AngloGold Ashanti

Report to employee shareholders 2009

09

Our vision

To be **the leading mining company.**

Our mission

We create value for our shareholders, our employees and our business and social partners through safely and responsibly exploring, mining and marketing our products. Our primary focus is gold and we will pursue value creating opportunities in other minerals where we can leverage our existing assets, skills and experience to enhance the delivery of value.

Our values

Safety is our first value.

We place people first and correspondingly put the highest priority on safe and healthy practices and systems of work. We are responsible for seeking out new and innovative ways to ensure that our workplaces are free of occupational injury and illness. We live each day for each other and use our collective commitment, talents, resources and systems to deliver on our most important commitment ... to care.

We treat each other with dignity and respect.

We believe that individuals who are treated with respect, and who are entrusted to take responsibility respond by giving their best. We seek to preserve people's dignity, their sense of self-worth in all our interactions, respecting them for who they are and valuing the unique contribution that they can make to our business success. We are honest with ourselves and others and we deal ethically with all of our business and social partners.

We value diversity.

We aim to be a global leader with the right people for the right jobs. We promote inclusion and teamwork, deriving benefit from the rich diversity of the cultures, ideas, experiences and skills that each employee brings to the business.

We are accountable for our actions and undertake to deliver on our commitments.

We are focused on delivering results and we do what we say we will do. We accept responsibility and hold ourselves accountable for our work, our behaviour, our ethics and our actions. We aim to deliver high performance outcomes and undertake to deliver on our commitments to our colleagues, business and social partners, and our investors.

The communities and societies in which we operate will be better off for AngloGold Ashanti having been there.

We uphold and promote fundamental human rights where we do business. We contribute to building productive, respectful and mutually beneficial partnerships in the communities in which we operate. We aim to leave host communities with a sustainable future.

We respect the environment.

We are committed to continually improving our processes in order to prevent pollution, minimise waste, increase our carbon efficiency and make efficient use of natural resources. We will develop innovative solutions to mitigate environmental and climate risks.

About AngloGold Ashanti

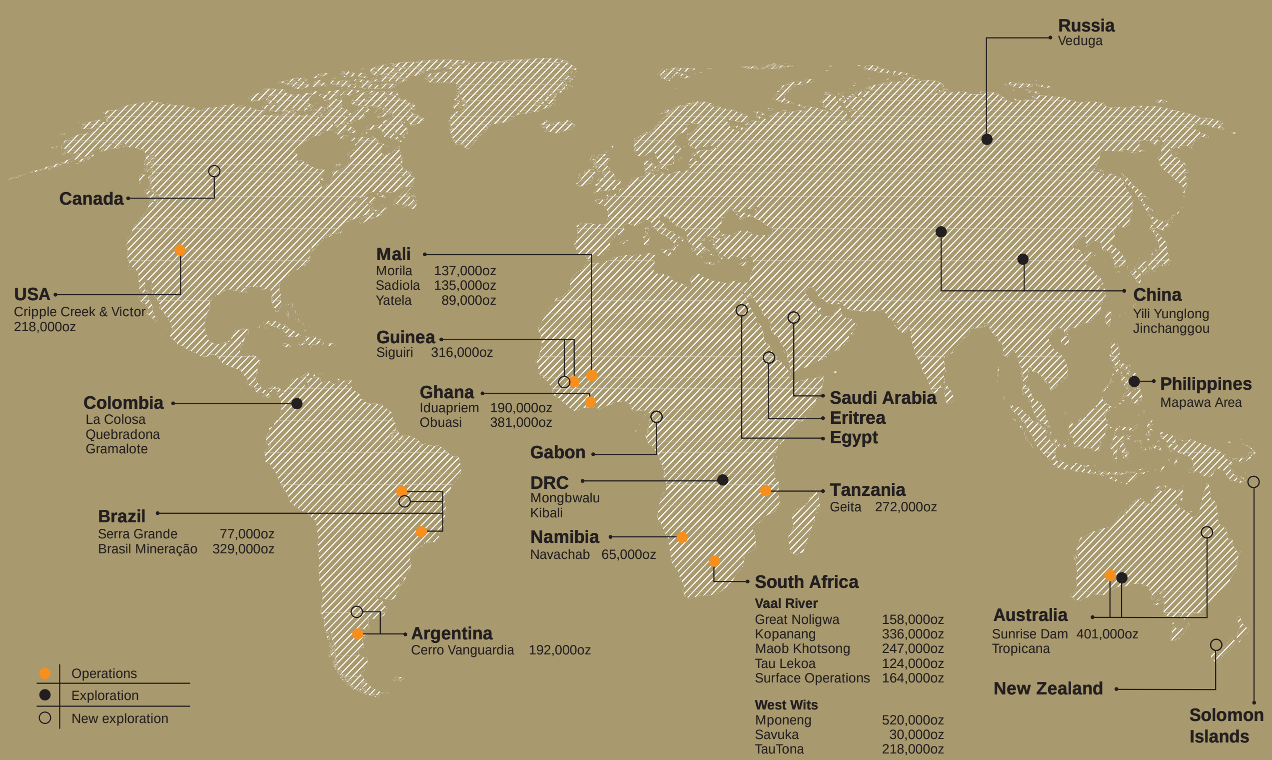
AngloGold Ashanti Limited is a leading global gold mining company, headquartered in Johannesburg, with a portfolio of 21 operations spanning 10 countries on four continents. For 2009 reporting purposes, operations are divided into five regions – Southern Africa, Continental Africa, Australasia, North America and South America. In our current management structure, all of our African operations, all of our South African operations and all of our American operations fall under the executive vice presidents for Continental Africa, South Africa and the Americas respectively. The Australasian region is similarly represented at executive level by a regional senior vice president.

As at 31 December 2009, AngloGold Ashanti had 362,240,669 ordinary shares in issue and a market capitalisation of $14.6 billion (31 December 2008: $9.8 billion). AngloGold Ashanti's primary listing is on the JSE Limited in Johannesburg. It is also listed on exchanges in New York, London, Paris and Brussels, Australia and Ghana.

At the end of 2009, the government of Ghana held approximately 3% of AngloGold Ashanti ordinary shares. The balance of the free float was held in the Americas (49%), South Africa (26%), the United Kingdom (12%), Europe (4%), Asia Pacific/the Middle East (3%), and other jurisdictions (3%).

In 2009 approximately 40% of AngloGold Ashanti's production came from Southern Africa, including Namibia. Production from Continental Africa (Ghana, Tanzania, Guinea and Mali) made up a further 33%, South America (Brazil and Argentina) 13%, North America (USA) 5% and Australasia (Australia) 9%.

The bulk of AngloGold Ashanti's operations are under its own management. Typically contractors are used for mining activity as a means of leveraging industry expertise, particularly at open-pit operations.



2009, a year of delivery on commitments

- LTIFR improved by 10% to 6.57 per million hours worked
- Received gold price at record levels – average for the year of $925/oz, excluding hedge buy-back costs
- Strong local operating currencies negatively affect costs and margins
- Significant reduction in hedge book commitments – down by 35%
- Statement of financial position improved and net debt reduced by 32%
- Return on net capital employed increased to 17.7% excluding hedge buy-back costs
- Optimisation of portfolio and business restructuring, resulting in improved capital efficiencies

Group overview 2009 – key data

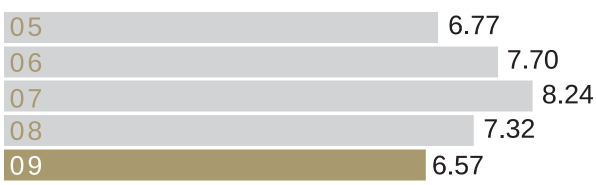
		2009	2008	% change
Gold produced	(000oz)	4,599	4,982	(8)
Average gold spot price	($/oz)	974	872	12
Average received gold price [1]	($/oz)	751	485	55
Total cash costs	($/oz)	514	444	16
Total production costs	($/oz)	646	567	14
Ore Reserve [2]	(Moz)	71	75	(5)
Revenue	($m)	3,916	3,743	5
Gold income	($m)	3,768	3,619	4
Gross (loss) profit	($m)	(578)	594	(197)
Adjusted gross profit (loss) [3]	($m)	412	(384)	207
Adjusted headline loss [4]	($m)	(50)	(897)	94
Adjusted headline loss per share	(US cents)	(14)	(283)	95
Dividends per share	(US cents)	17	11	55
Average exchange rate	(R/$)	8.39	8.25	2
Exchange rate at year-end	(R/$)	7.44	9.46	(21)
Share price at year-end:				
JSE	(R/share)	306.29	252.00	21
NYSE	($/share)	40.18	27.71	45
Market capitalisation at year-end	($m)	14,555	9,795	49

Note:

[1] Average received gold price excluding the effects of the hedge buy-back costs is $925/oz in 2009 and $702/oz in 2008.
[2] After adjusting for the Boddington sale, Ore Reserve increased by 5% from 68.2Moz to 71.4Moz.
[3] Gross (loss) profit excluding unrealised non-hedge derivatives and other commodity contracts.
[4] Headline loss excluding unrealised non-hedge derivatives, fair value adjustments on the option component of the convertible bond, adjustments to other commodity contracts and deferred tax thereon.

Group LTIFR

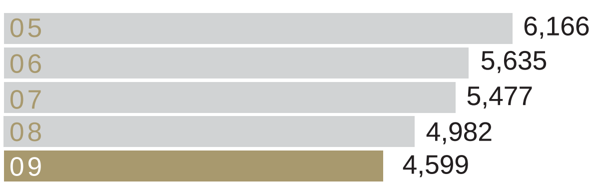
(per million hours worked)



6.57

Gold production

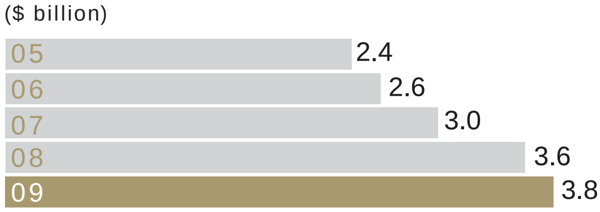
(000oz)



4.6Moz

Gold income

($ billion)



$3.8 bn

CEO's review



Mark Cutifani discusses the prospects for AngloGold Ashanti

Podcast available at www.aga-reports.com/09/podcasts.htm

Mark Cutifani, *Chief Executive Officer*

My fellow AngloGold Ashanti shareholders,

As you would no doubt be aware this was an epic year for AngloGold Ashanti, both in terms of the changes we have introduced as part of restructuring of our company and in relation to the gold price. As we restructured and reduced our gold hedge book it was gratifying to see spot prices setting a record $1,226/oz in November, a sure sign that gold behaved exactly as it should have against the backdrop of continued uncertainty in the global economy and with the current outlook for inflation. It was in this environment that we took several important steps toward our goal of building a company that will thrive under all market conditions and deliver strong returns on capital employed, through the economic cycle.

The year was an historic one for us given that AngloGold Ashanti finally said farewell to Anglo American - its long time dominant shareholder. This was somewhat of a protracted exit for our founder and largest investor, which had signalled its intention to sell its stake in our company well in advance of the final disposition. We were also pleased to learn in March that this longstanding overhang had not only been removed, but that the buyer of the block was Paulson & Co., a New York-based investment firm founded and headed by John Paulson, one of the most successful investors of modern times. In several meetings and conversations with John since then, he has voiced strong support for our overall business strategy, not least of all our efforts to improve safety. Encouragingly, he is also extremely bullish on the future of the gold market.

Our stock responded well to the further implementation of our strategy during the course of the year and delivery on our major corporate and operating objectives. AngloGold Ashanti's American Depositary Receipts, the most liquid of our publicly traded securities, rose 45% during 2009 compared with a 35% rise in the benchmark Philadelphia Stock Exchange Gold & Silver Index. At year-end, AngloGold Ashanti had a market capitalisation of almost $15bn, cementing its position as one of the world's largest and most valuable gold producers. Still, given the diversity of our portfolio, our competitive cost position and significant growth potential, our stock continues to trade at a fundamental discount to the North American peer group. You can be assured that your management team remains committed to exploring every means possible to eliminate that discount, most notably by delivering on the commitments we have made.

Review of the year

AngloGold Ashanti produced 4.6Moz of gold in 2009 at a total cash cost of $514/oz, compared with the previous year's 4.98Moz at a total cash cost of $444/oz. That production was also below initial market guidance for the year of 4.9Moz to 5Moz at a cash cost of $435/oz to $450/oz. Costs, however, remained within our exchange-rate adjusted guidance in each quarter.

Safety

Safety is the obvious starting point for me when reflecting on the performance in 2009. We continued to make good overall progress on this front, particularly when looking back at the past several years. Our lost time injury frequency rate in 2009 was 6.57 per million hours worked, a 10% improvement on 2008 and a great deal better than the 8.24 we saw in 2007. Tragically, we lost 16 of our colleagues during the year. While this performance remains a great improvement on fatalities of 34 in 2007, it did not represent the improvement we were looking for from the levels of 14 in 2008.

While we worked to effect rapid improvements with those teams that had the poorest safety record, Thero Setiloane was set the crucial task of developing a plan to realise the next transformational gains to our safety performance. The people who leave their families to come to work at AngloGold Ashanti each day are the heart and soul of our operating team, for them, incremental advances on safety are simply not good enough. We will commence the rollout of our new Safety Transformation Blueprint from April 2010. This is a plan to further entrench our safety culture by increasing the involvement of employees at every level, to help us realise the next quantum leap toward delivering on our goal of zero fatalities, and ultimately delivering on our commitment of "no harm".

Our South African mines were affected by far more rigorous policing of safety regulations by provincial mine inspectors in 2009. There was also a greater awareness of operating risks among our own managers and employees. In all, we lost 95 full production days at various South African mines and 73 partial days, which impacted our ability to achieve our initial production guidance for the year. I fully support even-handed and consistent enforcement of South Africa's mine safety laws and our people are working hard to optimise internal controls while spending time with the authorities to better understand their requirements. Limiting these stoppages is crucial to maintaining and improving our competitive position in the South African mining industry and indeed against our global peer group.

There were significant interruptions to mining operations resulting from a stoppage at TauTona, which was closed for two months at the end of the year, based on our commitment to maintain a safe working environment for our employees. This stoppage was taken in addition to the seismic event that resulted in the closure of the Savuka operations through the second half of 2009. We expect both operations to return to production during the first half of 2010.

Strategic focus

Our quest – as stewards of the capital – is to consistently generate returns above 15%, a goal often overlooked by gold mining companies pursuing additional production. By ensuring that we have the right people taking accountability for doing the right job at the right time, we can achieve our ambitious five-year cost and productivity objectives and make good on our commitment to deliver these returns. This is easily the most attractive opportunity available to us internally and has the potential to yield $600m of benefits a year for a nominal capital outlay.

Project ONE is an all-encompassing business philosophy that touches every corner of the organisation – from embracing a more inclusive approach to the management of our working relationships and the allocation of work and accountability through our System for People, to more scientific rigour in short and long-term planning and execution of work through our Business Process Framework.

We have focused on building our capacity in key areas over the past two years to add to the impressive capability that already exists within AngloGold Ashanti. Now, by combining these hard, technical planning and execution skills with the soft, human-resources management practices needed to realise the full potential of our people, we have made significant strides toward achieving our long-term objectives.

Looking back at the progress made since March 2008, when we first began to implement our new business strategy, we estimate that we are a third of the way to completing its rollout across the business. Our initial focus was on making rapid improvements to safety and the operating performance of our assets in Argentina and Brazil, while lowering overall debt and paring the hedge book from around 12Moz to 3.9Moz by the end of 2009. The decision to improve the balance sheet and reduce our overall financial risk proved prescient in light of the ructions in credit markets and the rising gold price. We again took advantage of improving conditions in the global debt markets in 2009 to strengthen our balance sheet by issuing a $732.5m convertible bond in May and completing a modest equity offering in September to finance our acquisition of an initial effective 35% stake in the 22Moz Kibali gold project in the Democratic Republic of the Congo (DRC). We've since increased our stake in the project to an effective 45%.

With the balance sheet headroom we created for ourselves, our treasury team was able to conduct a major restructuring of the hedge book ahead of the strong rally in the gold price in the second half of the year. Our decision to remove a significant portion of our hedge contracts over the past 18 months has generated more than $2.5bn of value, given the difference in the mark-to-market value of our hedge book at the end of 2009 and what it would have been had we not undertaken this reorganisation.

Importantly, though, the balance sheet has provided the necessary platform to finance our growth ambitions, which brings me to the next phase of our business strategy – optimising our operating performance.

Operations

As the rollout of Project ONE continued to gain momentum during 2009, we had several encouraging developments across the business. I think you'll agree when you look at the arc of improvement from our operations in Argentina, Brazil and Ghana, that our targeted interventions yielded excellent results. Geita, which for some time has struggled to meet its operating targets, continued its turnaround in the latter part of 2009. This progress is the key to unlocking the potential of our portfolio. Importantly, these initiatives are supported by Project ONE and will gain momentum as we continue its rollout across 12 additional sites in 2010.

While the majority of our assets met or exceeded their targets, there were operational challenges that had to be met during the year. Grade problems in the pad at Cripple Creek & Victor (CC&V) hampered our performance in the US, while flooding at Obuasi and a first-quarter mill breakdown at Geita – along with the stoppages at Savuka and TauTona – led to the decline in production and our failure to meet initial guidance. The good news is that TauTona resumed normal operations in January 2010, Savuka will be up and running by June 2010 and a solid, workable plan is in place to remediate CC&V and restore it to annual production of around 280,000oz in 2011.

During the course of the year, Jorge Palmes and his team in Argentina showed what Cerro Vanguardia was capable of, given the right management and the appropriate level of support from the global organisation. In little over 12 months, Jorge and his team took a mine that was previously earmarked for sale and transformed it into an operation that is now competing for position as our lowest-cost operation. An equally impressive achievement is the progress made on plans for an underground development and heap leach operation at Cerro Vanguardia, which were little more than ideas at the beginning of 2009. Both projects are in progressive development.

This mirrors the change in Brazil under Helcio Guerra's leadership. More than a decade of static to shrinking production has now made way for a solid, practicable growth plan and one of the lowest cost mines in the group. Brazil is now the cornerstone of a regional growth plan that will take our Americas region from current levels around 800,000oz a year, to more than 1.1Moz over the next four years. At the core of this growth strategy is the São Bento property which we acquired from Eldorado Gold in 2008 for $70m. The purchase was based not only on our view that the existing plant at São Bento could speed the development of our neighbouring Córrego de Sítio project, but also that there was more gold to be found on that property. I'm happy to report that our original hypotheses has proved correct and each of the drill holes we put into the ground over 2009 has yielded mineralisation. By the end of 2010 we'll have made significant progress toward reporting a meaningful reserve from the project and will be able to shed more light on our plans for the second-phase expansion of this exciting district.

Australia again delivered another solid performance meeting its plan. Our team there has wasted no time in refocusing their growth strategy after the sale of our 33.33% stake in Boddington to Newmont Mining Corp. The underground potential at Sunrise Dam looks more encouraging with every hole we drill in the orebody and we're more confident than ever of sustaining the current level of production for many more years. All indications are that this will be supplemented by our Tropicana project, which will be tabled to the board for approval in the fourth quarter of 2010. These mines, seen together with an exciting and aggressive regional exploration strategy, make our Australian division a promising business in its own right.

We also had good, consistent performance during 2009 from Siguiri in Guinea, which delivered to its plan despite some forced stoppages during a year of considerable political change in the West African country. In Mali we saw how the right leadership can get the most from a mature set of assets. Our decision not to sell our stake in the Sadiola mine has also been vindicated by growing optimism in the sulphide deposit at depth and our ability to develop it into a significant new source of production in coming years.

Geita and Obuasi have been set by the market as the true test of our operating credentials so it's especially gratifying to see their improved performance resulting from specific interventions made in the implementation of our business strategy.

Obuasi has continued to build on the improvements that began to take hold in 2008 and Geita has well and truly turned the corner. Production at Obuasi was up 7% in 2009, grades improved by 19% and costs were maintained. Consider this: Obuasi, one of the world's great orebodies, had not once generated cash since the merger with Ashanti Goldfields. In April 2009, however, this operation made a cash contribution to the business for the first time in five years and has done so every month since as it has gone from strength to strength under its new management team and the new operating philosophy. We're expecting additional, significant improvements to help us realise the full potential of this orebody as we implement Project ONE in 2010. Changes to Obuasi's mine plan, which have eliminated the need for 400km of costly development over its life, have radically changed the capital profile of this important deposit and secured its future for many years to come.

Progress at Geita has also given us cause for some optimism. The secondment in May of Graham Ehm, our Executive Vice President of our Australasia region, to run this operation in cooperation with Richard Duffy and his team, was a key development in changing the fortunes of this operation in the second half of 2009. After careful analysis of this operation, the implementation of our new operating framework has helped increase production by 52% in the second half of 2009 over the first half. Mining flexibility has improved, fleet and plant availability are greatly increased and the results are evident in the bottom line. This is a world class deposit and the foundation is now in place for it to regain its position as a cornerstone asset for us.

South Africa continued to grapple with steeply rising electricity tariffs, evidenced by the 31% price increase effective from July 2009. This inevitably raised our cost base from mines that are almost exclusively powered by electricity. We have committed to assisting, where possible, in helping Eskom's management weigh the alternative funding structures available in order to preserve this industry's competitive position.

With higher power costs ahead and a growing realisation that South African homes and businesses reduce electricity consumption to ensure stable supply, we've worked hard to become a more efficient consumer in recent years. The results have been remarkable – by the end of 2009, our overall consumption had dropped by 16% from the base set at the end of 2007. This effort was enough to win us two national energy efficiency awards in 2009, an achievement of which we're all immensely proud. Still, there's more to do for our teams in South Africa – and, indeed across the globe – they are all up to the job of making our mines more efficient.

Like Australia and Brazil, our South African operations also faced cost pressure from a markedly stronger local currency. With a weaker dollar responsible for much of gold's upward movement in 2009, a stronger rand is likely to be a fact of life for us for some time. This is also true for our operations in Brazil and Australia, all of which have faced increased portfolio inflows that have driven these currencies higher against the dollar, crimping local revenues and raising dollar costs. It was a dominant theme for us this year and a major factor behind the rise in our cash costs.

We are not standing idly by in the face of these rising costs. The implementation of our Business Process Framework at the Mponeng plant during 2009 yielded a 15% increase in throughput with only a nominal investment. This success, at one of the more efficient operations in our portfolio, is emblematic of the greater gains to be made across the group in the year ahead.

Robbie Lazare, who has designed and implemented our change programme, has been appointed Executive Vice President of our South African operations. In this capacity he will lead our efforts to effect operational improvements while also reviewing the West Wits and Vaal River operations to determine their optimal structure. Robbie and his team have been tasked with ensuring that we retain our competitive edge in South Africa. This will leave Richard Duffy to focus on continuing the good work on operational improvements in Continental Africa and growth projects through the pipeline.

Securing our growth

With the plan in place to optimise each of our existing operations, we've taken decisive steps during the year to secure our long-term growth, much of which is evidenced by the 5% rise in our Ore Reserve to 71.4Moz after adjusting for the Boddington sale. This provides a strong foundation to ensure the sustainability of our business going forward.

Our exploration team remains one of the most successful in the gold industry and has refocused its efforts in the countries in which we already operate and have a distinct advantage. Under Tony O'Neill's guidance, the team entered exciting new regions including the Middle East and North Africa, and Canada, where we have high confidence of growing our business still further. Our marine-prospecting joint venture with De Beers also holds significant promise as a new frontier.

In Colombia, where we already have a 12Moz resource at our La Colosa project, our in-country team continues to navigate a complex permitting process. We have only to wait for water permits from the regional government to resume drilling at La Colosa but have in the meantime also begun exploring at a range of other sites in the country where we hold significant land positions with exciting geological potential. Colombia is an important aspect of our long-term growth plan and we remain committed to a collaborative approach with communities and the government at all levels to secure the necessary permissions to move forward with this development.

Our acquisition of an effective 45% stake in the 22Moz Kibali gold project in the DRC also gives AngloGold Ashanti a foothold in the world's largest untapped gold deposit. We look forward to the sustainable development of this district with our partners in the endeavour, Randgold Resources and the Government of the DRC.

The year ahead

I see 2010 as a watershed year for our company. This is a year where we must prove our operating credentials by making the transformational leap in safety that will help secure our future in South Africa, by achieving the recovery at Cripple Creek & Victor, by making meaningful progress toward developing our potential in Colombia and by extending and entrenching the improvements made in Argentina, Brazil, Ghana and Tanzania. This will lay the groundwork for AngloGold Ashanti to achieve its exciting growth ambitions and – most important of all – to deliver the returns on capital that are the driving force behind our overall decision making.

I'd like to bid farewell to outgoing chairman Russell Edey, who has been an invaluable touchstone for me since my arrival in 2007. He has led the board with incisiveness and absolute integrity for the past eight years and his presence will be missed. I look forward to forging the same partnership with Tito Mboweni, the former Governor of the South African Reserve Bank, whom we're fortunate enough to have as Russell's replacement. A director of his calibre, with knowledge of local and international markets that is as broad as it is deep, is a tremendous asset to our company and its shareholders.

Lastly, I'd like to thank the more than 63,000 people at AngloGold Ashanti who are part of this extraordinary effort to create the world's leading mining company. I continue to be inspired by the level of commitment and initiative evident throughout this company. While 2009 was indeed an epic year, I've no doubt that 2010 will be greater still.

Regards,

Mark Cutifani
Chief Executive Officer
11 March 2010

www.anglogoldashanti.com