

PROJECT PROFILE MONGBWALU, DEMOCRATIC REPUBLIC OF THE CONGO



DESCRIPTION

The Mongbwalu project lies in the Democratic Republic of the Congo (DRC), in AngloGold Ashanti's Continental Africa region.

The Concession 40 is situated in the northeastern DRC, 48km northwest of the town of Bunia, and to the southeast of the group's Kibali joint venture project.

Mongbwalu is operated by Ashanti Goldfields Kilo (AGK), a joint venture between AngloGold Ashanti Limited (86.22%), which operates the mine, and Société des Mines d'Or de Kilo-Moto (SOKIMO) (13.78%), a state-owned gold mining company.

The venture holds 15 licences covering an area of 3,784km² (known collectively as Concession 40) following the retrocession to SOKIMO of three licences over an area 1,679km². The Akwe exploration licence (399km²) is also being transferred to AGK.

Belgian mining companies operated in this area on a relatively small-scale for around 50 years, before leaving in 1961. SOKIMO began mining here in 1966.

Project status

Preparatory work at the Mongbwalu project has been completed. This small-scale project, planned initially as a springboard for future work in the region, has been suspended pending further technical reviews. The initial project was designed with a view to increasing its size as the regional exploration programme near the project site and across the greater concession identified new sources of ore. Mongbwalu was to consist of an underground mine in the Adidi area of the concession, with a processing plant and associated infrastructure.

The initial plan called for development of the underground operation followed by expansion of the project, funded by internal cash flow. Under the initial plan, up front capital investment was estimated at \$345m, and annual gold production at an average of 130,000oz in the first three years of full production and an estimated total cash cost of \$760/oz (nominal).

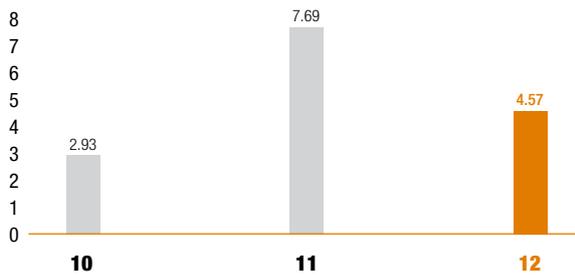
Active greenfield and brownfield exploration in the area continues to search for additional economic projects. A novel development on site has been the use of portable drill rigs which are transported across the concession by helicopter. This strategy reduces the need to build and rehabilitate access roads; limits the overall footprint of the project; improves safety; and, with the increase in metres drilled, the effectiveness of the drill rigs.

Progress in 2012

Despite a shortage of good-quality aggregate, the road infrastructure upgrade progressed well during the year as did work on the exploration, operation and construction camps. An "exclusion zone" was created around Adidi as a buffer between mine development and construction activities, and artisanal miners working in the area. This exclusion zone, which represents half of one per cent of the total AGK licensed area, is necessary for safety and environmental reasons and to limit the potential for conflict. To facilitate the creation and maintenance of this zone, AngloGold Ashanti has engaged regularly with the artisanal miners since 2010, through the Artisanal and Small-Scale Mining (ASM) Steering Committee.

The first phase of the hydropower plant refurbishment was successfully completed and 3.5MW of reliable power supply is now provided to the camp and to the towns of Mongbwalu and Bunia. Equipment ordered earlier in the year was delivered

Mongbwalu – AIFR (per million hours worked)



by year-end. As anticipated, challenges were encountered in terms of logistics, accommodation shortages and a protracted mobilisation period.

A new concept study has been initiated and will focus on assessments of the Adidi portal and the potential mining of the Adidi study area; a hydropower study for Concession 40; continued brownfield drilling around the current mine; continued greenfield drilling for the remainder of Concession 40; and the financial modelling of Concession 40 options.

Exploration

Exploration drilling in Concession 40 in 2012 focused on geotechnical and resource definition drilling for improved definition ahead of planned mining and greenfield drilling of blue sky areas.

The drilling programme has confirmed the prospectivity in the region with several encouraging intersections. Further drilling is required to more accurately ascertain the extent of these orebodies and the best means of accessing them. About 14 gold showings have been identified and historic workings within 8km of the proposed mine that will be considered for exploration work in the following year.

All paperwork for the renewal of 15 exploration licences had been lodged by year-end and will be processed by the mining cadastre (CAMI).

Sustainability performance

Safety

The group's safety strategy and target of less than 9 per million hours worked has had a positive impact at Mongbwalu. An AIFR of 11.04 in 2011 improved to 4.57 in 2012, driven by the roll-out of the safety transformation plan, which focused on engagement, risk management, training and safety system development. This was supported by an expanded health and safety team that increased from five to 12 professionals to support the project expansion.

In parallel, a safety culture is being developed by reinforcing areas of responsibility for safety, extending from individuals to line management, and by compulsory safety education and training programmes for all employees and contractors. Driver training and safety education programmes are among

some of the successful initiatives rolled out in 2012 to the local workforce.

Safety initiatives undertaken during the year were: daily toolbox talks; inspections; weekly focus topics; helicopter hoist training; hazard and risk management training; gap analysis of all company and contractor vehicles; intermediate incident investigation programme; vehicle driving training; and a fit-for-work medical examination process was put in place for all employees and contractors.

Unfortunately, there was one fatality during the year. A contractor succumbed to his injuries following a heavy mobile equipment incident on 3 November 2012. An investigation was undertaken and corrective action taken.

Health

The focus in 2012 was on expanding medical capacity and the development of occupational and public health. Given the increased greenfield and project activity, the capacity of occupational health has been enhanced with the recruitment of a doctor, three nurses and several paramedics as well as the acquisition of new equipment. A new 4WD ambulance, for mass casualties, has been commissioned and occupational and first aid equipment acquired. Strict monitoring of work fitness has significantly reduced medical problems on site.

An integrated malaria programme, based on that developed at Obuasi, was rolled out at Mongbwalu in the second quarter of 2012 with assistance from the regional team. The first phase of the programme, including the spraying of the camps, was completed. All personnel were provided with mosquito nets and early detection and treatment are in place. Regular internal residual spraying and a standing water treatment and bush-clearing programme have been implemented. A mosquito resistance survey was conducted in May 2011, before the first round of internal residual spraying. Resistance will be monitored at the various times of the spraying project. Indoor bi-monthly residual spraying inside the main and construction camps started in July 2012. This malaria programme is supported by a communication plan and data monitoring at the site clinic and at Mongbwalu Hospital to identify trends and plan accordingly.

A health feasibility study commissioned by the company in the third quarter of 2012 recommended that AGK should partner with the Catholic Church and the Ministry of Health to upgrade the Catholic maternity health centre. The aim of this is to improve access to quality health care for our employees and the host community.

Stakeholder engagement

Engagement with stakeholders is key to Mongbwalu's sustainability strategy, which incorporates aspects on communities from the ISO 14001 management system and the ISO 26000 guidelines. Implementing such a strategy from the start of project development allows global best practice to be applied.

Community

A critical feature of AngloGold Ashanti's presence in the north-eastern DRC is the investment required in local infrastructure to benefit not only the mine, but also local neighbouring communities and promote regional stability. AngloGold Ashanti has been involved in various projects, including:

- Repair and maintenance of provincial roads: this has been a key focus and includes the rehabilitation of the 60km Barrier-Mongbwalu road and of the Boulevard de la Liberation in Bunia;
- Refurbishment of the Budana hydropower station and provision of reliable power supply: the first phase, finalised in June 2012, provides 3.5MW of electricity, 3MW of which is provided as much needed power to the households of Bunia and neighbouring villages located along the Bunia-Mongbwalu transmission line; and
- Water projects: the rehabilitation of 14 water sources to supply the daily water needs of approximately 9,000 people at Mongbwalu.

AngloGold Ashanti lobbies strongly for local communities to identify and take ownership of projects such as the provision of eight fully-equipped classrooms for the "CECA 20" school in Mongbwalu and revamping of the Mongbwalu police station, which was completed at the end of the year. AngloGold Ashanti has also supported the creation of a local forum which provides a platform for key stakeholders in Mongbwalu to conceive and implement sustainable projects that address their needs. It supports beneficiaries so as to foster partnerships that ensure long-term sustainability.

The recruitment of local employees remains a key focus.

Environment

No environmental incidents were reported during 2012.

Major achievements were approval in March 2012 of both the Environmental Social and Health Impact Assessment (ESHIA) and the Environmental Adjustment Plan (EAP) which enabled the project to begin. Also, as part of DRC regulatory requirements, Mongbwalu submitted its 2011 annual report to the relevant mining authorities in March 2012. The Environmental Management Plan for construction as well as exploration activities was developed.

Discussions were initiated with regulators regarding permit renewals for associated environmental studies and for the transfer of environmental liabilities from previous artisanal mining activities to the state (SOKIMO), as well as permit renewals and associated environmental studies.

A tree nursery established in March 2012 supports a concurrent rehabilitation programme, thus reducing the company's direct environmental liabilities. As part of its rehabilitation programme, AGK rehabilitated 20 drilling platforms. It also twice engaged with the Mbuti pygmy population in 2012 to collect seeds and plants. There was a special focus on seed and plants of endangered species.

Other matters of concern

Human rights and security: The northeast DRC is a post-conflict zone with security being an on-going challenge. With the continued presence of the United Nations (UN) peacekeepers in the area and the active support and engagement of the country's national defence force, which is responsible for defending and maintaining peace in the country. The situation is slowly normalising in the vicinity of the project. Militia activity has declined in frequency and been largely limited to bandit activities in and around poorly protected outlying settlements and has not directly affected construction activities and logistics routes.

The M23 conflict in Goma has been limited to the North Kivu province. Peace talks are on-going between the rebel group M23 and the DRC government. While the conflict did not directly affect the project, it contributed to general insecurity in the larger area and is being closely monitored.

Post year-end, a "Peace and Security Co-operation Framework" for the DRC, signed at the African Union headquarters in Ethiopia on 24 February 2013 and involving 11 African Heads of States, aims to bring stability to the east of the DRC. The agreement allows the establishment of a special UN response team which consists of three infantry battalions, about 2,700 men, based in Goma, and the appointment of Mrs Mary Robinson, former Irish President and UN High Commissioner for Human Rights, as a special envoy of the UN for the Great Lakes region.

Under the new agreement the Congolese government has agreed to address the root causes of the conflict and has committed to fast-tracking security sector reform, particularly within its army and police, and to consolidate state authority in eastern parts of the country. The UN, African Union, African Development Bank and other international groups have agreed to support the effort.

Project security is provided by a private security contractor used globally by AngloGold Ashanti, supported by a provincial police unit. Both are fully compliant with the United Nations' Voluntary Principles on Security and Human Rights (VPSHR) and undergo regular training.

Artisanal and small-scale mining: Artisanal mining remains of concern. Given the extent of the Mongbwalu Concession 40 area, the company has begun an extensive engagement process with the artisanal miners, along with other stakeholders so as to mitigate risks associated with illegal mining. A series of multi-stakeholder workshops was organised with a provincial steering committee established to oversee them and co-ordinate planning and implementation around the issue of ASM. This committee has facilitated the creation and maintenance of the "exclusion zone" referred to above.

The Continental Africa region's broader ASM strategy, which is based on the United Nations Millennium Development Goals*, is applied when dealing with ASM. This strategy involves developing partnerships with government and civil society in

trying to identify alternative livelihoods for some of the artisanal miners. The stakeholder engagement programme plays a critical role in this exercise and during 2012, nine meetings were held with stakeholder representatives under the auspices of the provincial Mongbwalu ASM Steering Committee.

A study has identified potential opportunities that might enable more than 100,000 artisanal miners to make the transition to alternative livelihoods. In the meantime, AGK has already started a pilot initiative with a local association involving former artisanal miners, customary leaders and local representatives of civil society to concretely demonstrate the feasibility of alternative livelihoods. Since September 2012, 70 former artisanal miners have been supplying AGK with gravel, sand and scree for construction of the mine. To date, 3,000m³ of materials have been supplied for a value of \$90,000. If successful, this initiative may be replicated in future to encourage artisanal miners to

change to safer and more sustainable income-earning activities such as providing services to the mine, brick making and the cultivation of food crops.

Supply chain: Logistics and freight forwarding have taken longer than originally anticipated. Transport strikes in South Africa, Mombasa port delays and poor road conditions have all contributed to the delay. Workshops are being conducted with logistics companies to identify methods of optimising and addressing these constraints.

Outlook for 2013

Currently underway is a technical review to improve project economics. Further exploration activities may be required to increase the size of Adidi and to find new, large orebodies. Work in the community is also on-going.

** The Millennium Development Goals (MDGs) are eight international development goals, established in 2000, following the adoption of the United Nations Millennium Declaration. All 193 United Nations member states and at least 23 international organizations have agreed to achieve these goals by the year 2015. The goals are: eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowering women, reducing child mortality rates, Improving maternal health, combating HIV/AIDS, malaria, and other diseases, ensuring environmental sustainability, and developing a global partnership for development.*

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Additional information from a country perspective can be obtained from the DRC country fact sheet, which is available at www.aga-reports.com.