

PROJECT PROFILE LA COLOSA, COLOMBIA



DESCRIPTION

Exploration rights at the La Colosa project are wholly held by AngloGold Ashanti. The project is based on the largest greenfields discovery made by AngloGold Ashanti and has an inferred resource of 26.8Moz.

La Colosa is located in the department of Tolima, Colombia, about 14km west from the town of Cajamarca. La Colosa lies in steep terrain in Colombia's central Cordillera but retains good access to a national highway and Colombia's main power grid.

The project is at the prefeasibility stage, currently evaluating alternative mining methods, plant locations and related infrastructure. The drilling programme is progressing to define the size and extent of the Mineral Resource that has not been constrained in the northwest and is partially open at depth.

Exploration work is continuing to define the size and extent of the mineral resource that is presently unconstrained in the northwest and partially open in depth. Mineral potential beyond the immediate La Colosa deposit is encouraging and could expand the project

Salient features

Mineral Resource	2012: 26.8Moz 2011: 16.3Moz
Estimated annual gold production	1Moz (+25 Moz over mine life)
Estimated annual production rate	70Mt mined per year
Estimated total cash costs	\$550/oz – \$600/oz
Average head grade	0.81g/t
Total cost	\$840/oz – \$900/oz
Estimated capital expenditure – project	\$5bn – \$5.5bn
Estimated annual throughput of ore	50Mt
Annual plant capacity	50Mt
Tailings storage facilities capacity	1,700Mt
Plant – date scheduled for first gold pour	2020
Estimated life-of-mine	+ 25 years

Project status

La Colosa's concession covers 600km² on land designated under Colombian law as a "forest reserve", a legal term for a tract of land designated for forestry use. Extraction permits are required to reclassify for mining development. A land use permit was obtained for exploration drilling in 2010 and the majority of the mineral resource has been defined under that permit. Additional land use permits are presently being sought to expand mineral potential, perform condemnation drilling, and perform key infrastructure geotechnical and hydrogeological investigations. These permits are expected to be granted by the National Environmental Authority in 2013.

The project is currently in prefeasibility with technical studies focused on mineral resource extent, mining method alternatives, ore transportation alternatives, metallurgical test work, process plant design, and related infrastructure design. In parallel, social and environmental baseline studies continue to progress along with key sustainability program implementations and an extensive educational and project communications outreach. The capacity of the project team has been built to ensure efficient and expeditious development of this project.

Updated prefeasibility level capital expenditure and operating costs will be determined once the final mining and processing methods are confirmed at the conclusion of the prefeasibility study, which is expected to be concluded in Q3 2014.

Progress in 2012

Project efforts in 2012 continued to be driven by the expansion of mineral resources (which in-turn is driving infrastructure size) coupled with on-going efforts to address key social issues within the various stakeholder groups – the potential project footprint within the forest reserve and concerns related to potential water consumption and water quality within the Coello River Basin. These scope changes have impacted budget and schedule.

Key decisions related to ore transportation and the relocation of infrastructure facilities out of the forest reserve area have dramatically changed the definition of the project's direct and indirect area of influence, and the scope of the environmental and social studies. Additional trade-off studies were necessary to optimise estimates of capital and operating expenditure, resulting in a suite of alternatives that have enhanced the project profile and are expected to positively address the key social issues of project footprint and water consumption and quality.

With this outcome, extensive efforts have been started to socialise the project in an array of venues locally, within the region and nationally, necessitating strengthening of the project team to execute the critical body of work associated with social and environmental licensing.

Technical evaluations also continued with the collection and analysis of geotechnical and hydrogeological information required for mine definition, trade-off studies on mining methods and alternatives, metallurgical test work and process definition, and infrastructure design.

Prefeasibility work is scheduled to be completed by the third quarter of 2014 and will define the extent and size of the resource; complete an extensive investigation of alternatives for mining, processing, ore transportation; infrastructure size and location; the purchase of land for access and infrastructure development; complete the environmental and social impact baseline assessments; and initiate sustainability projects for the areas of impact.

Capital expenditure

The project is being conducted as expensed costs since neither a formal project declaration nor completion of a feasibility study been attained. Total expenditure of \$84.3m was spent at La Colosa during the year, bringing the project-to-date expenditure to \$203 m.

Sustainability

Safety

2012 realised significant improvement in safety performance at La Colosa with the implementation of an array of safety programmes that focused on work planning and execution, task training, prevention of accidents and risks, and road safety.

The AIFR declined to 4.19 per million hours worked in 2012 from 19.33 in 2011. Continuous training and leadership involvement will be required to maintain and improve on this success.

Safety targets have been set for 2013 and implementation of the group's 22 safety standards will continue with the aim of achieving zero incidents.

Health

Work continued all year on the project area health baseline study which will help to ensure that data is available for the design and submission of a thorough health impact assessment within the environmental impact assessment. This study is being undertaken by Cendex, the public health institute of the Javeriana University. Initial baseline data will be available around mid-2013.

Stakeholder engagement

The management team has developed extensive stakeholder maps locally, regionally, and nationally and is fully engaged in establishing solid relationships with these individuals, groups, institutions, and agencies. As well, the management team has successfully developed valuable partnerships and alliances with neighbouring educational institutions for verification studies, while a reforestation programme has been initiated with school communities around the Cajamarca area. These interventions form part of an active stakeholder relations and social investment strategy, which also includes business associations, communities, community boards and leaders, educational institutions, government and governmental agencies, and NGOs.

Local and regional government engagement has been a priority in 2012 with important changes at both local and regional government and the regional environmental authority (CORTOLIMA). These changes are viewed optimistically as venues have been created to work constructively within these entities to educate, provide timely updates, and work to common solutions to the technical challenges a large-scale project will present. A key issue at La Colosa remains preservation of water quality and quantity and the potential impact mining may have on regional rice growers in central Tolima Department. To that end, technical breakthroughs achieved in the last quarter of

La Colosa – key statistics

	Units	2012	2011	2010
Operational performance				
Expensed and capital expenditures	\$m	84	63	30
Mineral resource (inclusive)	Moz	27	16	12
Safety				
No. of fatal accidents		0	0	0
All injury frequency rate (AIFR)	per million hours worked	4.19	19.33	13.09
People				
Total average number of employees		644	455	267
– permanent employees		86	51	45
– contract employees		558	404	222
Employee turnover	%			
– permanent	%	1.8	1.1	0.7
– contractors	%	5.4	7.2	6.7
Training and development expenditure	\$000	680	411	111
No. of people trained		96	55	45
Environment				
Total water consumption	MI	32.24	59.04	14.03
Total energy usage	million GJ	0.0005	0.0006	NA
No. of reportable environmental incidents		12	1	0
Rehabilitation liabilities	\$m	0.8	0.8	0

2012 regarding project infrastructure and ore transportation, coupled with opportunities to address regional water quality and use, present new venues of common ground to ensuring the co-existence of agriculture and mining. Programs in 2013 will centre on bringing these issues and solutions to all stakeholders with the aim of further advancing the social, sustainability, and environmental licensing.

Community

The project team at La Colosa, working with the Bogota office, continued a succession of key community enhancement projects across a number of communities it is working in. Specific projects focus primarily on areas of agriculture, health and social infrastructure sector aimed at strengthening existing economic activities and improving levels of poverty. These programs undertaken since the project started include a livestock breeding programme, introducing avocado tree farming, the construction of an auditorium for a local children's

home, and provision of an ultrasound scanner and x-ray system to the local hospital.

Community relations in Cajamarca remain positive and have been built on a social investment strategy, as well as on an on-going stakeholder engagement. The biggest challenge lies now with the extension of the project into new areas, as new infrastructure sites are being analysed. This has required stakeholder engagement in new areas, and will now necessitate a solid and consistent community risk analysis and corresponding investment strategy to mitigate impacts and allow for the work to be advanced without delays.

Environment

Environmental baseline study work continued in 2012 and its scope has been expanded due to the revised ore transportation and infrastructure. This baseline work will be developed as part of the La Colosa prefeasibility study as well

as the environmental impact assessment (in consultation with the National Environment Authority). The environmental impact assessment is expected to be submitted early in the second quarter of 2015.

Other work engaged in 2012 was the implementation of environmental offset/compensation programmes in concert with Conservation International and other NGO groups with the aim of obtaining net positive gains in biodiversity, with an emphasis on water conservation and use.

The Ministry of Environment and Sustainable Development has adopted a manual for awarding compensation related to the loss of biodiversity and has adopted more flexible rules to allow for an express extraction process for early exploration work. Finally, new regulations regarding water discharge standards are currently being developed in close collaboration with AngloGold Ashanti and the mining industry.

Ongoing field work has resulted in minimal environmental impact since most exploration drilling is conducted using compact portable drill rigs from elevated re-usable bamboo platforms, linked by foot-trails. Three public universities are undertaking the biotic monitoring and hydrogeological and hydro-climatic programme for exploration stage activities in order to independently verify the effectiveness of control measures used.

A watershed reforestation programme has been developed with communities around the project and using trees from a plant/tree nursery programme developed by students from some schools in Cajamarca.

Other matters

In the wake of peace negotiations between the Government and insurgent (guerrilla) groups, security incidents in the area have increased. This has resulted in some incidents that have affected assets (storage facilities, vehicles) of the company and its suppliers. However, a joint plan and procedures have been established with the armed forces to prevent such incidents and mitigate any impact. It should be noted that the size of the guerrilla groups in the area has substantially decreased in recent years, limiting its ability to undertake large-scale offensive actions.

Outlook

The focus in 2013 will be to advance the project in line with its development plan and to complete the remaining technical and trade-off studies related to mining, ore transportation, plant and infrastructure locations, and local and regional water hydrology. Drilling activities in 2013 will be conducted largely for various geotechnical, hydrogeological and condemnation activities with permits expected to be released for this activity in the first quarter of the year. Resource drilling will attempt to close off mineralisation in the northwest portion of the deposit and at depth. Total expenditure of \$92m is forecast for 2013.

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