



### Highlights of the year

In 2012, production at Obuasi declined to 280,000oz, equivalent to 7% of total group production and 18% of production for the Continental Africa region.

There was an average of 5,373 employees for the year at Obuasi (2011: 5,538) – 4,098 permanent and fixed-term contract employees and 1,275 mining-related contractors – with a productivity rate of 5.19oz/total employee costed (TEC) (2011: 5.68oz/TEC).

Capital expenditure at Obuasi in 2012 was \$185m, an increase of 41% on the \$132m spent in 2011 and bringing total capital expenditure for the five years 2008 to 2012 to \$632m.

As at 31 December 2012, Obuasi had a Mineral Resource of 29.82Moz, which includes an Ore Reserve of 8.52Moz.

### DESCRIPTION

Obuasi, one of two AngloGold Ashanti operations in Ghana, is wholly owned and managed by AngloGold Ashanti. Obuasi was acquired following the business agreement between the former AngloGold Limited of South Africa and Ashanti Goldfields Company Limited of Ghana when a new entity, AngloGold Ashanti Limited, was formed in April 2004. The mine has been in operation since 1897.

Obuasi is located in the Ashanti region of Ghana some 320km northwest of the capital Accra and 60km south of Kumasi. The region is largely forested at an elevation of 280m above sea level. Mining rights were granted to approximately 334km<sup>2</sup> in the Amansie East and Adansi West district of the Ashanti region as well as for the adjacent 140km<sup>2</sup>, with the total mining concession covering an area of 47,500ha. Eighty communities, approximately 250,000 people, who are mostly engaged in subsistence farming, reside within a 30km radius of the mine.

Mining operations are primarily underground, mining to a depth of 1.5km with six shafts for man transport and rock hoisting currently in operation. Some surface mining in the form of open

pit and tailings reclamation occurs. Obuasi currently treats sulphide ores from underground at the south plant, following the decommissioning of the tailings treatment plant in October 2010. The south plant also treats sulphide tailings and has a monthly capacity of 360,000t.

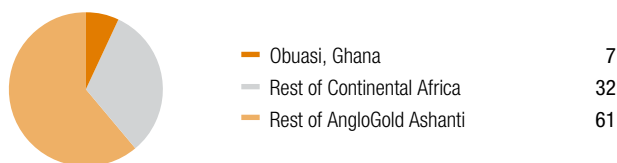
### PERFORMANCE IN 2012

#### Operational performance

Several factors contributed to the decline in production in 2012. The rope breakage on the rock winder at Kwesi Mensah Shaft (KMS), which caused one of the conveyances to drop from the lowermost loading station to the base of the shaft, created a significant setback in January. While the incident highlighted improvements to be made in rope maintenance protocols, frequent power interruptions and fluctuations at the time also appear to have played a role in the incident. While the rope was quickly replaced, the damage to the shaft steelwork and the skip took longer to remedy, resulting in a 25-day disruption to hoisting activities which caused lost production of some 20,000oz. Subsequently, more rigorous attention has been paid to rope inspection, maintenance and servicing, as well as staff training.

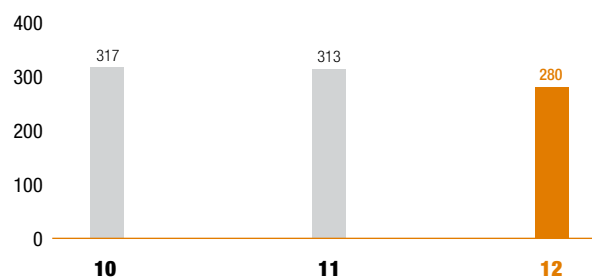
## Contribution to group production

(%)



## Obuasi – annual production

(000oz)



The difficulties with the underground development contractor persisted during the year and manifested in the development of ore stopes falling further behind schedule. This in turn delayed access to higher grade reserves which had a direct impact on production. In October a decision was taken to terminate the contract, following protracted and ultimately unsuccessful negotiations. After a short notice period, the contractor was replaced by AngloGold Ashanti's own development team. Obuasi management focused on maintaining strong relationships with both its own employees and those of the contractor during this transition phase as many of the latter were employed by the company to staff the switch to owner underground development. Underground production volumes were also hampered by lack of equipment availability due to damages by rock falls in the stopes. This is being addressed in the rockfall management strategy.

These operating challenges contributed to lower production for the year (2011: 313,000oz), which aggravated the increase in costs given the sensitivity to volumes. Total cash costs for the year rose by 23% to \$1,186/oz. The main contributors to the costs were increases in electricity rates, and labour costs.

AngloGold Ashanti's Ghana operations are permitted to retain 80% of their foreign exchange earnings in an offshore foreign account.

## Growth and improvement

Obuasi is converting some of the current transverse and longitudinal open stopes to longitudinal retreat stopes. This conversion will take place in mining blocks where it is suitable to do so. The major advantage of this method is the potential to cut waste development by up to half while lowering capital expenditure and creating additional reef drive exposure.

The focus is firmly on the delivery of production targets, the Obuasi turnaround plan, implementation of the management framework, including Project ONE, to increase operational consistency and capacity and the reduction of the risk of project delays. This is spearheaded by an enhanced senior management team focusing on restoring operational credibility, sustainability and appropriate organisational design.

The new Obuasi mine plan is expected to serve as a platform for a high productivity structure. The plan is to increase and sustain the production of gold in the medium to long term. Work will start early in 2013 on a new decline access from surface and from multiple staging points underground, to reach a number of active mining blocks and to continue down to 50 level to access Obuasi Deeps. Open-pit mining has been recommenced to generate additional ounces in the short term.

The broader strategy at Obuasi remains focused largely on reducing the operational footprint, extricating the main operating area of the mine further away from the town of Obuasi and placing a sharp focus on containing costs. The full footprint reduction exercise is likely to last an additional two years pending approvals from relevant authorities and as the company seeks to establish operations in the south, which will serve as a buffer between the mine and the community.

The Pompora reclamation project, which originally consisted of a reclamation station and pipeline to enable the Kokoteasua and Pompora tailings storage facilities (TSFs) to be reclaimed, is currently being re-evaluated.

## Exploration

Surface exploration continued in the Obuasi concession to probe the down-dip extension of the Rusty Monkey mineralisation and resource upgrade at Anyankyerim. Nineteen holes with a total depth of 7,030m were completed. The drilling outcome indicated lack of significant mineralization at Rusty Monkey. Remodelling of the Anyankyerim orebody with current drillhole intersections is on-going.

Underground exploration during 2012 continued to focus on the BSVS project area. A drilling programme probed the down-dip extensions of quartz and sulphide mineralization hosted within Block10 and was used to upgrade the resource below 24 Level at Sansu 3. Thirty-one holes with a total depth of 4,803m were completed. Significant intersections were made and confirmed the expected.

## Sustainability performance

In line with the group sustainability strategy, a comprehensive and transformative sustainability strategy has been compiled

## Obuasi – key statistics

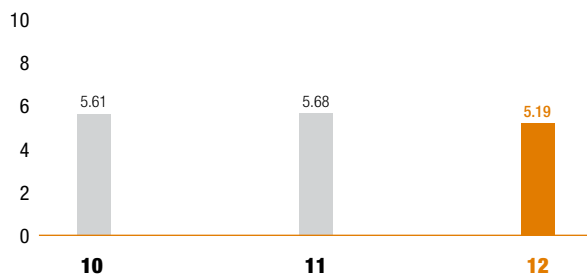
	Units	2012	2011	2010
<b>Operational performance</b>				
Volume treated/milled	Mt	2.1	2	2.6
Pay limit	oz/t	0.21	0.19	0.19
	g/t	7.29	5.85	6.60
Recovered grade	oz/t	0.137	0.141	0.150
	g/t	4.79	4.82	5.16
Gold production	000oz	280	313	317
Total cash costs	\$/oz	1,187	862	744
Total production costs	\$/oz	1,590	1,285	945
Capital expenditure	\$m	185	132	109
Productivity	oz/TEC	5.19	5.68	5.61
<b>Safety</b>				
No. of fatalities		2	3	0
All injury frequency rate (AIFR)	per million hours worked	2.13	2.37	2.86
<b>People</b>				
Total average no. of employees		5,373	5,538	5,722
– permanent		4,098	4,163	4,225
– contractors		1,274	1,375	1,497
Employee turnover	%	6.06	5.25	4.68
<b>Environment</b>				
Total water consumption	ML	8,567	8,567	8,369
Water usage intensity	ML/oz	0.031	0.027	0.026
Total energy usage	million GJ	1.74	1.52	1.53
Energy usage intensity	GJ/oz	6.21	4.86	4.82
Total greenhouse gas (GHG) emissions (CO <sub>2</sub> e)	000t	197	187	211
GHG emissions per ounce	tCO <sub>2</sub> e/oz	0.704	0.597	0.666
Cyanide used	t	0	3,888	3,562
Reportable environmental incidents		1	14	6
Total rehabilitation liabilities	\$m	184.0	143.9	63.6
– restoration	\$m	137.0	107.3	
– decommissioning	\$m	47.0	36.6	

for the Continental Africa region, to enable the region to fulfil its potential for growth while continuing to broaden regional social and economic development. Delivery on the strategy depends largely on the development of mine sustainability plans, based on the United Nations Millennium Development Goals\*. Key components of the model are enhanced shareholder engagement; focused community projects to deliver sustainable value; and partnering with government on issues including the formalisation of artisanal and small-scale mining (ASM). The model is designed to positively and proactively address issues which have affected business in the past, namely community disputes, failure to meet environmental standards and poor compensation practices.

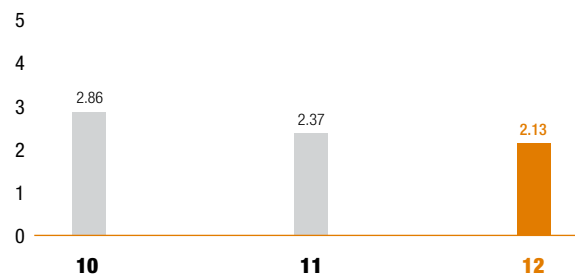
The management of Obuasi is committed to working within the existing environmental legislation framework in Ghana and is working on improving environmental performance and addressing legacy issues. The community and social development department has formalised its stakeholder engagement plan, with the formation of the community consultative groups. In the year under review, the department achieved over 80% execution of scheduled community meetings; with the shortfall due mainly to clashes with electioneering activities. In terms of the 2004 Stability Agreement, the Community Trust Fund was launched in September 2012. Challenges in the year 2012 included the nurseries which appeared around proposed mining sites. The

\* 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.

## Obuasi – productivity (oz/TEC)



## Obuasi – AIFR (per million hours worked)



company has appealed to the law enforcement and human rights authorities to address this development.

Engagement continues on the issue of the ASM illegal (galamsey) operations on the Obuasi mine. Obuasi human resources staff are involved in strategy workshops to address the matter at both the company's operations in Ghana.

The Minerals Commission of Ghana has drafted guidelines for corporate social responsibility (CSR) in mining companies to serve as benchmarks for mining companies' CSR activities. The document is underpinned by 10 broad themes including corporate governance and ethics, human rights, workplace and labour standards, health and safety, environmental stewardship, risk assessment, community and social development, stakeholder agreement, compliance and reporting. AngloGold Ashanti attended the stakeholder's forum in February 2012 in order to review the document. The final version is yet to be released.

### Safety

AngloGold Ashanti has a long-term goal of operating a business free of occupational injury and illness and has a five-year objective of reducing the AIFR to less than nine per million hours worked. The AIFR at Obuasi improved to 2.13 per million hours worked in 2012 (2011: 2.37).

Two people lost their lives at Obuasi during 2012. AngloGold Ashanti extends its sympathy to the wives, children and families of the deceased.

Following one of the incidents, the mine was closed for a day for the employees and contractors to reflect on the fatality and to reach an agreement on solutions to prevent further safety-related incidences and fatalities. A set of rules was developed and is being reviewed to form the basis of a zero tolerance approach in the future.

The Safety Leadership Programme, developed by the Safety Transformation Team and customised for the Continental Africa region was rolled out at Obuasi in November 2012. Safety accountabilities have also been incorporated into the role descriptions of leadership positions and a safety leadership programme will begin in 2013. A new safety

initiative dubbed 'the Meerkat' was introduced at the mine to improve the safety culture.

A review of safety standards for light vehicles used on the mine was conducted, and it was found that these were not consistent. To remedy this, personnel from Obuasi are working with a safety equipment provider to ensure all vehicles meet required safety standards.

External consultancy services continue to assist with medical emergency response capabilities. With the knowledge derived from the fatalities at Obuasi, improvements to medical emergency response may be used as a possible model for the Continental Africa region.

Obuasi's OHSAS 18001 re-certification was successfully completed during January 2012.

### Health

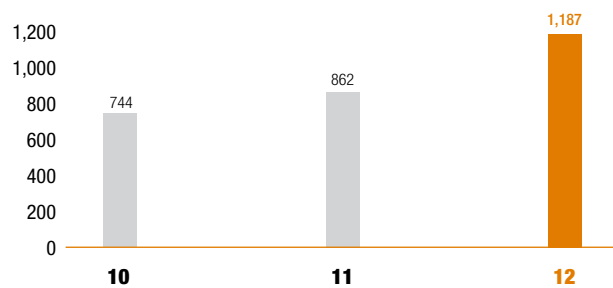
Work continues on aligning the health approach in the Continental Africa region with the Global Health Strategic Framework, which is an initiative of the USAID framework for global health. The main objectives are the development of specific plans and activities to optimise operating systems and processes, to integrate with non-health systems and to develop sustainability-based initiatives with communities which are beneficial to all.

The recently published Health Institutions and Facilities Act will require the recertification of the company's health facilities at Obuasi once the necessary requirements have been specified and the relevant regulatory body for the licensing of health facilities has been established.

**HIV/Aids:** 4,338 employees and contractors attended voluntary counselling and testing (VCT) programmes during 2012 (2011: 6,357). Thirteen people were on antiretroviral treatment (ART), the same number as in 2011. Behavioural change education, VCT, prevention of mother to child transmission (PMCT), distribution of condoms, providing information, education and communication materials are in place. Others are the provision of uninterrupted anti-retroviral drug therapy services and clinical care, training of co-ordinators, counsellors, clinicians and peer educators.

## Obuasi – total cash costs

(\$/oz)



**Noise-induced hearing loss (NIHL):** NIHL remains the key occupational health risk at the operation. In the medium term, capital has been allocated for equipment replacement to reduce noise levels underground.

The following initiatives have been instituted to address NIHL:

- constitution of a formalised Hearing Conservation Programme committee;
- negotiations with unions to relaunch the NIHL awareness programme;
- ordering of silencers for fans; and
- intensified enforcement of hearing protection device usage.

**Malaria:** Despite the significant progress made in vector and disease control, malaria remains the most serious non-occupational disease across AngloGold Ashanti's Continental Africa region. There were 683 recorded cases of malaria at Obuasi in 2012 (2011: 1,084). Obuasi's malaria lost-time injury frequency rate (MLTIFR) was 25.1 in 2012 compared to 43.9 in 2011.

The Geneva-based Global Fund to Fight Malaria, Aids and Tuberculosis sponsored a project to expand the Obuasi Malaria Control Programme across half of Ghana, starting with spraying in seven districts in March 2012. Governance processes for AGAMal, the special purpose vehicle conducting the project, have been reviewed by Deloitte & Touche Ghana and activities are underway to implement recommendations and ensure that the highest quality procedures are followed.

**Silicosis:** Three new cases of silicosis were diagnosed at Obuasi during 2012 compared with four cases the previous year. AngloGold Ashanti remains committed to reducing this number even further. The following initiatives are being implemented:

- provision of capital for installation of a dust suppression system at the dust sources identified through the hygiene monitoring program; and
- enforcement of the respiratory protection programme.

## Stakeholder engagement

During the year Obuasi hosted the first ever Town Hall meeting with the local community. The ceremony attracted chiefs, local government authorities, civil society organisations, the media

and other stakeholders within the community. The traditional and district authorities from Tarkwa and stakeholders of the Iduapriem mine were also represented. Stakeholders were briefed on AngloGold Ashanti's performance in 2011 and plans for 2012.

The rollout of the revamped and robust stakeholder engagement strategy across the Continental Africa region, has begun. Progress to date includes the completion of a review by the Wharton School, University of Pennsylvania, of stakeholder engagement work and the formulation of a plan going forward. The stakeholder analysis sought to identify key stakeholders whose actions/inactions affect AngloGold Ashanti's operations in Ghana, their influence, linkages and overall dynamics. The outcome of the analysis is expected to facilitate better stakeholder relations and management. The three key outputs outlined in the plan are: stakeholder mapping, stakeholder engagement knowledge platform and customisation of a financial valuation tool. The IFC's Financial Valuation Tool is key for determining the financial returns of sustainability interventions, projects and investments, and also calculating the financial value of risks mitigated through such activities.

Phase two, including stakeholder mapping, was launched in Ghana at the end of 2012.

The stakeholder engagement programme at Obuasi has continued to function as an important forum for community members and management alike to discuss matters of concern. These relate overwhelmingly to the lack of job and economic development opportunities, and delayed compensation payments.

## Community

The Obuasi mine's corporate social investments have been structured to meet the basic needs of the Millennium Development Goals. This is enhanced by addressing socio-economic issues such as job creation through local procurement and use of local services.

The launch of the Obuasi Community Trust Fund in September 2012 was warmly welcomed by community members. The trust fund, overseen by a community board and steering committee, satisfied a key requirement of the Stability Agreement Act of

2004. The initial funding of a dozen Toyota Hi-ace minibuses to selected senior high schools, along with 140 desk top computers to selected junior high schools, was made after consultation with both trust fund boards.

As regards compensation, approximately 98% of historical backlogs have been resolved and fully paid and third party assessments are being conducted to ensure timely payment going forward.

## Environment

AngloGold Ashanti is committed to improving processes to prevent pollution, minimise waste, increase carbon efficiency and make efficient use of natural resources, and is continually developing innovative solutions to mitigate environmental and climate risks.

Environmental management efforts at Obuasi focused on achieving full environmental certification issued by the Environmental Protection Agency (EPA) and implementation of the accompanying schedule. This goal was realised early in 2012 due to the provision of an environmental management plan. Implementation continued throughout the year.

There were no reported environmental incidents during 2012 (2011: 13). However, there were minor and moderate incidents which are not reportable. The recertification ISO14001 audit was conducted during the year.

**Water:** The Obuasi operations are heavily dependent on water in the mining and extractive processes. Water quality and usage are a priority across all operations and none more so than in Ghana where water management, particularly in respect of legacy issues at both sites, have presented one of the most significant challenges in recent years.

An executive task team has developed a holistic strategy to address legacy and operating issues relating to water. The strategy is to complete the process water dam, decommission Pond 2 and 3 and convert Pond 1 to a process water storage facility near the plant, as well as commissioning the 500m<sup>3</sup>/hr water treatment plant to provide total treatment capacity of 750m<sup>3</sup>/hr at the south of the mine.

The commissioning of the 250m<sup>3</sup>/hr water treatment plant (P2W) at the south mine and the reverse osmosis plant at the north mine has enabled better management of the water balance without having to stop the plant. An additional aim is the release into the environment of water that complies with quality requirements.

The completion of the process water dam at Obuasi will further enhance the stability of the existing tailings storage facility and will significantly contribute to water management in times of high rainfall. The construction of the 500m<sup>3</sup>/hr P2W treatment plant is scheduled to be completed in 2013.

The first phase of the rehabilitation of 88 manual and four mechanized community borehole systems was completed in May 2012. AngloGold Ashanti augmented the supply of potable water to 28 communities by providing an additional manual borehole to each community.

**Cyanide:** During 2012, the Obuasi operation used 2,620t (2011: 3,888t) of cyanide during gold extraction operations. Cyanide is carefully managed at AngloGold Ashanti's operations and the company is a signatory to the International Cyanide Management Code (ICMC), which supports the responsible use, transportation and disposal of cyanide in gold mining, enhances measures for the protection of human health, and reduces the potential for environmental impacts.

Obuasi has continued to put in place infrastructure in compliance with the ICMC. Construction of replacement cyanide handling facilities at Obuasi was completed in late 2012. Commissioning is planned for early 2013

A compliance audit is scheduled for June 2013 following the gap audit completed in January 2012. Replacement of Obuasi's cyanide handling facilities at a cost of \$11.5m began during the latter part of the year with completion scheduled for March 2013. The cyanide sparging project was initiated to improve cyanide handling risks.

**Air quality:** Consultants are conducting an air modelling exercise at Obuasi and input data is being gathered for analysis. Air quality monitoring devices have been installed at strategic points within the catchment area to assist in the modelling. Dust suppression has been intensified and communities like Anyinam and Sansu are being provided with tarred roads.

**Closure and rehabilitation:** Mining operations will eventually cease when the mineable resources have been depleted. Mine closure is therefore integral to operational planning. This requires the assessment of associated liabilities and the assurance of adequate financial provisions to cover these costs. This is a complex process at older mines such as Obuasi mine, which is faced with a number of environmental legacy issues that have developed over many years.

The current closure plan is being updated in order to improve the accuracy of the estimation of the liability cost and ultimately lead to successful site relinquishment. The strategy is in three phases:

- Quantifying the physical liabilities i.e. a survey of infrastructure including pits, waste rock dumps and tailings storage facilities. This was completed in 2011.
- Assessing the risks to human health and the environment from the mine's activities. Mitigation measures coming out of the risk studies will be used to update the mine's closure plan and subsequently improve the liability estimate. This started in 2012 and is on-going.
- Optimising the current pit rehabilitation and closure plans to safe, stable and sustainable conditions approved by the regulator. This work is scheduled for 2013.

Given the scale and complexity of the mine the studies are expected to last at least five years until 2016. However, the mine's closure plan will be updated progressively as the results begin to inform the accuracy of the liability estimate.

AngloGold Ashanti's total rehabilitation liabilities for its Ghana assets at the 2012 year-end were \$227m (2011: \$188.2m) – \$165.4m for restoration liabilities and \$61.6m for decommissioning. The actual liabilities for Obuasi

are \$184m (\$137m for restoration liabilities and \$47m for decommissioning).

**Land compensation:** A legacy of poor compensation practices in the past has made it difficult for AngloGold Ashanti to gain access to new land. These issues have been addressed and the Dokyiwa example (see below) is a testimony to the new land compensation processes.

More than 114 houses have been built in the new Dokyiwa village to resettle the community in old Dokyiwa affected by the new tailings storage facility. The relocation project owes its success to the extensive consultations and involvement of key stakeholders including the EPA, municipal chief executive, the Dokyiwa chiefs and community, the municipal assembly, the Land Valuation Board and the Minister of Environment, Science and Technology. Dokyiwa village is an example of global best practice in relocation programmes and has electricity, water and a basic school, which were not available in the old village.

## Forward-looking statements

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Additional information from a country perspective can be obtained from the Ghana country fact sheet, which is available at [www.aga-reports.com](http://www.aga-reports.com).