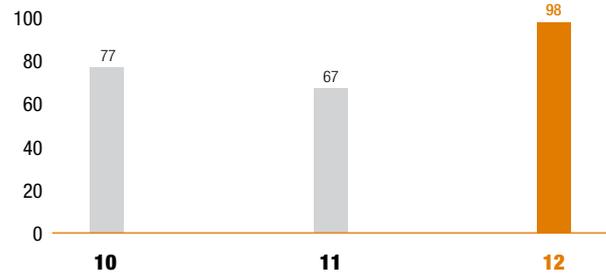
The cost and availability of specialised mining skills remain key challenges in Brazil, where a plethora of mining and engineering projects are competing with a tight labour market and inflated salaries. Preparations for the FIFA World Cup in 2014 and the Olympic Games in Rio de Janeiro in 2016 are likely to further impact labour issues.

Growth and improvement

A priority for Serra Grande's management is to facilitate closer co-operation between the geology, mine, plant and maintenance teams to reduce variability and increase both underground mine output and plant throughput. This is a key benefit that will follow the stabilisation phase of Project ONE's BPF phase and will assist in maintaining the required quality and quantity of feed to the mill while rebuilding the strategic stockpile which was depleted in 2010.

Serra Grande – annual attributable production

(000oz)



During 2012, the implementation of the BPF and its work programmes resulted in significant improvements at Serra Grande, with three areas having been stabilised in the management phase namely: the mining operation, the plant and heavy mechanical equipment. The roll-out of the BPF at Serra Grande has now been completed and the next phase of analysis and improvement has begun. Five projects were undertaken to address certain key performance indicators. Marked improvements in performance were noted regarding crusher use, availability of the Simba fleet and daily development metres drilled, with the latter increasing from 17.98m a day to 24.14m.

Exploration

The fast-track exploration programme at Serra Grande has added 882,000oz to the inferred resource at this operation. About \$20m will be invested in this campaign in the coming two years with the aim of adding a total of 1Moz to resources, to increase the average grade of the reserves and further extend the life of the operation. This programme, which began in 2011 and continued in 2012, aimed to define and evaluate the full potential of the known orebodies such as Pequizão, Palmeiras, Orebody IV and Mina Nova. It was also intended to generate new targets in the northwest structure and the region.

Pequizão and Palmeiras are the most recent discoveries and are the newest underground mines. Importantly, they have the highest grade reserves of all the Serra Grande operating areas but currently have modest development programmes, given that focus was previously on Orebody IV at Mina III. During 2012, this accelerated exploration programme continued to evaluate the regional potential. A total of 65,839m was drilled during the year, targeting extensions of known orebodies around the mine area at Pequizao and Mina III. Beyond the immediate mine area, mapping and sampling continued in target areas.

The focus now is on developing an optimal mine sequencing plan to make the best possible use of these higher grade areas.

Sustainability performance

Safety

Following a survey undertaken during 2010, a safety behaviour plan was launched at AngloGold Ashanti's Brazilian operations. Initiatives included improvements to the new employee induction course, a review of on-the-job training processes,

Serra Grande – key statistics

	Units	2012	2011	2010
Operation				
Volume treated/milled (attributable)	Mt	0.9	0.6	0.6
Pay limit	oz/t	0.08	0.11	0.09
	g/t	2.86	3.89	3.20
Recovered grade	oz/t	0.098	0.105	0.118
	g/t	3.36	3.59	4.05
Gold production (attributable)	000oz	98	67	77
Total cash costs	\$/oz	816	767	481
Total production costs	\$/oz	953	1,149	690
Capital expenditure (attributable)	\$m	33	22	26
Productivity	oz/TEC	11.45	12.98	15.88
Safety				
No. of fatal accidents		0	0	0
All injury frequency rate (AIFR)	per million hours worked	2.58	3.48	7.22
People				
Total average no. of employees		1,081	1,339	1,268
– permanent		821	1,039	965
– contractors		260	300	303
Employee turnover	%	8.48	9.19	11.23
Training and development expenditure	\$000	890	745	571
Environment				
Total water consumption	MI	459	429	393
Water usage intensity*	MI/oz	0.004	0.006	0.005
Total energy usage	million GJ	0.48	0.45	0.44
Energy usage intensity*	GJ/oz	3.72	3.36	2.86
Total greenhouse gas (GHG) emissions (CO ₂ e)	000t	14	13	15
Total GHG emissions per ounce*	tCO ₂ e/oz	0.11	0.10	0.10
Cyanide used	t	615	544	558
No. of reportable environmental incidents		0	0	0
Total rehabilitation liabilities	\$m	23.8	27.6	6.3
– restoration	\$m	18.7	21.9	2.5
– decommissioning	\$m	5.1	5.7	3.8

* Based on total production (100%) and not attributable data.

and standardisation of safety processes. A new approach to incident investigation and analysis was also established. 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 AIFR to less than nine per million hours worked by 2014 and to zero by 2020.

A safety climate and culture survey was conducted at Serra Grande in 2012 and improvements detected in the maturity of the safety culture and management system. Based on the results of this survey, the “Towards Zero Accident” strategic plan was launched with new initiatives to achieve the 2020 target.

Serra Grande’s AIFR of 2.58 per million hours worked in 2012 compares with 3.48 in 2011. No lost time injuries had been reported for an impressive 22 months until February 2012 with no fatalities for more than three years. A proactive safety indicator to evaluate the quality of processes has been developed and AngloGold Ashanti’s Brazilian operations have set targets to reduce their AIFRs to zero by 2020.

Serra Grande has maintained its compliance with OHSAS 18001. The AngloGold Ashanti Global Safety Award was received by Serra Grande for its excellent safety performance. This is the third time that Serra Grande has achieved this accolade since the award’s inception. It is the only operation to have won the award two years’ running.

Health

Serra Grande continued to comply with the Medical and Occupational Health Programme, with all employees undergoing their annual medical reviews. No occupational diseases were recorded during the year.

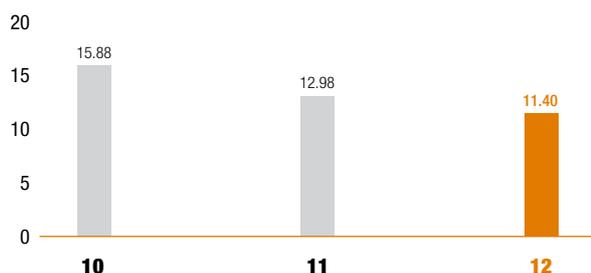
During the year, a quality-of-life programme for employees and families called “Live More” was launched. The programme begins with a diagnosis of the general health of employees based on which health improvement plans are developed related to physical, financial, emotional and social health.

Stakeholder engagement

Stakeholder mapping exercises were conducted and engagement plans developed with assistance from regional sustainability

Serra Grande – productivity

(oz/TEC)



teams in 2011. From this exercise the main stakeholders were identified and a communication plan prepared to improve relationships. Serra Grande has continued to maintain its positive and constructive relationship with its host community in Crixás. It has an open-door policy with communities, communicating operational and environment-related information. Communities are informed in advance of the funds allocated to community investments and the host communities themselves participate in the selection of projects.

All stakeholders – communities, companies, suppliers, employees, non-governmental organisations (NGOs) and local government – are invited to participate in an annual forum aimed at promoting discussion on social policy and practices so as to identify opportunities for improvement.

Early in the year, 35 people participated in a roundtable discussion on mine closure and its possible socio-economic impacts. This was a fruitful discussion with fully engaged community members making a range of recommendations involving themselves and the company. These recommendations will be considered during future planning. The key themes identified as required for the sustainability of the community, such as social engagement, public management, development of other economic potentials and education, were included in a preliminary report which presented a medium-term action plan based on a detailed socio-economic diagnosis. The action plan will be validated in 2013.

Community

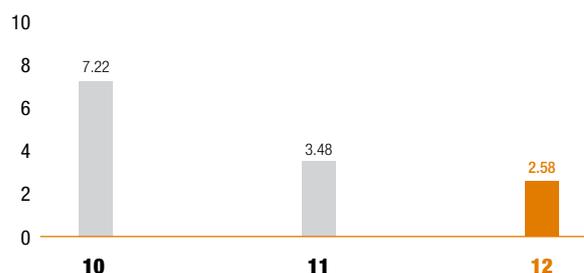
Local community engagement and support provided for 40 cultural, education and sport projects and preservation of the Crixás cultural heritage.

In Brazil, a “Public Call for Projects”, an AngloGold Ashanti initiative, strives to ensure greater legitimacy and transparency regarding the company’s community investment as well as to actively engage communities.

In towns close to the company’s operations in the state of Goiás, five projects were selected to receive company support. At Serra Grande, these projects include the following:

Serra Grande – AIFR

(per million hours worked)



- The Small Entrepreneur Fair “Uirapuense” which was approved in the 2012 public competition, and began operating. The initiative generates income for 14 families by selling crafts and rural products;
- The “Watercolor” Ecological Soap project which is expected to be a source of income for six families. It produces soap from used cooking oil that is collected from various locations at nearby restaurants, schools and the company restaurant; and
- The fortnightly “Cerrado Fair”, where 40 families sell typical food. The fair is attended by more than 1,200 people.

Environment

A primary focus in 2012 was process improvement to ensure the timely submission of environmental permit applications.

Serra Grande currently holds the following certifications:

- ISO 14001 – Environment;
- International Cyanide Management Code; and
- ISO 9001 – Quality (laboratory and smelter house).

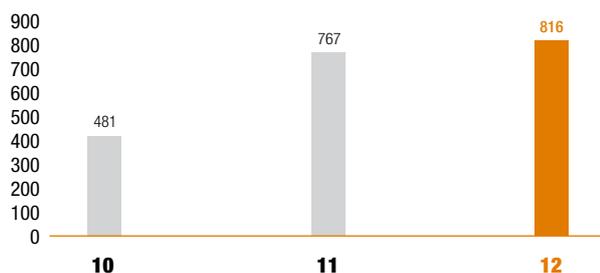
Serra Grande had no reportable environmental incidents and there was just one moderate incident in 2012. Due to torrential rain, the lake’s level in the tailings dam rose. An overflow of up to 900m³ of rainwater, mixed with effluent, entered the Vermelho River via a channel (drainage system). Monitoring and assessment was done immediately after the event, and no environmental impact to the soil and water was identified. Contingency and preventative measures have been identified and implemented.

An incident investigation protocol has been developed and implemented as well an incident management and tracking system developed. A global pilot project is already in progress.

Re-vegetation work covering 45,000m² of the company’s legal reserve was completed at Serra Grande in February 2012. This work had begun in November 2011 with the planting of 3,500 native seedlings and plants indigenous to the Cerrado Biome. Between January and February 2012, 2,000 more seedlings were planted. The species survival rate exceeds 85%.

Serra Grande – total cash costs

(\$/oz)



Serra Grande also sponsored and participated in the launch of the Environmental Awareness Programme, which was developed by the environmental secretary of Goiás state and will be implemented in local schools.

Legislation on carbon pricing is under consideration in Brazil. The company is proactively engaging with governments in order to find a balance between effectiveness in addressing climate change and adverse impacts on the economy and business.

Planning for mine closure: As all mining operations eventually cease, on-going planning for closure, from the start of exploration and mine design onwards, is an integral aspect of operational planning as is the estimation of the associated liability costs and the assurance of adequate financial provisions to cover these costs. Serra Grande complies with the group's closure and rehabilitation management standards.

The current life of mine ends in 2023 and exploration efforts are in place to extend it. During the year, provision for restoration amounted to \$18.7m and decommissioning \$5.1m, giving a total of \$23.8m (2011: \$27.6m).

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