GRAPHIC PACKAGING CORP
Form 10-K
February 29, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2007**
	or
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to**

COMMISSION FILE NUMBER: 1-13182
Graphic Packaging Corporation
(Exact name of registrant as specified in its charter)

Delaware	**58-2205241**
(State of incorporation)	*(I.R.S. employer identification no.)*
814 Livingston Court, Marietta, Georgia	**30067**
(Address of principal executive offices)	*(Zip Code)*

(770) 644-3000
Registrant s telephone number, including area code:

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value per share	New York Stock Exchange
Series A Junior Participating Preferred Stock Purchase Rights Associated with the Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

The aggregate market value of voting and non-voting common equity held by non-affiliates at June 30, 2007 was $335.6 million.

As of February 25, 2008, there were 200,980,403 shares of the registrant s Common Stock, $0.01 par value per share outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 20, 2008 are incorporated by reference into Part III of this Annual Report on Form 10-K.

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INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements regarding the expectations of Graphic Packaging Corporation, including, but not limited to, statements regarding the effect of contractual price escalators and price increases for coated paperboard and cartons, inflationary pressures, cost savings from its continuous improvement programs and manufacturing rationalization, capital spending, depreciation and amortization, interest expense, debt reduction and pension plan contributions in this report constitute forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties that could cause actual results to differ materially from the Company s historical experience and its present expectations. These risks and uncertainties include, but are not limited to, the Company s substantial amount of debt, inflation of and volatility in raw material and energy costs, continuing pressure for lower cost products, the Company s ability to implement its business strategies, including productivity initiatives and cost reduction plans, the Company s ability to consummate the proposed combination with Altivity Packaging, LLC and realize the anticipated benefits of such transaction, currency movements and other risks of conducting business internationally, and the impact of regulatory and litigation matters, including those that impact the Company s ability to protect and use its intellectual property. Undue reliance should not be placed on such forward-looking statements, as such statements speak only as of the date on which they are made and the Company undertakes no obligation to update such statements. Additional information regarding these and other risks is contained herein under Item 1A., Risk Factors .

PART I

ITEM 1. *BUSINESS*

Overview

Graphic Packaging Corporation (GPC and, together with its subsidiaries, the Company) is a leading provider of paperboard packaging solutions for a wide variety of products to multinational food, beverage and other consumer products companies. The Company strives to provide its customers with packaging solutions designed to deliver marketing and performance benefits at a competitive cost by capitalizing on its low-cost paperboard mills and converting plants, its proprietary carton designs and packaging machines, and its commitment to customer service.

The Company focuses on providing a range of paperboard packaging products to major companies with well-recognized brands. Its customers generally have prominent market positions in the beverage, food and household products industries. The Company offers customers its paperboard, cartons and packaging machines, either as an integrated solution or separately. The Company has long-term relationships with major companies, including Kraft Foods, Inc., Anheuser-Busch Companies, Inc., General Mills, Inc., SABMiller plc., Molson Coors Brewing Company, and numerous Coca-Cola and Pepsi bottling companies.

The Company s packaging products are made from a variety of grades of paperboard. The Company makes most of its packaging products from coated unbleached kraft paperboard (CUK board) and coated recycled paperboard (CRB) that the Company produces at its mills. The remaining portion is produced from paperboard purchased from external sources.

The Company reports its results in two business segments: paperboard packaging and containerboard/other. The Company operates in four geographic areas: the United States (U.S.)/North America, Central/South America, Europe and Asia Pacific. For business segment and geographic area information for each of the last three fiscal years, see Note 13 in the Notes to Consolidated Financial Statements included herein under Item 8., Financial Statements and Supplementary Data .

GPC (formerly known as Riverwood Holding, Inc.) was incorporated on December 7, 1995 under the laws of the State of Delaware. On August 8, 2003, the corporation formerly known as Graphic Packaging International Corporation merged with and into Riverwood Acquisition Sub LLC, a wholly-owned subsidiary of Riverwood Holding, Inc. (Riverwood Holding), with Riverwood Acquisition Sub LLC as the surviving entity (collectively referred to as the Merger). Riverwood Acquisition Sub LLC then merged into Riverwood Holding, which was renamed Graphic Packaging Corporation.

On July 9, 2007, the Company entered into a Transaction Agreement and Agreement and Plan of Merger (Transaction Agreement) by and among the Company, Bluegrass Container Holdings, LLC, a Delaware limited liability company (BCH), the owners of BCH, New Giant Corporation, a wholly-owned subsidiary of the Company (New Graphic), and Giant Merger Sub, Inc., a wholly-owned subsidiary of New Graphic (Merger Sub). The Transaction Agreement provides for the combination of the Company and Altivity Packaging, LLC, (Altivity) a wholly-owned subsidiary of BCH. Altivity is a provider of packaging solutions, including folding cartons and paperboard, multi-wall bags, flexible packaging and labels. On January 17, 2008, the Company s stockholders approved the proposal to adopt the Transaction Agreement and approved the proposed combination with Altivity and approved certain related matters. The transaction remains subject to the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The Company at the request of the U.S. Department of Justice has voluntarily agreed to extend the waiting period to March 3, 2008.

On October 16, 2007, Graphic Packaging International Holding Sweden AB (the Seller), an indirect wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Lagrumment December nr 1031 Aktiebolg, a company organized under the laws of Sweden to sell all of the outstanding shares of Graphic Packaging International Sweden (GP-Sweden) for $8.6 million. The results of operations for GP-Sweden have been eliminated from the Company s continuing operations and classified as discontinued operations for each period presented within the Company s Consolidated Statements of Operations. See Note 15 in the Notes to Consolidated Financial Statements included herein under Item 8., Financial Statements and Supplementary Data .

The Company s website is located at http://www.graphicpkg.com. The Company makes available, free of charge through its website, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after such materials are electronically filed or furnished to the Securities and Exchange Commission (the SEC). The Company also makes certain investor presentations and access to analyst conference calls available through its website. The information contained or incorporated into the Company s website is not a part of this Annual Report on Form 10-K.

Paperboard Packaging

The Company s paperboard packaging products deliver marketing and performance benefits at a competitive cost. The Company supplies paperboard cartons and carriers designed to protect and contain products while providing:

- convenience through ease of carrying, storage, delivery, dispensing of product and food preparation for consumers;

- a smooth surface printed with high-resolution, multi-color graphic images that help improve brand awareness and visibility of products on store shelves; and

- durability, stiffness, wet and dry tear strength; leak, abrasion and heat resistance; barrier protection from moisture, oxygen, oils and greases as well as enhanced microwave heating performance.

The Company produces paperboard at its mills, prints, cuts and glues (converts) the paperboard into folding cartons at its converting plants and designs and manufactures specialized, proprietary packaging machines that package bottles and cans and, to a lesser extent, non-beverage consumer products. The Company installs its packaging machines at customer plants and provides support, service and advanced performance monitoring of the machines. The Company also sells the paperboard it produces to independent converters and, particularly in its international operations, to joint ventures which, in turn, sell converted beverage cartons to end-users for use on the Company s proprietary packaging machines. The Company also sells limited amounts of CUK board to customers for use on third-party packaging machines.

The Company offers a variety of laminated, coated and printed packaging structures that are produced from its CUK board and CRB, as well as other grades of paperboard that are purchased from third-party suppliers. The Company produces cartons using diverse structural designs and combinations of paperboard, films, foils, metallization, holographics, embossing and other characteristics that are tailored to the needs of individual products. The Company provides a wide range of paperboard packaging solutions for the following end-use markets:

- beverage, including beer, soft drinks, energy drinks, water and juices;

- food, including cereal, desserts, frozen, refrigerated and microwavable foods;

- prepared foods, including snacks, quick-serve foods in restaurants and food service products; and

- household products, including dishwasher and laundry detergent, health care and beauty aids, and tissues and papers.

For its beverage customers, the Company supplies beverage cartons in a variety of designs and formats, including 4, 6, 8, 12, 18, 20, 24, 30 and 36 unit multi-packs. Its proprietary high speed beverage packaging machines package cans, bottles and other beverage containers into its beverage cartons. The Company believes the use of such machines creates pull-through demand for its cartons, which in turn creates demand for its CUK board. The Company seeks to increase the customers use of its integrated packaging solutions in order to improve its revenue opportunities, enhance customer relationships, provide customers with greater packaging line and supply chain efficiencies and overall cash benefits, and expand opportunities for the Company to provide value-added support and service. The Company enters into annual or multi-year carton supply contracts with its customers, which generally require the customer to purchase a fixed portion of its carton requirements from the Company.

The Company s packaging applications meet the needs of its customers for:

Strength Packaging. Through its application of materials and package designs, the Company provides sturdiness to meet a variety of packaging needs, including tear and wet strength, puncture resistance, durability and compression strength (providing stacking strength to meet store display packaging requirements). The Company achieves such strength characteristics through combinations of paperboard and film laminates tailored on a product-by-product basis. The Company s patented Z-Flute® carton is a key component of the Company s strength packaging portfolio. Z-Flute offers customers the strength of corrugate with the performance characteristic of a folding carton due to the strategic location of reinforcing paperboard strips.

Promotional Packaging. The Company offers a broad range of promotional packaging options that help differentiate its customers products. The Company provides products designed to enhance point-of-purchase and marketing opportunities through package shapes, portability, metallization, holographics, embossing and micro-embossing, brilliant high-tech inks, specialized coatings, hot-stamp metal foil surfaces, in-pack and on-pack customized promotions, inserts, windows and die-cuts. These promotional enhancements improve brand awareness and visibility on store shelves.

Convenience Packaging. These packaging solutions improve package usage and food preparation:

beverage multiple packaging Fridge Vendor® and 4, 6, 8, 12, 18, 20, 24, 30 and 36 unit multi-packs for beer, soft drinks, energy drinks, water and juices;

active microwave technologies MicroRite®, Qwik Crisp®, Quilt Wave™ and MicroFlex® substrates that improve the preparation of foods in the microwave;

easy opening and closing features pour spouts and sealable liners;

IntegraPak™ the Company s alternative to traditional bag-in-box packaging; and

Barrier Packaging. The Company provides packages that protect against moisture, grease, oil, oxygen, sunlight, insects and other potential product-damaging factors. Its barrier technologies integrate a variety of specialized laminate and extruded film layers, metallized package layers, package sealing, applied coatings and other techniques all customized to specific barrier requirements. IntegraPak, the Company s alternative to traditional bag-in-box packaging, is a prime example of our ability to create a barrier package with paperboard lamination technology.

Converting Operations

The Company converts CUK board and CRB, as well as other grades of paperboard, into cartons at 24 carton converting plants that the Company operates in the U.S., Canada, the United Kingdom, Spain, France and Brazil, as well as through converting plants associated with its joint ventures in Japan and Denmark, contract converters and at licensees in other markets outside the U.S. The converting plants print, cut and glue paperboard into cartons designed to meet customer specifications. These plants utilize roll-fed web-printing presses with in-line cutters and sheet-fed printing presses to print and cut paperboard. Printed and cut cartons are in turn frequently glued and then shipped to the Company s customers.

The Company s U.S. converting plants are dedicated to converting paperboard produced by the Company, as well as paperboard supplied by outside producers, into cartons. The presses at the Company s U.S. converting plants have high cutting and printing speeds, thereby reducing the labor hours per ton of cartons produced for the high-volume U.S. market. The Company s international converting plants convert paperboard produced by the Company, as well as paperboard supplied by outside producers, into cartons. These converting plants outside of the U.S. are designed to meet the smaller volume orders of these markets.

Paperboard Production

CUK Board Production. The Company is the larger of two worldwide producers of CUK board. CUK board is a specialized high-quality grade of coated paperboard with excellent wet and dry tear strength characteristics and printability for high resolution graphics that make it particularly suited for a variety of packaging applications. The Company produces CUK board at its West Monroe, Louisiana mill and its Macon, Georgia mill. The Company has three machines at its West Monroe mill and two machines at its Macon mill capable of making paperboard. The Company s CUK board production at its West Monroe and Macon mills was approximately 766,000 and 548,000 net tons, respectively, in 2007. The Company consumes approximately 77% of the West Monroe and Macon mills output in its carton converting operations.

CUK board is manufactured from blends of pine fibers and, in some cases, recycled fibers, such as double lined kraft cuttings from corrugated box plants (DLK) and clippings from its converting operations. Virgin fiber is obtained in the form of wood chips or pulp wood acquired through open market purchases or the Company s long-term purchase contract with Plum Creek Timber Company, L.P. See Energy and Raw Materials. Wood chips are chemically treated to form softwood pulp, which are then blended (together, in some cases, with recycled fibers). In the case of carrierboard (paperboard used in the beverage industry s multi-pack cartons), chemicals are added to increase moisture resistance. The pulp is then processed through the mill s paper machines, which consist of a paper-forming section, a press section (where water is removed by pressing the wet paperboard between rolls), a drying section and a coating section. Coating on CUK board, principally a mixture of pigments, binding agents and water, provides a white, smooth finish, and is applied in multiple steps to achieve desired levels of brightness, smoothness and shade on the print side of the paperboard. After the CUK board is coated, it is wound into rolls, which are then shipped to the Company s converting plants or to outside converters.

CRB Production. The Company s CRB is a grade of recycled paperboard that offers superior quality graphics, strength and appearance characteristics when compared to other recycled grades. The Company has two machines at its Kalamazoo, Michigan mill capable of making paperboard. The Company s CRB production at its Kalamazoo, Michigan mill was approximately 392,000 net tons in 2007. The mill is the largest CRB facility in North America. The mill s paperboard is specifically designed to maximize throughput on high-speed web-litho presses. The Company consumes approximately 88% of the Kalamazoo mill s output in its carton converting operations, and the mill is an integral part of its low-cost converting strategy.

Packaging Design and Proprietary Packaging Machinery

The Company has six research and design centers located in Golden, Colorado; Concord, New Hampshire; Marietta, Georgia; Menasha, Wisconsin; West Monroe, Louisiana; and Mississauga, Ontario, Canada. At these centers, the Company designs, tests and manufactures prototype packaging and paperboard for consumer products packaging applications. The Company designs and tests packaging machinery at its Marietta, Georgia product development center. The Company s Golden, Colorado product development center contains full size pilot lines. In the Concord, New Hampshire facility the focus is on consumer packaging structural design development and rapid prototyping to meet the short turn around requirements of customers. The Company also utilizes a network of computer equipment at its converting facilities to provide automated computer-to-plate graphic services designed to improve efficiencies and reduce errors associated with the pre-press preparation of printing plates. The Company creates innovative graphic designs that integrate carton shape and function with customer desired identification and information while achieving point-of-sale attention.

At the Company s two microwave laboratories, in Menasha, Wisconsin and Mississauga, Ontario, Canada, the Company designs, tests and reports food performance as part of the full-service, turn-key microwave solutions for its food customers. The Company has broad technical expertise in chemistry, paper science, microwave engineering, mechanical engineering, physics, electrical engineering, and food science. This experience base, along with food technologists and investment in sample line equipment, enables the Company to rapidly design and test prototypes to help its customers develop, test and launch successful microwaveable food products into the market.

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The Company s engineers create and test packaging designs, processes and materials based on market and customer needs, which are generally characterized as enhanced stacking or tear strength, promotional or aesthetic appeal, consumer convenience or barrier properties. Concepts go through a gated review process through their development to ensure that resources are being focused on those projects that are most likely to succeed commercially. The Company also works to refine and build on current proprietary materials, processes and designs.

At the Company s product development center in Marietta, Georgia, the Company integrates carton and packaging machinery designs from a common database balancing carton manufacturing costs and packaging line performance. The Company also manufactures and designs packaging machines for beverage multiple packaging and other multi-pack consumer products packaging applications at its principal U.S. manufacturing facility in Crosby, Minnesota and at a facility near Barcelona, Spain. The Company leases substantially all of its packaging machines to customers, typically under machinery use agreements with original terms of three to six years.

The Company employs a pull-through marketing strategy for its multiple packaging customers, the key elements of which are (1) the design and manufacture of proprietary packaging machines capable of packaging plastic and glass bottles, cans and other primary containers, (2) the installation of the machines at customer locations under multi-year machinery use arrangements and (3) the development of proprietary cartons with high-resolution graphics for use on those machines.

The Company s packaging machines are designed to package polyethylene terephthalate (PET) bottles, glass bottles, cans and other primary beverage containers, as well as non-beverage consumer products. In order to meet customer requirements, the Company has developed a portfolio of packaging machines consisting of three principal machinery lines, which includes a variety of option specific models to meet the specific customer needs. Its machines package cans and PET or glass bottles in a number of formats including baskets, clips, trays, wraps and fully enclosed cartons. These machines have multi-pack ranges and have the ability to package cans at speeds of up to 3,000 cans per minute.

The Company manufactures and leases packaging machines to its non-beverage consumer products packaging customers, internationally and in the U.S., but to a lesser extent than its beverage multiple packaging customers. Its non-beverage consumer products packaging machines are designed to package cans or bottles in wraps or fully enclosed cartons. The Company also manufactures ancillary equipment, such as machines for inserting coupons in cartons, applying backer-cards to blisterpacks, automatic lidding or other automated and customized pick-and-place applications or for dividing or turning filled packages.

The Company has introduced innovative beverage packaging machines such as its Quikflex® family of machines that package Fridge Vendor and Twin Stack® style cartons. The Quikflex® TS, a double-layer multiple-packaging design, packages Twin Stack cartons providing better portability and a more visible billboard, or advertising space, compared with conventional large-volume multipacks. Double-layer packaging allows for cans to be stacked vertically in a double layer in the same paperboard carton. The Company s other lines of packaging machines include the Marksman®, a family of machines designed to package bottles, cans, juice boxes and dairy products in a variety of wrap configurations and the Autoflex™, a machine designed to package bottles in a variety of basket style carton configurations. The Company s newest packaging machines incorporate an advanced performance monitoring system called RADAR II®. This system provides continuous monitoring and reporting to the Company in real time over the Internet of the performance of packaging machines installed at customers sites and provides technical support on-line and improved operational performance. The Company continues to innovate in new machinery development and design to drive our business and offer customers the latest packaging machinery technology to meet their changing needs.

Containerboard/Other

In the U.S., the Company manufactures containerboard linerboard, corrugating medium and kraft paper for sale in the open market. Corrugating medium is combined with linerboard to make corrugated containers. Kraft paper is used primarily to make grocery bags and sacks. Although the Company s principal paper machines have the capacity to produce both linerboard and CUK board, the Company has shifted significant mill capacity away from linerboard production on its CUK-capable board machines to more profitable packaging applications. The Company continues to operate two paper machines dedicated to the production of corrugating medium and kraft paper at its West Monroe mill.

In 2007, the Company produced approximately 128,000 tons of corrugating medium, approximately 4,000 tons of kraft paper, approximately 3,000 tons of linerboard and approximately 37,000 tons of various other linerboard products from its West Monroe mill. The primary customers for the Company s U.S. containerboard production are independent and integrated corrugated converters. The Company sells corrugating medium and linerboard through direct sales offices and agents in the U.S. Outside of the U.S., linerboard is primarily distributed through independent sales representatives.

The Company s containerboard business operates within a highly fragmented industry. Most products within this industry are viewed as commodities, consequently, selling prices tend to be cyclical as they are affected by economic activity and industry capacity.

Joint Ventures

To market machinery-based packaging systems, the Company is a party to joint ventures with Rengo Riverwood Packaging, Ltd. (in Japan) and Graphic Packaging International Schur A/S (in Denmark), in which it holds a 50% and 60% ownership interest, respectively. The joint venture agreements cover CUK board supply, use of proprietary carton designs and marketing and distribution of packaging systems.

Marketing and Distribution

The Company markets its paperboard and paperboard-based products principally to multinational brewers, soft drink bottlers, food companies, and other well-recognized consumer products companies. It also sells paperboard in the open market to independent and integrated paperboard converters.

The Company s major customers for beverage cartons include Anheuser-Busch Companies, Inc., SABMiller plc, Molson Coors Brewing Company, numerous Coca-Cola and Pepsi bottling companies, Inbev, Kirin, and Asahi Breweries. The Company also sells beverage paperboard in the open market to independent converters, including licensees of its proprietary carton designs, for the manufacture of beverage cartons.

The Company s non-beverage consumer products packaging customers include Kraft Foods, Inc., General Mills, Inc., Nestle Group, Unilever, PepsiCo, Inc., Kellogg Company, The Schwan Food Company and Perseco. It also sells its paperboard to numerous independent and integrated converters who convert the paperboard into cartons for consumer products. The Company has long-standing relationships with a number of major independent and integrated converters who have agreed to purchase a significant portion of their paperboard requirements from the Company and to assist the Company in customer development efforts and who use the Company s products to grow the market for paperboard.

Distribution is primarily accomplished through direct sales offices in the U.S., Australia, Brazil, China, Denmark, Germany, Italy, Japan, Mexico, Spain, and the United Kingdom and, to a lesser degree, through broker arrangements with third parties. The Company s selling activities are supported by its technical and developmental staff.

During 2007, the Company did not have any one customer who represented 10% or more of its net sales.

Competition

A relatively small number of large competitors hold a significant portion of the paperboard packaging industry. The Company s primary competitors include Altivity, Caraustar Industries, Inc., International Paper Company, MeadWestvaco Corporation, Packaging Corporation of America, R.A. Jones & Company, Inc., Cascades, Inc., and Rock-Tenn Company. There are only two major producers in the U.S. of CUK board, MeadWestvaco Corporation and the Company. The Company faces significant competition in its CUK board business from MeadWestvaco, as well as from other packaging materials manufacturers. Like the Company,

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MeadWestvaco produces and converts CUK board, designs and places packaging machines with customers and sells CUK board in the open market.

In beverage multiple packaging, cartons made from CUK board compete with plastics and corrugated packaging for packaging glass or plastic bottles, cans and other primary containers. Although plastics and corrugated packaging are typically priced lower than CUK board, the Company believes that cartons made from CUK board offer advantages over these materials, in areas such as distribution, high quality graphics, carton designs, package performance, package line speed, environmental friendliness and design flexibility.

In non-beverage consumer products packaging, the Company s paperboard competes principally with MeadWestvaco s CUK board, CRB and solid bleached sulphate board (SBS) from numerous competitors and, internationally, folding boxboard, white-lined chip, and duplex/triplex paperboard. CUK board and CRB have generally been priced in a range that is lower than SBS board. There are a large number of producers in the paperboard markets, which are subject to significant competitive and other business pressures. Suppliers of paperboard compete primarily on the basis of price, strength and printability of their paperboard, quality and service.

Energy and Raw Materials

Pine pulpwood, paper and recycled fibers (including DLK and old corrugated containers (OCC)) and energy used in the manufacture of paperboard, as well as various chemicals used in the coating of paperboard represent the largest components of the Company s variable costs of paperboard production. The cost of these materials is subject to market fluctuations caused by factors largely beyond the Company s control.

Since the October 1996 sale of the Company s timberlands in Louisiana and Arkansas, the Company relies on private landowners and the open market for all of its pine pulpwood and recycled fiber requirements, supplemented by CUK board clippings that are obtained from its converting operations. Under the terms of the sale of those timberlands, the Company entered into a 20-year supply agreement with the buyer, Plum Creek Timber Company, L.P., with a 10-year renewal option, for the purchase by the Company, at market-based prices, of a majority of the West Monroe mill s requirements for pine pulpwood and residual chips. An assignee of Plum Creek supplies residual chips to the Company pursuant to this supply agreement. The Company purchases the remainder of the wood fiber used in CUK board production at the West Monroe mill from other private landowners in this region. The Company believes that adequate supplies of open market timber currently are available to meet its fiber needs at the West Monroe mill.

The Macon mill purchases most of its fiber requirements on the open market, and is a consumer of recycled fiber, primarily in the form of clippings from the Company s domestic converting plants as well as DLK and other recycled fibers. The Company has not experienced any significant difficulties obtaining sufficient DLK or other recycled fibers for its Macon mill operations, which the Company purchases in part from brokers located in the eastern U.S. The Macon mill purchases substantially all of its pine pulpwood requirements from private landowners in central and southern Georgia. Because of the adequate supply and large concentration of private landowners in this area, the Company believes that adequate supplies of pine pulpwood timber currently are available to meet its fiber needs at the Macon mill.

The Kalamazoo mill produces paperboard made primarily from OCC, old newsprint (ONP), and boxboard clippings. ONP and OCC recycled fibers are purchased through brokers at market prices and, less frequently, purchased directly from sources under contract. Boxboard clippings are provided by the Company s folding carton converting plants and, to a lesser degree, purchased through brokers. The market price of each of the various recycled fiber grades fluctuates with supply and demand. The Company has many sources for its fiber requirements and believes that the supply is adequate to satisfy its needs.

In addition to paperboard that is supplied to its converting operations from its own mills, the Company converts a variety of other paperboard grades such as SBS and uncoated recycled board. The Company purchases such paperboard requirements, including additional CRB, from outside vendors, in some cases through multi-year supply agreements.

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Energy, including natural gas, fuel oil and electricity, represents a significant portion of the Company s manufacturing costs. The Company has entered into contracts designed to manage risks associated with future variability in cash flows and price risk related to future energy cost increases for a portion of its natural gas requirements, primarily at its U.S. mills through December 2008. The Company plans to continue its hedging program for natural gas as discussed in Note 11 in the Notes to Consolidated Financial Statements included herein under Item 8., Financial Statements and Supplementary Data .

The Company purchases a variety of other raw materials for the manufacture of its paperboard and cartons, such as inks, aluminum foil, plastic filling, plastic resins, adhesives, process chemicals and coating chemicals such as kaolin and titanium dioxide. While such raw materials are generally readily available from many sources, and the Company is not dependent upon any one source of such raw materials, the Company has developed strategic long-standing relationships with some of its vendors, including the use of multi-year supply agreements, in order to provide a guaranteed source of raw materials that satisfies customer requirements.

The Company continues to be negatively impacted by inflationary pressures, including higher costs for energy, chemical-based inputs and freight. Since negotiated contracts and the market largely determine the pricing for its products, the Company is at times limited in its ability to pass through to its customers any inflationary or other cost increases that the Company incurs.

Backlog

Orders from the Company s principal customers are manufactured and shipped with minimal lead time. The Company did not have a material amount relating to backlog orders at December 31, 2007 or 2006. The Company s entire backlog at December 31, 2007 is expected to be shipped during the first quarter 2008.

Seasonality

The Company s net sales, income from operations and cash flows from operations are subject to moderate seasonality, with demand usually increasing in the spring and summer due to the seasonality of the worldwide beverage multiple packaging markets.

Working Capital

The Company continues to focus on reducing working capital needs and increasing liquidity. The Company s working capital needs arise primarily from maintaining a sufficient amount of inventories to meet the delivery requirements of the Company s customers and its policy to extend short-term credit to customers.

Research, Development and Engineering

The Company s research and development staff works directly with its sales and marketing personnel to understand long term consumer and retailer trends and create new packaging solutions. These innovative solutions across the Company growth platforms provide the business and customers with differentiated packaging solutions. The Company s development efforts include, but are not limited to, extending the shelf life of customers products, reducing production costs, enhancing the heat-managing characteristics of food packaging and refining packaging appearance through new printing techniques and materials. The Company s revolutionary Fridge Vendor carton, a horizontal beverage 12-pack that delivers cold beverages while conserving refrigerator space, is but one example of the Company s successful projects involving both carton and machine design to introduce a new consumer-friendly package. This patented package has proven popular with consumers because it is convenient and with the Company s customers because it enables them to sell more product. Another award-winning package solution is the Company s

MicroRite even heating trays that are used for frozen entrees or side dishes that benefit from directing heat towards frozen food centers and deflecting heat from vulnerable food edges to emulate in the microwave the even baking delivered by the conventional oven. Qwik Crisp, MicroFlex Q and Quilt Wave complete the microwave product line. This new product line delivers conventional oven quality at microwave preparation speed and convenience to meet the needs of today s consumers. The Company s new patented Z-Flute technology is a third area of innovation that is providing a growth vehicle for the business. Z-Flute technology provides the strength of a corrugate package with the performance characteristics of a folding carton due to the strategic lamination of paperboard strips. For more information on research and development expenses see Note 2 in the Notes to Consolidated Financial Statements included herein under Item 8., Financial Statements and Supplementary Data .

Patents and Trademarks

As of December 31, 2007, the Company had a large patent portfolio, presently owning, controlling or holding rights to more than 1,200 U.S. and foreign patents, with more than 700 U.S. and foreign patent applications currently pending. The Company s patent portfolio consists primarily of patents relating to packaging machinery, manufacturing methods, structural carton designs and microwave and barrier protection packaging. These patents and processes are significant to the Company s operations and are supported by trademarks such as Z-Flute, Fridge Vendor, IntegraPak, MicroRite and Quilt Wave. The Company takes significant steps to protect its intellectual property and proprietary rights. The Company does not believe that the expiration of any of its patents at the end of their normal lives will have a material adverse effect on its financial condition or results of operations, and the Company s operations are not dependent upon any single patent or trademark.

Employees and Labor Relations

As of December 31, 2007, the Company had approximately 7,400 employees worldwide (excluding employees of joint ventures), of which approximately 49% were represented by labor unions and covered by collective bargaining agreements. The Company considers its employee relations to be satisfactory.

Certain employees in the U.S. are covered by collective bargaining agreements at 11 different sites with 11 union contracts. The Company has contracts with the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied-Industrial and Service Workers International Union (USW), the Association of Western Pulp and Paper Workers (AWPPW) and the International Brotherhood of Teamsters (IBT).

Type of Facility and Location	Name of Union	Expiration of Agreement
Paperboard Mills:		
Kalamazoo, MI	USW	January 25, 2011
Macon, GA[(a)]	USW	December 31, 2010
West Monroe, LA	USW	February 28, 2009
Converting Plants:		
Charlotte, NC	USW	August 12, 2009
Cincinnati, OH	USW	January 31, 2010
Gordonsville, TN	USW	October 14, 2010
Kalamazoo, MI	IBT	July 31, 2010
Kalamazoo, MI	USW	January 25, 2011
Menasha, WI	IBT	June 30, 2009
Menasha, WI	USW	October 31, 2008[(b)]
Portland, OR	AWPPW	February 28, 2013
Wausau, WI	IBT	June 30, 2009
Wausau, WI	USW	October 31, 2008[(b)]
West Monroe, LA	USW	August 31, 2009

Notes:

(a) The International Association of Machinists and Aerospace Workers and the International Brotherhood of Electrical Workers represent certain maintenance employees at the Macon, GA mill who are covered by the same agreement that the Company has with USW.

(b) The Company and Union expect to begin negotiations for a new agreement in September 2008.

The Company s international employees are represented by unions in Brazil, France, Spain, and the United Kingdom.

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Environmental Matters

The Company is subject to federal, state and local environmental regulations and employs a team of professionals in order to maintain compliance at each of its facilities. For additional information on the financial effects of such regulation and compliance, see Item 7., Management s Discussion and Analysis of Financial Condition and Results of Operations Environmental Matters.

ITEM 1A. *RISK FACTORS*

The following risks could affect (and in some cases have affected) the Company s actual results and could cause such results to differ materially from estimates or expectations reflected in certain forward-looking statements:

The Company s substantial indebtedness may adversely affect its financial health, its ability to obtain financing in the future, and its ability to react to changes in its business.

As of December 31, 2007, the Company had an aggregate principal amount of approximately $1.9 billion of outstanding debt. Because of the Company s substantial debt, the Company s ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be restricted in the future. The Company is also exposed to the risk of increased interest costs because approximately $0.6 billion of its debt is at variable rates of interest. As such, a significant portion of the Company s cash flow from operations must be dedicated to the payment of principal and interest on its indebtedness, thereby reducing the funds available for other purposes. In 2008, the Company estimates it will pay between $145 million and $155 million in interest on its outstanding debt obligations.

Additionally, the Company s Credit Agreement contains covenants that prohibit or restrict, among other things, the disposal of assets, the incurrence of additional indebtedness (including guarantees) and payment of dividends, loans or advances and certain other types of transactions. The covenants also require compliance with certain financial ratios. The Company s ability to comply in future periods with the financial covenants will depend on its ongoing financial and operating performance.

The substantial debt and the restrictions under the Credit Agreement could limit the Company s flexibility to respond to changing market conditions and competitive pressures as well as its ability to withstand competitive pressures. The material outstanding debt obligations and the Credit Agreement restrictions may also leave the Company more vulnerable to a downturn in general economic conditions or its business or unable to carry out capital expenditures that are necessary or important to its growth strategy and productivity improvement programs.

Significant increases in prices for raw materials, energy, transportation and other necessary supplies and services could adversely affect the Company s financial results.

Increases in the cost and availability of raw materials, including petroleum-based materials, the cost of energy, the cost of wood primarily for the West Monroe mill, transportation and other necessary services could have an adverse effect on the Company s financial results. The Company is also limited in its ability to pass along such cost increases to customers due to contractual provisions and competitive reasons.

There is no guarantee that the Company s efforts to reduce costs will be successful.

The Company utilizes a global continuous improvement initiative that uses statistical process control to help design and manage many types of activities, including production and maintenance. The Company s ability to implement successfully its business strategies and to realize anticipated savings is subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company s control. These strategies include the infrastructure and reliability improvements at the Company s West Monroe mill. If the Company cannot successfully implement the strategic cost reductions or other cost savings plans it may not be able to compete successfully against other manufacturers. In addition, any failure to generate the anticipated efficiencies and savings could adversely affect the Company s financial results.

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Work stoppages and other labor relations matters may make it substantially more difficult or expensive for the Company to manufacture and distribute its products, which could result in decreased sales or increased costs, either of which would negatively impact the Company s financial condition and results of operations.

Approximately 49% of the Company s workforce is represented by labor unions, whose goals and objectives may differ significantly from the Company s. The Company may not be able to successfully negotiate new union contracts covering the employees at its various sites without work stoppages or labor difficulties. These events may also occur as a result of other factors. A prolonged disruption at any of the Company s facilities due to work stoppages or labor difficulties could have a material adverse effect on its net sales, margins and cash flows. In addition, if new union contracts contain significant increases in wages or other benefits, the Company s margins would be adversely impacted.

The Company may not be able to adequately protect its intellectual property and proprietary rights, which could harm its future success and competitive position.

The Company s future success and competitive position depend in part upon its ability to obtain and maintain protection for certain proprietary carton and packaging machine technologies used in its value added products, particularly those incorporating the Fridge Vendor, IntegraPak, MicroFlex Q, MicroRite, Quilt Wave, Qwik Crisp and Z-Flute technologies. Failure to protect the Company s existing intellectual property rights may result in the loss of valuable technologies or may require it to license other companies intellectual property rights. It is possible that any of the patents owned by the Company may be invalidated, circumvented, challenged or licensed to others or any of its pending or future patent applications may not be issued within the scope of the claims sought by the Company, if at all. Further, others may develop technologies that are similar or superior to the Company s technologies, duplicate its technologies or design around its patents, and steps taken by the Company to protect its technologies may not prevent misappropriation of such technologies.

The Company is subject to environmental, health and safety laws and regulations, and costs to comply with such laws and regulations, or any liability or obligation imposed under such laws or regulations, could negatively impact its financial condition and results of operations.

The Company is subject to a broad range of foreign, federal, state and local environmental, health and safety laws and regulations, including those governing discharges to air, soil and water, the management, treatment and disposal of hazardous substances, the investigation and remediation of contamination resulting from releases of hazardous substances, and the health and safety of employees. Environmental liabilities and obligations may result in significant costs, which could negatively impact the Company s financial condition and results of operations.

The Company s operations outside the U.S. are subject to the risks of doing business in foreign countries.

The Company has several converting plants in 5 foreign countries and sells its products worldwide. For 2007, before intercompany eliminations, net sales from operations outside of the U.S. represented approximately 17% of the Company s net sales. The Company s revenues from export sales fluctuate with changes in foreign currency exchange rates. At December 31, 2007, approximately 7% of its total assets were denominated in currencies other than the U.S. dollar. The Company has significant operations in countries that use the British pound sterling, the Australian dollar, the Japanese yen or the euro as their functional currencies. The Company cannot predict major currency fluctuations. The Company pursues a currency hedging program in order to limit the impact of foreign currency exchange fluctuations on financial results.

The Company is also subject to the following significant risks associated with operating in foreign countries:

compliance with and enforcement of environmental, health and safety and labor laws and other regulations of the foreign countries in which the Company operates;

export compliance;

imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries; and

imposition or increase of investment and other restrictions by foreign governments.

If any of the above events were to occur, the Company s financial position, results of operations or cash flows could be adversely impacted, possibly materially.

The failure to complete the transaction with Altivity could cause the Company to incur significant fees and expenses and could lead to negative perceptions among investors, potential investors and customers.

In the event the combination with Altivity is not completed, the Company may bear certain fees and expenses associated with the transaction that would not be offset by any benefits from the transaction, in addition to the significant costs incurred prior to any termination of the Transaction Agreement. In addition, investors, potential investors and customers may consider the failure to complete the transaction to be a significantly negative development regarding the Company. The market price of the Company s common stock may reflect positive market assumptions that the transaction will be completed and the related benefits will be realized. As a consequent of any or all of the foregoing, the Company s stock price may be negatively impacted by the failure to complete the transaction.

The anticipated benefits of combining the operations of the Company and Altivity may not be realized, and the Company may face difficulties integrating Altivity s operations.

The Company and BCH entered into the Transaction Agreement with the expectation that the transaction would result in various benefits, including, among other things, cost synergies and operating efficiencies. However, the achievement of the anticipated benefits of the transaction, including the cost synergies, cannot be assured or may take longer than expected. In addition, the Company may not be able to integrate Altivity s operations with the Company s existing operations without encountering difficulties, including:

inconsistencies in standards, systems and controls;

the diversion of management s focus and resources from ordinary business activities and opportunities;

difficulties in achieving expected cost savings associated with the transaction;

difficulties in the assimilation of employees and in creating a unified corporate culture;

challenges in retaining existing customers and obtaining new customers;

challenges in attracting and retaining key personnel; and

changes to the proposed transaction that may be necessary to obtain required regulatory approvals.

These risks may be exacerbated by the fact that Altivity is the result of the combination of the Smurfit-Stone Container Corporation s Consumer Packaging Division and the Field Companies in 2006, and Altivity continues to integrate these predecessor companies and receive integration support from Smurfit-Stone Container Corporation. As a result of these risks, the Company may not be able to realize the expected revenue and cash flow growth and other benefits that it expects to achieve from the transaction. In addition, the Company may be required to spend additional time or money on integration efforts that would otherwise have been spent on the development and expansion of its business and services.

ITEM 1B. ***UNRESOLVED STAFF COMMENTS***

None.

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ITEM 2. *PROPERTIES*

Headquarters

The Company leases its principal executive offices in Marietta, GA.

Manufacturing Facilities

A listing of the principal properties owned or leased and operated by the Company is set forth below. The Company s buildings are adequate and suitable for the business of the Company. The Company also leases certain smaller facilities, warehouses and office space throughout the U.S. and in foreign countries from time to time.

Type of Facility and Location	Related Segment(s) or Use of Facility
Paperboard Mills:	
Kalamazoo, MI	Paperboard Packaging
Macon, GA	Paperboard Packaging
West Monroe, LA	Paperboard Packaging; Containerboard/Other
Converting Plants:	
Bristol, Avon, United Kingdom	Paperboard Packaging
Centralia, IL	Paperboard Packaging
Charlotte, NC	Paperboard Packaging
Cincinnati, OH	Paperboard Packaging
Fort Smith, AR	Paperboard Packaging
Golden, CO	Paperboard Packaging
Gordonsville, TN[(a)]	Paperboard Packaging
Igualada, Barcelona, Spain	Paperboard Packaging
Jundiai, Sao Paulo, Brazil	Paperboard Packaging
Kalamazoo, MI	Paperboard Packaging
Kendallville, IN	Paperboard Packaging
Lawrenceburg, TN	Paperboard Packaging
Le Pont de Claix, France	Paperboard Packaging
Lumberton, NC	Paperboard Packaging
Masnieres, France	Paperboard Packaging
Menasha, WI	Paperboard Packaging
Mississauga, Ontario, Canada	Paperboard Packaging
Mitchell, SD	Paperboard Packaging
Perry, GA[(b)]	Paperboard Packaging
Portland, OR	Paperboard Packaging
Richmond, VA	Paperboard Packaging
Tuscaloosa, AL	Paperboard Packaging
Wausau, WI	Paperboard Packaging
West Monroe, LA	Paperboard Packaging
Other:	
Concord, NH	Research and development
Crosby, MN	Packaging machinery engineering design and manufacturing

Golden, CO	Research and development/office
Igualada, Barcelona, Spain[c]	Packaging machinery engineering design and manufacturing
Marietta, GA	Research and development and packaging machinery engineering design
Menasha, WI	Research and development
Mississauga, Ontario, Canada	Research and development
West Monroe, LA	Research and development

Notes:

(a) Two facilities, one leased.

(b) The facility is leased from the Middle Georgia Regional Development Authority in consideration of the issuance of industrial development bonds by such entity.

(c) Leased facility.

ITEM 3. *LEGAL PROCEEDINGS*

The Company is a party to a number of lawsuits arising in the ordinary conduct of its business. Although the timing and outcome of these lawsuits cannot be predicted with certainty, the Company does not believe that disposition of these lawsuits will have a material adverse effect on the Company s consolidated financial position, results of operations or cash flows.

See also Item 7., Management s Discussion and Analysis of Financial Condition and Results of Operations Environmental Matters.

ITEM 4. *SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS*

During the fourth quarter of 2007, there were no matters submitted to a vote of security holders.

EXECUTIVE OFFICERS OF THE REGISTRANT

Pursuant to General Instruction G(3) of Form 10-K, the following list is included as an unnumbered item in Part I of this Report in lieu of being included in the definitive proxy statement that will be filed within 120 days after December 31, 2007.

Jeffrey H. Coors, 63, was named Vice Chairman of the Company in August 2006 and served until his retirement in December 2007. Mr. Coors continues to serve as a member of the Board of Directors of the Company and served as Executive Chairman since the closing of the Merger in August 2003 until August 2007. Mr. Coors was Chairman of the former Graphic Packaging International Corporation from 2000 until the closing of the Merger, and was its Chief Executive Officer and President from its formation in 1992 until the closing of the Merger in August 2003. Mr. Coors served as Executive Vice President of the Adolph Coors Company from 1991 to 1992 and as its President from 1985 to 1989, as well as at Coors Technology Companies as its President from 1989 to 1992.

Stephen M. Humphrey, 63, was named Vice Chairman of the Company in January 2007 and served until his retirement in December 2007. Prior to that time he had served as a Director, President and Chief Executive Officer of the Company from March 1997 until December 2006. From 1994 through 1996, Mr. Humphrey was Chairman, President and Chief Executive Officer of National Gypsum Company, a manufacturer and supplier of building products and services. From 1981 until 1994, Mr. Humphrey was employed by Rockwell International Corporation, a manufacturer of electronic industrial, automotive products, telecommunications systems and defense electronics products and systems, where he held a number of key executive positions.

David W. Scheible, 51, was appointed as a Director, President and Chief Executive Officer of the Company in January 2007. Prior to that time he had served as the Chief Operating Officer since October 2004. Mr. Scheible served as the Company s Executive Vice President of Commercial Operations from the closing of the Merger in August 2003 until October 2004. Mr. Scheible served as Chief Operating Officer of Graphic Packaging International Corporation from June 1999 until the closing of the Merger. He also served as President of Graphic Packaging International Corporation s Flexible Division from January to June 1999. Previously, Mr. Scheible was affiliated with the Avery Denison Corporation, working most recently as its Vice President and General Manager of the Specialty Tape Division from 1995 through January 1999 and Vice President and General Manager of the Automotive Division from 1993 to 1995.

Daniel J. Blount, 52, has been the Company s Senior Vice President and Chief Financial Officer since September 2005. From October 2003 until September 2005, he was the Senior Vice President, Integration. From the closing of the Merger in August 2003 until October 2003, he was the Senior Vice President, Integration, Chief Financial Officer and Treasurer. From June 2003 until August 2003, he was Senior Vice President, Chief Financial Officer and Treasurer. From September 1999 until June 2003, Mr. Blount was Senior Vice President and Chief Financial Officer. Mr. Blount was named Vice President and Chief Financial Officer of Riverwood Holding in September 1998. Prior to joining the Company, Mr. Blount spent 13 years at Montgomery Kone, Inc., an elevator, escalator and moving ramp product manufacturer, installer and service provider, serving last as Senior Vice President, Finance.

Michael P. Doss, 41, has been the Senior Vice President, Consumer Products Packaging of the Company since September 2006. From the closing of the Merger in August 2003 through September 2006, Mr. Doss served as the Company s Vice President of Operations, Universal Packaging Division. Since joining Graphic Packaging International Corporation in 1990, he has held positions of increasing management responsibility, including Plant Manager at the Gordonsville, TN and Wausau, WI facilities. Mr. Doss was Director of Web Systems for the Universal Packaging Division before his promotion to Vice President of Operations.

Stephen A. Hellrung, 60, has been the Company s Senior Vice President, General Counsel and Secretary since October 2003. He was Senior Vice President, General Counsel and Secretary of Lowe s Companies, Inc., a home improvement specialty retailer, from April 1999 until June 2003. Prior to joining Lowe s Companies, Mr. Hellrung held similar positions with The Pillsbury Company and Bausch & Lomb, Incorporated.

Wayne E. Juby, 60, has been the Company s Senior Vice President, Human Resources since April 2001. Mr. Juby joined the Company in November 2000 and was Director, Corporate Training, until April 2001. Prior to joining the Company, Mr. Juby was Vice President, Human Resources, of National Gypsum Company, from 1994 until 1996.

Robert M. Simko, 48, has been the Company s Senior Vice President, Paperboard since December 2005. From October 2002 until December 2005, Mr. Simko served as Vice President, Supply Chain Operations. Mr. Simko joined the Company in February 1999 as the Vice President and Resident Manager, Georgia Paperboard Operations after serving as the Director of Operations for Sealright Co., Inc. for approximately three years and holding several key manufacturing positions with the Films Division at Mobil Chemical Co.

Michael R. Schmal, 54, has been the Company s Senior Vice President, Beverage since the closing of the Merger in August 2003 and was the Vice President and General Manager, Brewery Group of the Company from October 1996 until August 2003. Prior to that time, Mr. Schmal held various positions at the Company since 1981.

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PART II

ITEM 5. ***MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

GPC s common stock (together with the associated stock purchase rights) is traded on the New York Stock Exchange under the symbol GPK. The historical range of the high and low sales price per share for each quarter of 2007 and 2006 are as follows:

	2007		2006	
	High	**Low**	**High**	**Low**
First Quarter	$ 6.04	$ 4.11	$ 3.00	$ 1.94
Second Quarter	5.40	4.52	4.09	2.09
Third Quarter	6.10	4.07	4.09	3.20
Fourth Quarter	4.97	3.66	4.57	3.45

No cash dividends have been paid during the last three years to the Company s common stockholders. The Company s intent is not to pay dividends at this time. Additionally, the Company s credit facilities and the indentures governing its debt securities place substantial limitations on the Company s ability to pay cash dividends on its common stock (see Covenant Restrictions in Item 7., Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 5 in the Notes to Consolidated Financial Statements included herein under Item 8., Financial Statements and Supplementary Data).

On February 25, 2008, there were approximately 2,054 stockholders of record and approximately 3,260 beneficial holders of GPC s common stock.

Total Return to Stockholders

The following graph compares the total returns (assuming reinvestment of dividends) of the Company s common stock, the Standard & Poor s 500 Stock Index and the Dow Jones U.S. Container & Packaging Index. The graph assumes $100 invested on August 11, 2003 (the first day of public trading in the Company s common stock) in the Company s common stock and each of the indices. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

	08/11/03	**12/31/03**	**12/31/04**	**12/31/05**	**12/31/06**	**12/31/07**
Graphic Packaging Corporation	$ 100.00	$ 99.02	$ 175.61	$ 55.61	$ 105.61	$ 90.00
S&P 500 Index	100.00	114.27	126.70	132.93	153.92	162.38

DJ U.S. Container & Packaging Index	100.00	119.40	142.85	141.95	159.11	169.81

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ITEM 6. *SELECTED FINANCIAL DATA*

The selected consolidated financial data set forth below should be read in conjunction with Item 7., Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements of the Company and in the Notes to Consolidated Financial Statements included herein under Item 8., Financial Statements and Supplementary Data .

	Year Ended December 31,				
In millions, except per share amounts	**2007**	**2006**	**2005**	**2004**	**2003**
Statement of Operations Data:					
Net Sales	$ 2,421.2	$ 2,321.7	$ 2,294.3	$ 2,295.5	$ 1,591.6
Income from Operations	151.2	93.8	86.5	111.6	98.7
Loss from Continuing Operations	(49.1)	(97.4)	(90.1)	(63.2)	(100.7)
(Loss) Income from Discontinued Operations, Net of Taxes	(25.5)	(3.1)	(1.0)	2.3	5.0
Net Loss[(a)]	(74.6)	(100.5)	(91.1)	(60.9)	(95.7)
(Loss) Income Per Share Basic:					
Continuing Operations	(0.24)	(0.48)	(0.45)	(0.32)	(0.68)
Discontinued Operations	(0.13)	(0.02)	(0.01)	0.01	0.03
Total	(0.37)	(0.50)	(0.46)	(0.31)	(0.65)
(Loss) Income Per Share Diluted:					
Continuing Operations	(0.24)	(0.48)	(0.45)	(0.32)	(0.68)
Discontinued Operations	(0.13)	(0.02)	(0.01)	0.01	0.03
Total	(0.37)	(0.50)	(0.46)	(0.31)	(0.65)
Weighted average number of shares outstanding:					
Basic	201.8	201.1	200.0	198.9	148.3
Diluted	201.8	201.1	200.0	198.9	148.3
Balance Sheet Data:					
(as of period end)					
Cash and Equivalents	$ 9.3	$ 7.3	$ 12.7	$ 7.3	$ 17.5
Total Assets	2,777.3	2,888.6	3,005.2	3,111.3	3,200.3
Total Debt	1,878.4	1,922.7	1,978.3	2,025.2	2,154.6
Total Shareholders Equity	144.0	181.7	268.7	386.9	438.4
Additional Data:					
Depreciation & Amortization	$ 189.6	$ 188.5	$ 198.8	$ 223.1	$ 154.6
Capital Spending[(b)]	95.9	94.5	110.8	149.1	136.6
Research, Development and Engineering Expense	9.2	10.8	9.2	8.7	6.6

Notes:

(a) For the years ended December 31, 2007 and 2003, the Company recorded a Loss on Early Extinguishment of Debt of $9.5 million and $45.3 million, respectively, net of applicable tax.

(b) Includes capitalized interest and amounts invested in packaging machinery.

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ITEM 7. *MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

INTRODUCTION

This management s discussion and analysis of financial conditions and results of operation is intended to provide investors with an understanding of the Company s past performance, its financial condition and its prospects. The following will be discussed and analyzed:

Overview of Business

Overview of 2007 Results

Results of Operations

Financial Condition, Liquidity and Capital Resources

Critical Accounting Policies

New Accounting Standards

Business Outlook

OVERVIEW OF BUSINESS

The Company s objective is to strengthen its position as a leading provider of paperboard packaging solutions. To achieve this objective, the Company offers customers its paperboard, cartons and packaging machines, either as an integrated solution or separately. The Company is also implementing strategies (i) to expand market share in its current markets and to identify and penetrate new markets; (ii) to capitalize on the Company s customer relationships, business competencies, and mills and converting assets; (iii) to develop and market innovative products and applications; (iv) and to continue to reduce costs by focusing on operational improvements. The Company s ability to fully implement its strategies and achieve its objective may be influenced by a variety of factors, many of which are beyond its control, such as inflation of raw material and other costs, which the Company cannot always pass through to its customers, and the effect of overcapacity in the worldwide paperboard packaging industry.

Significant Factors That Impact The Company s Business

Impact of Inflation. The Company s cost of sales consists primarily of energy (including natural gas, fuel oil and electricity), pine pulpwood, chemicals, recycled fibers, purchased paperboard, paper, aluminum foil, ink, plastic films and resins, depreciation expense and labor. The Company continues to be negatively impacted by inflationary pressures which increased year over year costs by $39.3 million, $67.0 million and $93.6 million in 2007, 2006, and 2005, respectively. The 2007 costs are primarily related to fiber, outside board purchases and corrugated shipping containers ($38.7 million); chemical-based inputs ($8.3 million); and other ($2.7 million). These increases were offset by lower energy costs ($8.9 million), mainly due to the price of natural gas, and freight ($1.5 million). The Company has entered into contracts designed to manage risks associated with future variability in cash flows caused by changes in the price of natural gas. The Company has hedged approximately 45% of its expected natural gas usage for the year 2008. The Company believes that inflationary pressures, including higher costs for fiber, wood and chemical-based inputs will continue to negatively impact its results for 2008. Since negotiated sales contracts and the market largely determine the pricing for its products, the Company is at times limited in its ability to raise prices and pass through to its customers any inflationary or other cost increases that the Company may incur, thereby further exacerbating the inflationary problems.

Substantial Debt Obligations. The Company has $1,878.4 million of outstanding debt obligations as of December 31, 2007. This debt can have significant consequences for the Company, as it requires a significant portion of cash flow from operations to be used for the payment of principal and interest, exposes the Company to the risk of increased interest rates and restricts the Company s ability to obtain additional financing. Covenants in the Company s Credit Agreement also prohibit or restrict, among other things, the disposal of assets, the incurrence of additional indebtedness (including guarantees) and payment of dividends, loans or advances and certain other types of transactions. These restrictions could limit the Company s flexibility to respond to changing market conditions and competitive pressures. The covenants also require compliance with certain financial ratios. The Company s ability to comply in future periods with the financial covenants will depend on its ongoing financial and operating performance, which in turn will be subject to many other factors, many of which are beyond the Company s control. See Financial Condition, Liquidity and Capital Resources Liquidity and Capital Resources and Covenant Restrictions for additional information regarding the Company s debt obligations.

Commitment to Cost Reduction. In light of increasing margin pressure throughout the paperboard packaging industry, the Company has programs in place that are designed to reduce costs, improve productivity and increase profitability. The Company utilizes a global continuous improvement initiative that uses statistical process control to help design and manage many types of activities, including production and maintenance. This includes a Six Sigma process focused on reducing variable and fixed manufacturing and administrative costs. The Company expanded the continuous improvement initiative to include the deployment of Lean principles into manufacturing and supply chain services. As the Company strengthens the systems approach to continuous improvement, Lean supports the efforts to build a high performing culture. During 2007, two converting facilities utilized Lean manufacturing techniques focused on make-ready time reduction or reducing product lead times. In 2008, the Company plans to expand deployment of Lean principles throughout the organization. During 2007, the Company achieved $46.0 million in cost savings through its continuous improvement programs and manufacturing initiatives.

Competition and Market Factors. As some products can be packaged in different types of materials, the Company s sales are affected by competition from other manufacturers coated unbleached kraft paperboard, or CUK board, and other substrates solid bleached sulfate, or SBS and recycled clay coated news, or CCN. Substitute products also include shrink film and corrugated containers. In addition, the Company s sales historically are driven by consumer buying habits in the markets its customers serve. New product introductions and promotional activity by the Company s customers and the Company s introduction of new packaging products also impact its sales. The Company s containerboard business is subject to conditions in the cyclical worldwide commodity paperboard markets, which have a significant impact on containerboard sales. In addition, the Company s net sales, income from operations and cash flows from operations are subject to moderate seasonality, with demand usually increasing in the spring and summer due to the seasonality of the worldwide beverage multiple packaging markets.

The Company works to maintain market share through efficiency, product innovation and strategic sourcing to its customers; however, pricing and other competitive pressures may occasionally result in the loss of a customer relationship.

OVERVIEW OF 2007 RESULTS

This management s discussion and analysis contains an analysis of Net Sales, Income from Operations and other information relevant to an understanding of results of operations. To enhance the understanding of continuing operations, this discussion and analysis excludes discontinued operations for all periods presented. Information on discontinued operations can be found in Note 15 in the Notes to Consolidated Financial Statements included herein under Item 8. Financial Statements and Supplementary Data .

> Net Sales in 2007 increased by $99.5 million, or 4.3%, to $2,421.2 million from $2,321.7 million in 2006 due to improved pricing in both segments as well as increased volume in the paperboard packaging segment, primarily for North America open market and consumer packaging. Also contributing to the increase was favorable foreign currency exchange rates in Europe and Australia.

Income from Operations in 2007 increased by $57.4 million, or 61.2%, to $151.2 million from $93.8 million in 2006 due to the increased pricing and volume, and continuous improvement programs. These increases were partially offset by higher inflation, primarily for fiber.

Cost savings of $46.0 million helped offset inflation of $39.3 million.

Debt decreased by $44.3 million during 2007.

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RESULTS OF OPERATIONS

Segment Information

The Company reports its results in two business segments: paperboard packaging and containerboard/other. Business segment information is as follows:

In millions	Year Ended December 31, 2007	2006	2005
NET SALES:			
Paperboard Packaging	$ 2,325.9	$ 2,227.1	$ 2,208.1
Containerboard/Other	95.3	94.6	86.2
Total	$ 2,421.2	$ 2,321.7	$ 2,294.3
INCOME (LOSS) FROM OPERATIONS:			
Paperboard Packaging	$ 210.0	$ 146.9	$ 161.3
Containerboard/Other	(13.5)	(17.9)	(16.1)
Corporate	(45.3)	(35.2)	(58.7)
Total	$ 151.2	$ 93.8	$ 86.5

2007 COMPARED WITH 2006

Net Sales

	Year Ended December 31,			
In millions	2007	2006	Increase	Percent Change
Paperboard Packaging	$ 2,325.9	$ 2,227.1	$ 98.8	4.4%
Containerboard/Other	95.3	94.6	0.7	0.7
Total	$ 2,421.2	$ 2,321.7	$ 99.5	4.3%

The components of the change in Net Sales by segment are as follows:

	Year Ended December 31,					
		Variances				
In millions	2006	Price	Volume/Mix	Exchange	Total	2007
Paperboard Packaging	$ 2,227.1	$ 39.6	$ 40.0	$ 19.2	$ 98.8	$ 2,325.9
Containerboard/Other	94.6	2.9	(2.2)		0.7	95.3
Total	$ 2,321.7	$ 42.5	$ 37.8	$ 19.2	$ 99.5	$ 2,421.2

Paperboard Packaging

The Company s Net Sales from paperboard packaging in 2007 increased by $98.8 million, or 4.4%, to $2,325.9 million from $2,227.1 million in 2006 due to improved pricing across all product lines as well as increased volume in North America open market and consumer packaging. The improvement in pricing reflects negotiated inflationary cost pass-throughs and other contractual increases, as well as price increases on open market rollstock. The 1.9% increase in volume primarily relates to increased carton sales in the North American food and consumer product markets, primarily for frozen and dry cartons, and sales of open market rollstock. North American beer volumes increased and included the introduction of 18 and 20 multi-packs previously packaged in containerboard. Also contributing to the increase was favorable foreign currency exchange rates, primarily in Europe and Australia.

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Containerboard/Other

The Company s Net Sales from containerboard/other in 2007 increased by $0.7 million, or 0.7%, to $95.3 million from $94.6 million in 2006 due primarily to improved pricing in the containerboard medium and bag markets. The pricing increase was partially offset by lower volume for liner and post print.

Income (Loss) from Operations

	Year Ended December 31,			
In millions	2007	2006	Increase (Decrease)	Percent Change
Paperboard Packaging	$ 210.0	$ 146.9	$ 63.1	43.0%
Containerboard/Other	(13.5)	(17.9)	4.4	24.6
Corporate	(45.3)	(35.2)	(10.1)	(28.7)
Total	$ 151.2	$ 93.8	$ 57.4	61.2%

The components of the change in Income (Loss) from Operations by segment are as follows:

	Year Ended December 31,							
		Variances						
In millions	2006	Price	Volume/Mix	Inflation	Exchange	Other[(a)]	Total	2007
Paperboard Packaging	$ 146.9	$ 39.6	$ 8.9	$ (37.5)	$ 6.1	$ 46.0	$ 63.1	$ 210.0
Containerboard/Other	(17.9)	2.9	3.3	(1.8)			4.4	(13.5)
Corporate	(35.2)					(10.1)	(10.1)	(45.3)
Total	$ 93.8	$ 42.5	$ 12.2	$ (39.3)	$ 6.1	$ 35.9	$ 57.4	$ 151.2

Note:

(a) Includes the benefits from the Company s cost reduction initiatives.

Paperboard Packaging

The Company s Income from Operations from paperboard packaging in 2007 increased by $63.1 million, or 43.0%, to $210.0 million from $146.9 million in 2006 due primarily to the increased pricing and volume and improved performance, primarily at the Company s West Monroe, LA mill. As previously disclosed, the Company had undertaken an initiative to upgrade the mills maintenance program. In addition, cold outage was expanded to include the overhaul of the clarifier in 2006. Continuous improvement initiatives also benefited the other product lines. These increases were partially offset by inflationary pressures, primarily for fiber, chemical-based inputs and outside board purchases.

Containerboard/Other

The Company s Loss from Operations from containerboard/other was $13.5 million in 2007 compared to a loss of $17.9 million in 2006. This change of $4.4 million was due primarily to improved pricing in the containerboard medium and bag markets, as well as decreased volume in liner and post print which is sold at a lower margin. These increases were partially offset by inflation.

Corporate

The Company s Loss from Operations from corporate was $45.3 million in 2007 compared to a loss of $35.2 million in 2006. This $10.1 million increase was due primarily to increased expenses for stock-based compensation, management incentives, and merger-related expenses related to the anticipated transaction with Altivity. Partially offsetting these increases was the reversal of a $3.0 million liability recorded at the time of the 2003 Merger. In addition, 2006 included a favorable legal settlement.

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INTEREST INCOME, INTEREST EXPENSE, INCOME TAX EXPENSE, AND EQUITY IN NET EARNINGS OF AFFILIATES

Interest Income

Interest Income was $0.4 million in 2007 and $0.6 million in 2006.

Interest Expense

Interest Expense decreased by $3.8 million to $168.2 million in 2007 from $172.0 million in 2006. Interest Expense decreased due to lower average debt balances during the year and the refinancing of the Credit Agreement in May 2007. This decrease was partially offset due to higher interest rates on the unhedged portion of the Company s floating rate debt. As of December 31, 2007, approximately 31% of the Company s total debt was subject to floating interest rates.

Income Tax Expense

During 2007, the Company recognized Income Tax Expense of $23.9 million on Loss before Income Taxes and Equity in Net Earnings of Affiliates of $26.1 million. During 2006, the Company recognized Income Tax Expense of $20.8 million on Loss before Income Taxes and Equity in Net Earnings of Affiliates of $77.6 million. Income Tax Expense for 2007 and 2006 primarily relates to the noncash expense associated with the amortization of goodwill for tax purposes, benefits related to losses in certain foreign countries and tax withholding in foreign jurisdictions. Income tax expense for 2007 also increased due to a liability related to a judgment received in a Swedish tax court.

Equity in Net Earnings of Affiliates

Equity in Net Earnings of Affiliates was $0.9 million in 2007 and $1.0 million in 2006 and is related to the Company s equity investment in the joint venture Rengo Riverwood Packaging, Ltd.

2006 COMPARED WITH 2005

Net Sales

	Year Ended December 31,			
In millions	2006	2005	Increase	Percent Change
Paperboard Packaging	$ 2,227.1	$ 2,208.1	$ 19.0	0.9%
Containerboard/Other	94.6	86.2	8.4	9.7
Total	$ 2,321.7	$ 2,294.3	$ 27.4	1.2%

The components of the change in Net Sales by segment are as follows:

			Year Ended December 31, Variances			
In millions	2005	Price	Volume/Mix	Exchange	Total	2006
Paperboard Packaging	$ 2,208.1	$ 23.6	$ (3.3)	$ (1.3)	$ 19.0	$ 2,227.1
Containerboard/Other	86.2	9.4	(1.0)		8.4	94.6
Total	$ 2,294.3	$ 33.0	$ (4.3)	$ (1.3)	$ 27.4	$ 2,321.7

Paperboard Packaging

The Company s Net Sales from paperboard packaging in 2006 increased by $19.0 million, or 0.9%, to $2,227.1 million from $2,208.1 million in 2005 due primarily to improved pricing and product mix in the North American food and consumer product carton markets. Also contributing to the increase was favorable product mix in the North American beverage market. These increases were partially offset by unfavorable mix in Europe and lower volumes in the North American food and consumer product carton markets. Additionally, improved pricing in open market rollstock and Asia were completely offset by lower volumes.

Containerboard/Other

The Company s Net Sales from containerboard/other in 2006 increased by $8.4 million, or 9.7%, to $94.6 million from $86.2 million in 2005 due primarily to improved pricing in the containerboard medium and liner markets as well as increased volumes of liner and rollstock. These increases were partially offset by unfavorable product mix for liner and medium.

Income (Loss) from Operations

In millions	Year Ended December 31, 2006	2005	Increase (Decrease)	Percent Change
Paperboard Packaging	$ 146.9	$ 161.3	$ (14.4)	(8.9)%
Containerboard/Other	(17.9)	(16.1)	(1.8)	(11.2)
Corporate	(35.2)	(58.7)	23.5	40.0
Total	$ 93.8	$ 86.5	$ 7.3	8.4%

The components of the change in Income (Loss) from Operations are as follows:

In millions	Year Ended December 31, 2005	Variances Price	Volume/Mix	Inflation	Exchange	Other[(a)]	Total	2006
Paperboard Packaging	$ 161.3	$ 23.6	$ (4.5)	$ (55.8)	$ 3.7	$ 18.6	$ (14.4)	$ 146.9
Containerboard/Other	(16.1)	9.4	0.2	(11.2)		(0.2)	(1.8)	(17.9)
Corporate	(58.7)				3.0	20.5	23.5	(35.2)
Total	$ 86.5	$ 33.0	$ (4.3)	$ (67.0)	$ 6.7	$ 38.9	$ 7.3	$ 93.8

Note:

(a) Includes the benefits from the Company s cost reduction initiatives.

Paperboard Packaging

The Company s Income from Operations from paperboard packaging in 2006 decreased by $14.4 million, or 8.9%, to $146.9 million from $161.3 million in 2005 due primarily to inflationary pressures primarily on energy, chemical-based inputs, freight, labor and related benefits and higher manufacturing costs, primarily at the Company s West Monroe, LA mill. These costs include an initiative to upgrade the mill s preventive maintenance program, the conversion of the mill s primary boiler to allow for the burning of bark which will in turn lower energy costs, the mill s bi-annual maintenance cold outage and an unexpected failure in a major turbine generator earlier in the year. The cold outage was expanded to include an overhaul of the clarifier, a key piece of the mill s effluent system. These decreases were partially offset by worldwide cost reductions resulting from the Company s cost reduction initiatives, the improved pricing in the North American food and consumer product carton markets and improved manufacturing performance at the Company s other mills and converting operations.

Containerboard/Other

The Company s Loss from Operations from containerboard/other was $17.9 million in 2006 compared to a loss of $16.1 million in 2005. This change of $1.8 million was due primarily to inflationary pressures partially offset by the improved pricing in the containerboard medium markets.

Corporate

The Company s Loss from Operations from corporate was $35.2 million in 2006 compared to a loss of $58.7 million in 2005. This $23.5 million improvement was due primarily to lower Merger related expenses, primarily related to the conversion to the SAP system in 2005, lower consulting fees and expenses related to Sarbanes-Oxley compliance efforts and gains on foreign currency transactions. Offsetting these improvements was the 2005 benefit recorded of $4.5 million relating to the settlement of a lawsuit.

INTEREST INCOME, INTEREST EXPENSE, INCOME TAX EXPENSE AND EQUITY IN NET EARNINGS OF AFFILIATES

Interest Income

Interest Income was $0.6 million in both 2006 and 2005.

Interest Expense

Interest Expense increased by $15.6 million to $172.0 million in 2006 from $156.4 million in 2005, due to higher interest rates on the unhedged portion of the Company s floating rate debt.

Income Tax Expense

During 2006, the Company recognized Income Tax Expense of $20.8 million on Loss before Income Taxes and Equity in Net Earnings of Affiliates of $77.6 million. During 2005, the Company recognized Income Tax Expense of $22.0 million on Loss before Income Taxes and Equity in Net Earnings of Affiliates of $69.3 million. Income Tax Expense for 2006 and 2005 primarily relates to the noncash expense associated with the amortization of goodwill for tax purposes, benefits related to losses in certain foreign countries and tax withholding in foreign jurisdictions.

Equity in Net Earnings of Affiliates

Equity in Net Earnings of Affiliates was $1.0 million in 2006 and $1.2 million in 2005 and is related to the Company s equity investment in the joint venture Rengo Riverwood Packaging, Ltd.

DISCONTINUED OPERATIONS

On October 16, 2007, Graphic Packaging International Holding Sweden AB (the Seller), an indirect wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Lagrumment December nr 1031 Aktiebolg, a company organized under the laws of Sweden that will be renamed Fiskeby International Holding AB (the Purchaser), and simultaneously completed the transactions contemplated by such agreement. Pursuant to such Purchase and Sales Agreement, the Purchaser will acquire all of the outstanding shares of Graphic Packaging International Sweden (GP-Sweden). GP-Sweden and its subsidiaries are in the business of developing, manufacturing and selling paper and packaging boards made from recycled fiber. The Sale and Purchase Agreement specifies that the purchase price is $8.6 million and contains customary representations and warranties of the Seller.

The Purchaser is affiliated with Jeffrey H. Coors, the Vice Chairman and a member of the Board of Directors of the Company. The Seller undertook the sale of GP-Sweden to the Purchaser after a thorough exploration of strategic alternatives with respect to GP-Sweden. The transactions contemplated by the Sale and Purchase Agreement were approved by the Audit Committee of the Board of Directors of the Company pursuant to its Policy Regarding Related Party Transactions and by the full Board of Directors other than Mr. Coors.

In accordance with the FASB SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144), the Company reviews long-lived assets for impairment when events or changes in circumstances indicate the carrying value of these assets may exceed their current fair values. During the third quarter of 2007, the Company recognized an impairment charge of $25.2 million relating to GP-Sweden. The

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Company s plan to sell the operations led to the testing for impairment of long-lived assets. The fair value of the impaired assets was determined based on selling price less cost to sell. During the fourth quarter of 2007, the Company recognized a reduction to the impairment charge of $6.6 million for the non-cash currency translation adjustment component of accumulated other comprehensive income related to the sale of the Swedish paperboard mill. This reduction, which should have been recorded in the third quarter, related to the impairment recorded in the third quarter. The Company has determined that the impact of this item was not material to the third quarter or fourth quarter. The impairment charge is reflected as a component of Loss from Discontinued Operations on the Condensed Consolidated Statements of Operations.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company broadly defines liquidity as its ability to generate sufficient funds from both internal and external sources to meet its obligations and commitments. In addition, liquidity includes the ability to obtain appropriate debt and equity financing and to convert into cash those assets that are no longer required to meet existing strategic and financial objectives. Therefore, liquidity cannot be considered separately from capital resources that consist of current or potentially available funds for use in achieving long-range business objectives and meeting debt service commitments.

Cash Flows

Cash and Equivalents increased by $2.0 million in 2007. Net Cash Provided by Operating Activities in 2007 totaled $141.7 million, compared to $141.3 million in 2006. This increase was principally due to lower Net Loss and the non-cash add backs for the Impairment Charge, the Loss on Early Extinguishment of Debt and the Loss (Gain) on Disposal of Assets. The Impairment Charge and Loss on Disposal of Assets relate to the impairment and subsequent sale of the Swedish operations. The Loss on Early Extinguishment of Debt represents a portion of the unamortized deferred financial cost associated with the previous revolving credit and term loan facilities. The increase was offset by an increase of Operating Assets and Liabilities and higher employer contributions to the pension plan. Changes in Operating Assets and Liabilities used $35.9 million primarily from an increase in Inventories which was due primarily to timing of year-end shipments and a decrease in Interest Payable resulting from lower interest rates and debt balances. These increases were partially offset by an increase in Accounts Payable due to the Company s implementation of credit cards to process vendor payments which resulted in extended payment periods. Depreciation and Amortization during 2007 totaled $194.8 million.

Net Cash Used in Investing Activities in 2007 totaled $90.8 million, compared to $90.4 million in 2006. This year over year change was principally due to proceeds received from the sales of assets primarily related to the sale of the Swedish operations.

Net Cash Used in Financing Activities in 2007 totaled $50.0 million, compared to $56.6 million in 2006. This change was principally due to lower net debt repayments in 2007, partially offset by $7.0 million in debt issuance costs related to the refinancing in May 2007.

Liquidity and Capital Resources

The Company s liquidity needs arise primarily from debt service on its substantial indebtedness and from the funding of its capital expenditures, ongoing operating costs and working capital. The Company believes that cash generated from operations, together with the amounts available under the revolving credit facility will be adequate to meet its debt service, capital expenditures, ongoing operating costs and working capital needs.

On May 16, 2007, the Company entered into a new $1,355 million Credit Agreement (Credit Agreement). The Credit Agreement provides for a $300 million revolving credit facility due on May 16, 2013 and a $1,055 million term loan facility due on May 16, 2014. The revolving credit facility bears interest at a rate of LIBOR plus 225 basis points and the term loan facility bears interest at a rate of LIBOR plus 200 basis points. The facilities under the Credit Agreement replace the revolving credit facility due on August 8, 2009 and the term loan due on August 8, 2010 under the Company s previous senior secured credit agreement. The

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Company s obligations under the new Credit Agreement are collateralized by substantially all of the Company s domestic assets.

In connection with the replacement of the Company s previous revolving credit and term loan facilities and in accordance with Emerging Issues Task Force (EITF) 96-19, *Debtor s Accounting for a Modification or Exchange of Debt Instruments* and EIFT 98-14, *Debtor s Accounting for Changes in Line-of-Credit or Revolving-Debt Arrangements* , the Company recorded a charge of $9.5 million, which represented a portion of the unamortized deferred financial costs associated with the previous revolving credit and term loan facilities. This charge is reflected as Loss on Early Extinguishment of Debt in the Company s Consolidated Statement of Operations. In connection with the new Credit Agreement, the Company recorded approximately $7 million of deferred financing costs. These costs, combined with the remainder of the deferred financing costs relating to the previous senior secured credit agreement, will be amortized over the term of the new facilities.

Long-Term Debt consisted of the following:

In millions	**At December 31, 2007**	**2006**
Senior Notes with interest payable semi-annually at 8.5%, payable in 2011	$ 425.0	$ 425.0
Senior Subordinated Notes with interest payable semi-annually at 9.5%, payable in 2013	425.0	425.0
Senior Secured Term Loan Facility with interest payable at various dates at floating rates (7.47% at December 31, 2006) payable through 2010		1,055.0
Senior Secured Revolving Facility with interest payable at various dates at floating rates (10.25% at December 31, 2006) payable in 2009		3.6
Senior Secured Term Loan Facility with interest payable at various dates at floating rates (7.10% at December 31, 2007) payable through 2014	1,010.0	
Senior Secured Revolving Facility with interest payable at various dates at floating rates (8.50% at December 31, 2007) payable in 2013	11.0	
Other	1.0	2.4
	1,872.0	1,911.0
Less, current portion	0.2	0.3
Total	$ 1,871.8	$ 1,910.7

At December 31, 2007, the Company and its U.S. and international subsidiaries had the following commitments, amounts outstanding and amounts available under revolving credit facilities:

In millions	**Total Commitments**	**Total Outstanding**	**Total Available[(a)]**

Revolving Credit Facility	$	300.0	$	11.0	$	275.0
International Facilities		15.9		6.4		9.5
Total	$	315.9	$	17.4	$	284.5

Note:

(a) In accordance with its debt agreements, the Company s availability under its Revolving Credit Facility has been reduced by the amount of standby letters of credit issued of $14.0 million as of December 31, 2007. These letters of credit are used as security against its self-insurance obligations and workers compensation obligations. These letters of credit expire at various dates through 2009 unless extended.

Principal and interest payments under the term loan facility and the revolving credit facility, together with principal and interest payments on the Senior Notes and the Senior Subordinated Notes, represent significant liquidity requirements for the Company. Based upon current levels of operations, anticipated cost-savings and expectations as to future growth, the Company believes that cash generated from operations, together with amounts available under its revolving credit facility and other available financing sources, will be adequate to permit the Company to meet its debt service obligations, necessary capital expenditure program requirements, ongoing operating costs and working capital needs, although no assurance can be given in this regard. The

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Company s future financial and operating performance, ability to service or refinance its debt and ability to comply with the covenants and restrictions contained in its debt agreements (see Covenant Restrictions) will be subject to future economic conditions and to financial, business and other factors, many of which are beyond the Company s control and will be substantially dependent on the selling prices and demand for the Company s products, raw material and energy costs, and the Company s ability to successfully implement its overall business and profitability strategies.

The Company uses interest rate swaps to manage interest rate risks caused by interest rate changes on its variable rate Term Loan Facility. The differential to be paid or received under these agreements is recognized as an adjustment to interest expense related to the debt. At December 31, 2007, the Company had interest rate swap agreements with a notional amount of $440.0 million, which expire on various dates from 2008 to 2009 under which the Company will pay fixed rates of 4.53% to 5.46% and receive three-month LIBOR rates.

Effective as of December 31, 2007, the Company had approximately $1.4 billion of net operating loss carryforwards (NOLs) for U.S. federal income tax purposes. These NOLs generally may be used by the Company to offset taxable income earned in subsequent taxable years.

Covenant Restrictions

The Credit Agreement and the indentures governing the Senior Notes and Senior Subordinated Notes (the Notes) limit the Company s ability to incur additional indebtedness. Additional covenants contained in the Credit Agreement, among other things, restrict the ability of the Company to dispose of assets, incur guarantee obligations, prepay other indebtedness, make dividends and other restricted payments, create liens, make equity or debt investments, make acquisitions, modify terms of indentures under which the Notes are issued, engage in mergers or consolidations (not including the proposed combination of the Company s business with that of Altivity), change the business conducted by the Company and its subsidiaries, and engage in certain transactions with affiliates. Such restrictions, together with the highly leveraged nature of the Company, could limit the Company s ability to respond to changing market conditions, fund its capital spending program, provide for unexpected capital investments or take advantage of business opportunities.

Under the terms of the Credit Agreement, as long as any commitment remains outstanding under the revolving credit facility, the Company must comply with a maximum consolidated leverage ratio covenant and a minimum consolidated interest expense ratio covenant. The financial covenants contained in the Credit Agreement, among other things, specify the following requirements for each of period of four consecutive fiscal quarters ending March, June, September and December of:

	Maximum Consolidated Debt to Credit Agreement EBITDA Leverage Ratio[(a)]	**Minimum Credit Agreement EBITDA To Consolidated Interest Expense Ratio[(a)]**
2007	6.75 to 1.00	1.75 to 1.00
2008	6.00 to 1.00	1.75 to 1.00
2009	5.25 to 1.00	2.00 to 1.00
2010 and thereafter	4.75 to 1.00	2.25 to 1.00

Note:

(a) Credit Agreement EBITDA is defined in the Credit Agreement as consolidated net income before consolidated interest expense, non-cash expenses and charges, total income tax expense, depreciation expense, expense associated with amortization of intangibles and other assets, non-cash provisions for reserves for discontinued operations, extraordinary, unusual or non-recurring gains or losses or charges or credits, gain or loss associated with sale or write-down of assets not in the ordinary course of business, and any income or loss accounted for by the equity method of accounting.

At December 31, 2007, the Company was in compliance with the financial covenants in the Credit Agreement and the ratios were as follows:

Consolidated Debt to Credit Agreement EBITDA Leverage Ratio	5.02 to 1.00
Credit Agreement EBITDA to Consolidated Interest Expense Ratio	2.32 to 1.00

The Company s management believes that presentation of Credit Agreement EBITDA and the related ratios herein provides useful information to investors because borrowings under the Credit Agreement are a

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key source of the Company s liquidity, and the Company s ability to borrow under the Credit Agreement is dependent on, among other things, its compliance with the financial ratio covenants. Any failure by the Company to comply with these financial ratio covenants could result in an event of default, absent a waiver or amendment from the lenders under such agreement, in which case the lenders may be entitled to declare all amounts owed to be due and payable immediately.

The calculations of the components of the Company s financial covenant ratios are listed below:

In millions		**Twelve Months Ended December 31, 2007**
Net Loss	$	(74.6)
Income Tax Expense		23.9
Interest Expense, Net		168.1
Loss on Early Extinguishment of Debt		9.5
Depreciation and Amortization		194.8
Dividends Received, Net of Earnings of Equity Affiliates		(0.2)
Pension, Postemployment and Postretirement Benefits Expense		21.3
Merger Related Expenses		4.6
Write-Down of Assets		19.3
Loss on Disposal of Assets		0.7
RSU Compensation Expense		3.5
Environmental Reserve		3.0
Credit Agreement EBITDA	$	373.9

In millions		**Twelve Months Ended December 31, 2007**
Interest Expense, Net	$	168.1
Amortization of Deferred Debt Issuance Costs		(6.9)
Consolidated Interest Expense	$	161.2

In millions	**As of December 31, 2007**

Short-Term Debt	$	6.6
Long-Term Debt		1,871.8
Total Debt	$	1,878.4

The Senior Notes are rated B by Standard & Poor s and B2 by Moody s Investor Services. The Senior Subordinated Notes are rated B by Standard & Poor s and B3 by Moody s Investor Services. The Company s indebtedness under the Credit Agreement is rated BB- by Standard & Poor s and Ba2 by Moody s Investor Services. As of December 31, 2007, both Standard & Poor s and Moody s Investor Services ratings on the Company remain on negative outlook. During 2007, cash paid for interest was approximately $168 million.

If the negative impact of inflationary pressures on key inputs continues, or depressed selling prices, lower sales volumes, increased operating costs or other factors have a negative impact on the Company s ability to increase its profitability, the Company may not be able to maintain its compliance with the financial covenants in its Credit Agreement. The Company s ability to comply in future periods with the financial covenants in the Credit Agreement will depend on its ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, business and other factors, many of which are beyond the Company s control, and will be substantially dependent on the selling prices for the Company s products, raw material and energy costs, and the Company s ability to successfully implement its overall business strategies, and meet its profitability objective. If a violation of any of the covenants occurred, the Company would attempt to obtain a waiver or an amendment from its lenders, although no assurance can be given that the Company would be successful in this regard. The Credit Agreement and the indentures governing the Notes have certain cross-default or cross-acceleration provisions; failure to comply with these covenants in any agreement could result in a violation of such agreement which could, in turn, lead to violations of other agreements pursuant to such cross-default or cross-acceleration provisions. If an event of default occurs, the lenders are entitled to declare all amounts owed to be due and payable immediately. The Credit Agreement is collateralized by substantially all of the Company s domestic assets.

Capital Investment

The Company s capital investment in 2007 was $95.9 million, compared to $94.5 million in 2006. During 2007, the Company had capital spending of $58.3 million for improving process capabilities, $23.4 million for capital spares, $14.0 million for manufacturing packaging machinery and $0.2 million for compliance with environmental laws and regulations.

Environmental Matters

The Company is subject to a broad range of foreign, federal, state and local environmental, health and safety laws and regulations, including those governing discharges to air, soil and water, the management, treatment and disposal of hazardous substances, solid waste and hazardous wastes, the investigation and remediation of contamination resulting from historical site operations and releases of hazardous substances, and the health and safety of employees. Compliance initiatives could result in significant costs, which could negatively impact the Company s financial position, results of operations or cash flows. Any failure to comply with such laws and regulations or any permits and authorizations required thereunder could subject the Company to fines, corrective action or other sanctions.

In addition, some of the Company s current and former facilities are the subject of environmental investigations and remediations resulting from historical operations and the release of hazardous substances or other constituents. Some current and former facilities have a history of industrial usage for which investigation and remediation obligations may be imposed in the future or for which indemnification claims may be asserted against the Company. Also, potential future closures or sales of facilities may necessitate further investigation and may result in future remediation at those facilities.

During the first quarter of 2006, the Company self-reported certain violations of its Title V permit under the federal Clean Air Act for its West Monroe, Louisiana mill to the Louisiana Department of Environmental Quality (the LADEQ). The violations relate to the collection, treatment and reporting of hazardous air pollutants. The Company recorded $0.6 million of expense in the first quarter of 2006 for compliance costs to correct the technical issues causing the Title V permit violations. The Company received a consolidated Compliance Order and notice of potential penalty dated July 5, 2006 from the LADEQ indicating that the Company may be required to pay civil penalties for violations that occurred from 2001 through 2005. The Company believes that the LADEQ will assess a penalty of approximately $0.3 million to be paid partially in cash and partially through the completion of beneficial environmental projects.

At the request of the County Administrative Board of Östergötland, Sweden, the Company conducted a risk classification of its mill property located in Norrköping, Sweden. Based on the information collected through this activity, the Company determined that some remediation of the site is reasonably probable and recorded a $3.0 million reserve in the third quarter of 2007. Pursuant to the Sale and Purchase Agreement dated October 16, 2007 between Graphic Packaging International Holding Sweden AB (the Seller) and Lagrumment December nr 1031 Aktiebolg under which the Company s Swedish operations were sold, the Seller retains liability for certain environmental claims after the sale. See Note 15 Discontinued Operations regarding the sale of the Swedish operations.

On October 8, 2007, the Company received a notice from the United States Environmental Protection Agency (the EPA) indicating that it is a potentially responsible party for the remedial investigation and feasibility study to be conducted at the Devil s Swamp Lake site in East Baton Rouge Parish, Louisiana. The Company expects to enter into negotiations with the EPA regarding its potential responsibility and liability, but it is too early in the investigation process to quantify possible costs with respect to such site.

The Company has established reserves for those facilities or issues where liability is probable and the costs are reasonably estimable. Except for the Title V permit issue and the Devil s Swamp issue (for which it is too early in the investigation and regulatory process to make a determination), the Company believes that the amounts accrued for all of its loss contingencies, and the reasonably possible loss beyond the amounts accrued, are not material to the Company s financial position, results of operations or cash flows. The Company cannot estimate with certainty other future corrective compliance, investigation or remediation costs, all of which the Company currently considers to be remote. Costs relating to historical usage or indemnification claims that the Company considers to be reasonably possible are not quantifiable at this time. The Company will continue to monitor environmental issues at each of its facilities and will revise its accruals, estimates and disclosures relating to past, present and future operations, as additional information is obtained.

Contractual Obligations and Commitments

A summary of our contractual obligations and commitments as of December 31, 2007 is as follows:

	Payments Due by Period				
In millions	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Long-Term Debt	$ 1,872.0	$ 0.2	$ 20.6	$ 446.4	$ 1,404.8
Operating Leases	103.8	20.6	35.1	21.1	27.0
Interest Payable	772.9	138.2	278.5	236.7	119.5
Purchase Obligations[(a)]	645.6	60.2	115.4	112.4	357.6
Pension Funding	52.0	52.0			
Uncertain Tax Positions	4.4	4.4			
Total Contractual Obligations[(b)]	$ 3,450.7	$ 275.6	$ 449.6	$ 816.6	$ 1,908.9

Notes:

(a) Purchase obligations primarily consist of commitments related to pine pulpwood, wood chips, wood processing and handling, chemical-based inputs, natural gas and electricity.

(b) Some of the figures included in this table are based on management s estimates and assumptions about these obligations. Because these estimates and assumptions are necessarily subjective, the obligations the company will actually pay in the future periods may vary from those reflected in the table.

International Operations

For 2007, before intercompany eliminations, net sales from operations outside of the U.S. represented approximately 17% of the Company s net sales. The Company s revenues from export sales fluctuate with changes in foreign currency exchange rates. At December 31, 2007, approximately 7% of its total assets were denominated in currencies other than the U.S. dollar. The Company has significant operations in countries that use the British pound sterling, the Australian dollar, the Japanese yen or the euro as their functional currencies. The effect of a generally weaker U.S. dollar against these currencies produced a net currency translation adjustment gain of $11.2 million, which was recorded as an adjustment to Shareholders Equity for the year ended December 31, 2007. The magnitude and direction of this adjustment in the future depends on the relationship of the U.S. dollar to other currencies. The Company cannot predict major currency fluctuations. The Company pursues a currency hedging program in order to limit the impact of foreign currency exchange fluctuations on financial results. See Financial Instruments below.

Financial Instruments

The functional currency of the Company s international subsidiaries is the local currency for the country in which the subsidiaries own their primary assets. The translation of the applicable currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during the period. Any related translation adjustments are recorded directly to shareholders equity. Gains and losses on foreign currency transactions are included in Other Expense, Net for the period in which the exchange rate changes.

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The Company pursues a currency hedging program which utilizes derivatives to limit the impact of foreign currency exchange fluctuations on its consolidated financial results. Under this program, the Company has entered into forward exchange contracts in the normal course of business to hedge certain foreign currency denominated transactions. Realized and unrealized gains and losses on these forward contracts are included in the measurement of the basis of the related foreign currency transaction when recorded. The Company also pursues a hedging program which utilizes derivatives designed to manage risks associated with future variability in cash flows and price risk related to future energy cost increases. Under this program the Company has entered into natural gas swap contracts to hedge a portion of its natural gas requirements through December 2008. Realized gains and losses on these contracts are included in the financial results concurrently with the recognition of the commodity purchased. The Company uses interest rate swaps to manage interest rate risks on future income caused by interest rate changes on its variable rate Term Loan Facility. These instruments involve, to varying degrees, elements of market and credit risk in excess of the amounts recognized in the Consolidated Balance Sheets. The Company does not hold or issue financial instruments for trading purposes. See Item 7A, Quantitative and Qualitative Disclosure About Market Risk.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Actual results could differ from these estimates, and changes in these estimates are recorded when known. The critical accounting policies used by management in the preparation of the Company s consolidated financial statements are those that are important both to the presentation of the Company s financial condition and results of operations and require significant judgments by management with regard to estimates used. The critical judgments by management relate to pension benefits, retained insurable risks, future cash flows associated with impairment testing for goodwill and long-lived assets, and deferred taxes.

Pension Benefits

The Company sponsors defined benefit pension plans (the Plans) for eligible employees in North America and certain international locations. The funding policy for the qualified defined benefit plans in North America is to, at a minimum, contribute assets as required by the Internal Revenue Code Section 412. Nonqualified U.S. plans providing benefits in excess of limitations imposed by the U.S. income tax code are not funded.

U.S. pension expense for defined benefits pension plans was $17.8 million in 2007 compared with $26.0 million in 2006. Pension expense is calculated based upon a number of actuarial assumptions applied to each of the defined benefit plans. The expected long-term rate of return on pension fund assets used to calculate pension expense was 8.25% in both 2007 and 2006. The expected long-term rate of return on pension assets was determined based on several factors, including historical rates of return, input from our pension investment consultants and projected long-term returns of broad equity and bond indices. The Company will continue to evaluate its long-term rate of return assumptions at least annually and will adjust them as necessary.

The Company determined pension expense using both the fair value of assets and a calculated value that averages gains and losses over a period of years. Investment gains or losses represent the difference between the expected and actual return on assets. As of December 31, 2007, the net actuarial loss was $52.5 million. These net losses may increase future pension expense if not offset by (i) actual investment returns that exceed the assumed investment returns, or (ii) other factors, including reduced pension liabilities arising from higher discount rates used to calculate pension obligations, or (iii) other actuarial gains, including whether such accumulated actuarial losses at each measurement date exceed the corridor determined under Statement of Financial Accounting Standards (SFAS) No. 87, *Employers Accounting for Pensions.*

The discount rate used to determine the present value of future pension obligations at December 31, 2007 was based on a yield curve constructed from a portfolio of high quality corporate debt securities with maturities ranging from 1 year to 30 years. Each year s expected future benefit payments were discounted to their present value at the appropriate yield curve rate thereby generating the overall discount rate for U.S. pension obligations. The discount rate for U.S. plans increased from a plan specific rate ranging from 5.95% to 6.05% in 2006 to a plan specific rate ranging from 6.15% to 6.35% in 2007. For non-U.S. plans, the discount rate is determined using long-term local corporate bonds.

U.S. pension expense is estimated to be approximately $16 million in 2008. The estimate is based on an expected long-term rate of return of 8.25%, a discount rate ranging from 6.15% to 6.35% and other assumptions. Pension expense beyond 2008 will depend on future investment performance, the Company s contribution to the plans, changes in discount rates and other factors related to covered employees in the plans.

If the discount rate assumptions for these plans were reduced by .25 percent, pension expense would increase by approximately $1 million and the December 31, 2007 pension funding obligation would increase by about $19 million.

The fair value of assets in the U.S. plans was $468.0 million at December 31, 2007 and $441.9 million at December 31, 2006. Lower discount rates have caused the projected benefit obligations to exceed the fair value of plan assets by $128.4 million and $152.7 million as of December 31, 2007 and 2006, respectively. Primarily due to the lower discount rates, the accumulated benefit obligation (ABO) exceeded plan assets by $108.8 million at the end of 2007. At the end of 2006, the ABO exceeded the fair value of plan assets by $134.0 million.

Retained Insurable Risks

The Company is self-insured for certain losses relating to workers compensation claims and employee medical and dental benefits. Provisions for expected losses are recorded based on the Company s estimates, on an undiscounted basis, of the aggregate liabilities for known claims and estimated claims incurred but not reported. The Company has purchased stop-loss coverage or insurance with deductibles in order to limit its exposure to significant claims. The Company also has an extensive safety program in place to minimize its exposure to workers compensation claims. Self-insured losses are accrued based upon estimates of the aggregate uninsured claims incurred using certain actuarial assumptions and loss development factors followed in the insurance industry and historical experience.

Goodwill

The Company tests the carrying amount of its goodwill using the discounted cash flow method of valuation on an annual basis and whenever events or circumstances indicate that impairment may have occurred. The review for impairment is based on a discounted cash flow approach, which requires the Company to estimate future net cash flows, the timing of these cash flows and a discount rate (based upon a weighted average cost of capital). The Company s cash flows are generated by its operations and are used to fund working capital needs, debt service and capital spending. The Company discounted these cash flows using a weighted average cost of capital of 8 percent. Changes in borrowing rates, which are impacted by market rate fluctuations, would impact discounted cash flow calculations. Other factors, such as significant operating losses or acquisitions of new operations, would also impact discounted cash flow calculations. If the discount rate used in the discounted cash flow calculations were to be increased 100 basis points, the fair value would continue to exceed the carrying amount in the Company s goodwill valuation analysis. The Company has completed its annual goodwill impairment testing and has determined that none of its goodwill is impaired.

Recovery of Long-Lived Assets

The Company reviews long-lived assets (including property, plant and equipment and intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of such long-lived assets may not be fully recoverable by undiscounted cash flows. Measurement of the impairment loss, if any, is based on the fair value of the asset, which is generally determined by the discounting of future estimated cash flows, or in the case of real estate, determining market value. The Company evaluates the recovery of its long-lived assets by analyzing operating results and considering significant events or changes in the business environment that may have triggered impairment. See Note 14 in the Notes to Consolidated Financial Statements included herein under Item 8., Financial Statements and Supplementary Data .

Deferred Income Taxes and Potential Assessments

As of December 31, 2007, the Company, in accordance with Accounting Principles Board (APB) Opinion 23, *Accounting for Income Taxes, Special Areas* has determined that $61.0 million of undistributed foreign earnings are not intended to be reinvested indefinitely by its non-U.S. subsidiaries. Deferred income tax was recorded as a reduction to the Company s net operating losses on these undistributed earnings as well as the financial statement carrying value in excess of tax basis in the amount of $28.3 million. As of December 31, 2006, the Company had determined that $67.2 million of undistributed foreign earnings were not intended to be reinvested indefinitely. Deferred income tax was recorded as a reduction to the Company s net operating losses on these undistributed earnings, as well as the financial statement carrying value in excess of tax basis in the amount of $30.2 million. Prior to 2004, the Company s intent was to permanently reinvest its foreign earnings and it was not practical to determine the amount of unrecognized deferred U.S. income tax liability on these unremitted earnings. The Company periodically determines whether the non-U.S. subsidiaries will invest their undistributed earnings indefinitely and reassesses this determination as appropriate.

The Company records current liabilities for potential assessments. The accruals relate to uncertain tax positions in a variety of taxing jurisdictions and are based on what management believes will be the most likely outcome of these positions. These liabilities may be affected by changing interpretations of laws, rulings by tax authorities, or the expiration of the statute of limitations.

NEW ACCOUNTING STANDARDS

For a discussion of recent accounting pronouncements impacting the Company, see Note 2 in the Notes to Consolidated Financial Statements included herein under Item 8., Financial Statements and Supplementary Data .

BUSINESS OUTLOOK

The Company expects inflationary pressures for production inputs, including higher costs for fiber, wood and chemical-based inputs, to continue to impact results in 2008. To help offset inflation in 2008, the Company expects to realize approximately $40 million in year over year operating cost savings from its continuous improvement programs, including Lean manufacturing projects. In addition, contractual price escalators and price increases in 2007 for coated board and cartons should favorably impact 2008.

Total capital investment for 2008 is expected to be between approximately $100 million and $120 million and is expected to relate principally to the Company s process capabilities improvements and for maintaining compliance with environmental laws and regulations (approximately $72 million), capital spares (approximately $25 million), and the production of packaging machinery (approximately $13 million),

The Company also expects the following in 2008:

Depreciation and amortization between $170 million and $180 million.

Interest expense of $145 million to $155 million, including $6 million of non-cash interest expense associated with amortization of debt issuance costs.

Debt reduction of $70 million to $80 million.

Pension plan contributions of $50 million to $60 million.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK*

The Company does not trade or use derivative instruments with the objective of earning financial gains on interest or currency rates, nor does it use leveraged instruments or instruments where there are no underlying exposures identified.

Interest Rates

The Company is exposed to changes in interest rates, primarily as a result of its short-term and long-term debt, which bear both fixed and floating interest rates. The Company uses interest rate swap agreements effectively to fix the LIBOR rate on $440.0 million of variable rate borrowings. The table below sets forth interest rate sensitivity information related to the Company s debt.

Long-Term Debt Principal Amount by Maturity-Average Interest Rate

	Expected Maturity Date							
In millions	**2008**	**2009**	**2010**	**2011**	**2012**	**Thereafter**	**Total**	**Fair Value**
Total Debt								
Fixed Rate	$ 0.2	$	$	$ 425.0	$ 0.8	$ 425.0	$ 851.0	$ 844.6
Average Interest Rate	6.13%			8.50%	8.63%	9.50%		
Variable Rate	$	$ 10.3	$ 10.3	$ 10.3	$ 10.3	$ 979.8	$ 1,021.0	$ 984.6
Average Interest Rate, spread range is 2.00% 2.25%	LIBOR+ spread	LIBOR+ spread	LIBOR+ spread	LIBOR+ spread	LIBOR+ spread	LIBOR+ spread		

Total Interest Rate Swaps-Notional Amount by Expiration-Average Swap Rate

	Expected Maturity Date				
In millions	**2008**	**2009**	**Thereafter**	**Total**	**Fair Value**
Interest rate Swaps (Pay Fixed/Receive Variable)					
Notional	$330.0	$110.0	$	$ 440.0	$ (2.5)
Average Pay Rate	4.84%	5.03%			
Average Receive Rate	3-Month LIBOR	3-Month LIBOR			

Foreign Exchange Rates

The Company enters into forward exchange contracts to effectively hedge substantially all accounts receivable resulting from transactions denominated in foreign currencies. The purpose of these forward exchange contracts is to protect the Company from the risk that the eventual functional currency cash flows resulting from the collection of these accounts receivable will be adversely affected by changes in exchange rates. At December 31, 2007, multiple foreign currency forward exchange contracts existed, with maturities ranging up to three months. Those forward currency exchange contracts outstanding at December 31, 2007, when aggregated and measured in U.S. dollars at December 31, 2007 exchange rates, had net notional amounts totaling $14.5 million. The Company continuously monitors these forward exchange contracts and adjusts accordingly to minimize the exposure.

The Company also enters into forward exchange contracts to hedge certain other anticipated foreign currency transactions. The purpose of these contracts is to protect the Company from the risk that the eventual functional currency cash flows resulting from anticipated foreign currency transactions will be adversely affected by changes in exchange rates.

Minimal amounts were reclassified to earnings during 2007 in connection with forecasted transactions that were no longer considered probable of occurring due to the sale of the Swedish operations and there was no amount of ineffective portion related to changes in the fair value of foreign currency forward contracts. No amounts were reclassified to earnings during 2006 in connection with forecasted transactions that were no longer considered probable of occurring and there was no amount of ineffective portion related to changes in

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the fair value of foreign currency forward contracts. Additionally, there were no amounts excluded from the measure of effectiveness.

Foreign Exchange Rates Sensitivity-Contractual Amount by Expected Maturity-Average Contractual Exchange Rate

	December 31, 2007	
In millions	Contract Amount	Fair Value
FORWARD EXCHANGE AGREEMENTS:		
Receive $US/Pay Yen	$ 37.0	$ (0.8)
Weighted average contractual exchange rate	112.37	
Receive $US/Pay Euro	$ 31.9	$ (1.9)
Weighted average contractual exchange rate	1.38	
Receive $US/Pay GBP	$ 9.3	$ 0.2
Weighted average contractual exchange rate	2.02	

Natural Gas Contracts

The Company entered into natural gas swap contracts to hedge prices for approximately 45% of its expected natural gas usage through December 2008 with a weighted average contractual rate of $8.14 per MMBTU. The carrying amount and fair value of the natural gas swap contracts is a liability of $1.1 million as of December 31, 2007, and is recorded as Other Accrued Liabilities in the Consolidated Balance Sheet. Such contracts are designated as cash flow hedges and are accounted for by deferring the quarterly change in fair value of the outstanding contracts in Shareholders Equity. On the date a contract matures, the resulting gain or loss is reclassified into Cost of Sales concurrently with the recognition of the commodity purchased. The ineffective portion of the swap contracts change in fair value, if any, would be recognized immediately in earnings.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

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GRAPHIC PACKAGING CORPORATION

CONSOLIDATED BALANCE SHEETS

In millions, except share amounts	**December 31, 2007**	**2006**
ASSETS		
Current Assets:		
Cash and Equivalents	$ 9.3	$ 7.3
Receivables, Net	226.7	230.9
Inventories	318.6	301.3
Deferred Tax Assets	13.3	11.7
Other Current Assets	18.4	13.1
Total Current Assets	586.3	564.3
Property, Plant and Equipment, Net	1,376.2	1,488.7
Goodwill	641.5	642.3
Intangible Assets, Net	140.4	148.5
Other Assets	32.9	44.8
Total Assets	$ 2,777.3	$ 2,888.6
LIABILITIES		
Current Liabilities:		
Short-Term Debt	$ 6.6	$ 12.0
Accounts Payable	222.4	214.4
Compensation and Employee Benefits	69.5	63.1
Interest Payable	40.9	48.2
Other Accrued Liabilities	67.4	82.6
Total Current Liabilities	406.8	420.3
Long-Term Debt	1,871.8	1,910.7
Deferred Tax Liabilities	141.5	130.2
Accrued Pension and Postretirement Benefits	170.3	206.7
Other Noncurrent Liabilities	42.9	39.0
Total Liabilities	2,633.3	2,706.9

SHAREHOLDERS EQUITY

Preferred Stock, par value $.01 per share; 50,000,000 shares authorized; no shares issued or outstanding		
Common Stock, par value $.01 per share; Common Stock, 500,000,000 shares authorized; 200,978,569 and 200,584,591 shares issued and outstanding at December 31, 2007 and 2006, respectively	2.0	2.0
Capital in Excess of Par Value	1,191.6	1,186.8
Unearned Compensation on Restricted Stock		
Accumulated Deficit	(975.7)	(901.1)
Accumulated Other Comprehensive Loss	(73.9)	(106.0)
Total Shareholders Equity	144.0	181.7
Total Liabilities and Shareholders Equity	$ 2,777.3	$ 2,888.6

The accompanying notes are an integral part of the consolidated financial statements.

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GRAPHIC PACKAGING CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

In millions, except per share amounts	Year Ended December 31, 2007	2006	2005
Net Sales	$ 2,421.2	$ 2,321.7	$ 2,294.3
Cost of Sales	2,061.7	2,020.6	1,985.9
Selling, General and Administrative	195.1	197.0	203.0
Research, Development and Engineering	9.2	10.8	9.2
Other Expense (Income) , Net	4.0	(0.5)	9.7
Income from Operations	151.2	93.8	86.5
Interest Income	0.4	0.6	0.6
Interest Expense	(168.2)	(172.0)	(156.4)
Loss on Early Extinguishment of Debt	(9.5)		
Loss before Income Taxes and Equity in Net Earnings of Affiliates	(26.1)	(77.6)	(69.3)
Income Tax Expense	(23.9)	(20.8)	(22.0)
Loss before Equity in Net Earnings of Affiliates	(50.0)	(98.4)	(91.3)
Equity in Net Earnings of Affiliates	0.9	1.0	1.2
Loss from Continuing Operations	(49.1)	(97.4)	(90.1)
Loss from Discontinued Operations, Net of Taxes	(25.5)	(3.1)	(1.0)
Net Loss	$ (74.6)	$ (100.5)	$ (91.1)
Loss Per Share Basic			
Continuing Operations	$ (0.24)	$ (0.48)	$ (0.45)
Discontinued Operations	(0.13)	(0.02)	(0.01)
Total	$ (0.37)	$ (0.50)	$ (0.46)
Loss Per Share Diluted			
Continuing Operations	$ (0.24)	$ (0.48)	$ (0.45)
Discontinued Operations	(0.13)	(0.02)	(0.01)
Total	$ (0.37)	$ (0.50)	$ (0.46)
Weighted Average Number of Shares Outstanding Basic	201.8	201.1	200.0
Weighted Average Number of Shares Outstanding Diluted	201.8	201.1	200.0

The accompanying notes are an integral part of the consolidated financial statements.

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GRAPHIC PACKAGING CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions	Year Ended December 31, 2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Loss	$ (74.6)	$ (100.5)	$ (91.1)
Noncash Items Included in Net Loss:			
Depreciation and Amortization	194.8	196.0	205.3
Loss on Early Extinguishment of Debt	9.5		
Deferred Income Taxes	19.0	19.5	24.5
Pension, Postemployment and Postretirement Benefits Expense, Net of Contributions	(7.2)	3.6	9.5
Amortization of Deferred Debt Issuance Costs	6.9	8.8	8.3
Loss (Gain) on Disposal of Assets	2.4	(3.2)	3.7
Impairment Charge	18.6	3.9	
Other, Net	8.2	5.9	3.3
Changes in Operating Assets and Liabilities (See Note 4)	(35.9)	7.3	5.6
Net Cash Provided by Operating Activities	141.7	141.3	169.1
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital Spending	(95.9)	(94.5)	(110.8)
Proceeds from Sales of Assets, Net of Selling Costs	9.5	5.5	1.1
Other, Net	(4.4)	(1.4)	(4.5)
Net Cash Used in Investing Activities	(90.8)	(90.4)	(114.2)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from Issuance of Debt	1,135.0		
Payments on Debt	(1,180.0)	(54.2)	(50.0)
Borrowing under Revolving Credit Facilities	848.4	674.8	531.8
Payments on Revolving Credit Facilities	(846.3)	(676.5)	(527.2)
Increase in Debt Issuance Costs	(7.0)		(4.2)
Other, Net	(0.1)	(0.7)	0.5
Net Cash Used in Financing Activities	(50.0)	(56.6)	(49.1)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	1.1	0.3	(0.4)
Net Increase (Decrease) in Cash and Equivalents	2.0	(5.4)	5.4
Cash and Equivalents at Beginning of Period	7.3	12.7	7.3

CASH AND EQUIVALENTS AT END OF PERIOD	$	9.3	$	7.3	$	12.7

The accompanying notes are an integral part of the consolidated financial statements.

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GRAPHIC PACKAGING CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

In millions, except share amounts	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Unearned Compensation	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income (Loss)
Balances at December 31, 2004	**198,586,108**	**$ 2.0**	**$ 1,169.2**	**$ (0.4)**	**$ (709.5)**	**$ (74.4)**	
Net Loss					(91.1)		$ (91.1)
Other Comprehensive Income (Loss):							
Accumulated Derivative Instruments Gain						14.2	14.2
Minimum Pension Liability Adjustment						(24.8)	(24.8)
Currency Translation Adjustment						(17.2)	(17.2)
Total Comprehensive Income (Loss)							$ (118.9)
Issuance of Common Stock	21,189		0.2				
Net Issuance of Restricted Stock, less Amortization	55,710		0.2	0.3			
Balances at December 31, 2005	**198,663,007**	**2.0**	**1,169.6**	**(0.1)**	**(800.6)**	**(102.2)**	
Net Loss					(100.5)		$ (100.5)
Other Comprehensive Income (Loss):							
Accumulated Derivative Instruments Loss						(10.6)	(10.6)
Minimum Pension Liability Adjustment						23.3	23.3
Currency Translation Adjustment						14.7	14.7
Total Comprehensive Income (Loss)							$ (73.1)
Adjustment to Initially Apply SFAS No. 158						(31.2)	
Issuance of Common Stock	2,226,584		7.7				
Stock-based Compensation	(305,000)		9.5	0.1			

Balances at December 31, 2006	**200,584,591**	**2.0**	**1,186.8**		**(901.1)**	**(106.0)**	
Net Loss					(74.6)		$ (74.6)
Other Comprehensive Income (Loss):							
Accumulated Derivative Instruments Loss						(2.5)	(2.5)
Pension Benefit Plans:							
Net Gain Arising During Period						20.5	20.5
Amortization of Prior Service Cost Included in Net Periodic Pension Cost						4.7	4.7
Postretirement Benefit Plans:							
Net Gain Arising During Period						3.2	3.2
Amortization of Prior Service Cost Included in Net Periodic Pension Cost						0.1	0.1
Postemployment Benefit Plans:							
Net Gain Arising During Period						1.5	1.5
Amortization of Prior Service Cost Included in Net Periodic Pension Cost							
Currency Translation Adjustment						4.6	4.6
Total Comprehensive Income (Loss)							$ (42.5)
Issuance of Common Stock	393,978		1.3				
Stock-based Compensation			3.5				
Balances at December 31, 2007	**200,978,569**	**$ 2.0**	**$ 1,191.6**	**$**	**$ (975.7)**	**$ (73.9)**	

The accompanying notes are an integral part of the consolidated financial statements.

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GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

Graphic Packaging Corporation (GPC and, together with its subsidiaries, the Company) is a leading provider of paperboard packaging solutions for a wide variety of products to multinational and other consumer products companies. The Company strives to provide its customers with packaging solutions designed to deliver marketing and performance benefits at a competitive cost by capitalizing on its low-cost paperboard mills and converting plants, its proprietary carton designs and packaging machines, and its commitment to customer service.

GPC (formerly known as Riverwood Holding, Inc.) was incorporated on December 7, 1995 under the laws of the State of Delaware. On August 8, 2003, the corporation formerly known as Graphic Packaging International Corporation merged with and into Riverwood Acquisition Sub LLC, a wholly-owned subsidiary of Riverwood Holding, Inc. (Riverwood Holding), with Riverwood Acquisition Sub LLC as the surviving entity (collectively referred to as the Merger). Riverwood Acquisition Sub LLC then merged into Riverwood Holding, which was renamed Graphic Packaging Corporation.

GPC conducts no significant business and has no independent assets or operations other than its ownership of Graphic Packaging International, Inc. GPC fully and unconditionally guarantees substantially all of the debt of Graphic Packaging International, Inc. Effective July 31, 2006, GPI Holding, Inc., formerly a wholly-owned subsidiary of GPC and the holder of 100% of the stock of Graphic Packaging International, Inc., was merged into GPC.

On July 9, 2007, the Company entered into a Transaction Agreement and Agreement and Plan of Merger (Transaction Agreement) by and among the Company, Bluegrass Container Holdings, LLC, a Delaware limited liability company (BCH), the owners of BCH, New Giant Corporation, a wholly-owned subsidiary of the Company (New Graphic), and Giant Merger Sub, Inc., a wholly-owned subsidiary of New Graphic (Merger Sub). The Transaction Agreement provides for the combination of the Company and Altivity Packaging, LLC, (Altivity) a wholly-owned subsidiary of BCH. Altivity is a provider of packaging solutions, including folding cartons and paperboard, multi-wall bags, flexible packaging and labels. On January 17, 2008, the Company s stockholders approved the proposal to adopt the Transaction Agreement and approved the proposed combination with Altivity and approved certain related matters. The transaction remains subject to the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

NOTE 2 ACCOUNTING POLICIES

(A) BASIS OF PRESENTATION

The Company s Consolidated Financial Statements include all subsidiaries in which the Company has the ability to exercise direct or indirect control over operating and financial policies. The accompanying consolidated financial statements include the worldwide operations of the Paperboard Packaging segment which includes the paperboard, packaging, and packaging machinery businesses and the Containerboard/Other segment. Intercompany transactions and balances are eliminated in consolidation. The Company has reclassified the presentation of certain prior period information to conform to the current presentation format. The Company has not reclassified assets and liabilities related to discontinued operations as Assets Held for Sale or Liabilities Held for Sale.

The results of operations for the Company s discontinued operations have been eliminated from the Company s continuing operations and classified as discontinued operations for each period presented within the Company s Consolidated Statements of Operations. See Note 15 Discontinued Operations.

The Company holds a 50% ownership interest in a joint venture with Rengo Riverwood Packaging, Ltd. (in Japan) which is accounted for using the equity method.

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(B) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting periods. Actual results could differ from these estimates, and changes in these estimates are recorded when known. Estimates are used in accounting for, among other things, pension benefits, retained insurable risks, slow-moving and obsolete inventory, allowance for doubtful accounts, useful lives for depreciation and amortization, future cash flows associated with impairment testing of goodwill and long-term assets, deferred tax assets and potential income tax assessments, and contingencies.

(C) CASH AND EQUIVALENTS

Cash and equivalents include time deposits, certificates of deposit and other marketable securities with original maturities of three months or less.

(D) INVENTORIES

Inventories are stated at the lower of cost or market with cost determined principally by the first-in, first-out (FIFO) basis. Average cost basis is used to determine the cost of supplies inventories. Raw materials and consumables used in the production process such as wood chips and chemicals are valued at purchase cost on a FIFO basis upon receipt. Work in progress and finished goods inventories are valued at the cost of raw material consumed plus direct manufacturing costs (such as labor, utilities and supplies) as incurred and an applicable portion of manufacturing overhead. Inventories are stated net of an allowance for slow-moving and obsolete inventory, which is based on estimates.

(E) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Betterments, renewals and extraordinary repairs that extend the life of the asset are capitalized; other repairs and maintenance charges are expensed as incurred. The Company s cost and related accumulated depreciation applicable to assets retired or sold are removed from the accounts and the gain or loss on disposition is included in income from operations.

Costs directly associated with the development and testing of internally used computer information systems are capitalized and depreciated on a straight-line basis over the expected useful life of 5 years as part of property, plant and equipment. Costs indirectly associated with such projects and ongoing maintenance costs are expensed as incurred. A total of $1.5 million and $1.3 million in costs relating to software development were capitalized in 2007 and 2006, respectively.

Interest is capitalized on constructed assets. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset s estimated useful life. Capitalized interest was $0.4 million, $0.6 million and $2.5 million in the years ended December 31, 2007, 2006 and 2005, respectively.

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(F) DEPRECIATION AND AMORTIZATION, AND IMPAIRMENT

Depreciation is computed using the straight-line method based on the following estimated useful lives of the related assets:

Buildings	40 years
Land improvements	15 years
Machinery and equipment	3 to 40 years
Furniture and fixtures	10 years
Automobiles and light trucks	3 to 5 years

The Company assesses its long-lived assets, including goodwill and certain identifiable intangibles, for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. To analyze recoverability, the Company projects future cash flows, undiscounted and before interest, over the remaining life of such assets. If these projected cash flows are less than the carrying amount, an impairment would be recognized, resulting in a write-down of assets with a corresponding charge to earnings. The impairment loss is measured based upon the difference between the carrying amount and the fair value of the assets. The Company assesses the appropriateness of the useful life of its long-lived assets periodically.

Intangible assets with a determinable life are amortized on a straight-line basis over that period. The related amortization expense is included in Other Expense, Net.

The following table displays the intangible assets that continue to be subject to amortization and aggregate amortization expense as well as intangible assets not subject to amortization as of December 31, 2007 and 2006:

In millions	December 31, 2007 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	December 31, 2006 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable Intangible Assets:						
Customer Relationships	$ 109.9	$ 23.0	$ 86.9	$ 109.9	$ 17.8	$ 92.1
Non-Compete Agreements	23.3	23.3		23.3	23.3	
Patents, Trademarks and Licenses	107.7	54.2	53.5	104.0	47.6	56.4

	$ 240.9	$ 100.5	$ 140.4	$ 237.2	$ 88.7	$ 148.5
Unamortizable Intangible Assets:						
Goodwill	$ 641.5	$	$ 641.5	$ 642.3	$	$ 642.3

The Company recorded amortization expense of $11.8 million for each of the years ended December 31, 2007, 2006 and 2005, relating to intangible assets subject to amortization. The Company expects amortization expense to be approximately $12 million per year for 2008 through 2012.

(G) INTERNATIONAL CURRENCY

The functional currency of the international subsidiaries is the local currency for the country in which the subsidiaries own their primary assets. The translation of the applicable currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during the period. Any related

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

translation adjustments are recorded directly to Shareholders Equity. Gains and losses on foreign currency transactions are included in Other Expense, Net for the period in which the exchange rate changes.

The Company pursues a currency hedging program which utilizes derivatives to limit the impact of foreign currency exchange fluctuations on its consolidated financial results. Under this program, the Company has entered into forward exchange contracts in the normal course of business to hedge certain foreign currency denominated transactions. Realized and unrealized gains and losses on these forward contracts are included in the measurement of the basis of the related foreign currency transaction when recorded.

(H) INCOME TAXES

The Company accounts for income taxes under the asset and liability method, which requires that deferred tax assets or liabilities be recorded based on the difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. These assets and liabilities are measured using the enacted tax rates and laws that are currently in effect. Subsequent changes in the tax laws will require adjustment to the assets and liabilities. A valuation allowance is established for deferred tax assets when it is more likely than not that the benefits of such assets will not be realized.

(I) REVENUE RECOGNITION

The Company receives revenue from the sales of manufactured products, the leasing of packaging machinery and the servicing of packaging machinery. The Company recognizes sales revenue when all of the following criteria are met: persuasive evidence of an agreement exists, delivery has occurred or services have been rendered, the Company s price to the buyer is fixed and determinable and collectibility is reasonably assured. Delivery is not considered to have occurred until the customer takes title and assumes the risks and rewards of ownership. The timing of revenue recognition is largely dependent on shipping terms. Revenue is recorded at the time of shipment for terms designated as free on board (f.o.b.) shipping point. For sales transactions designated f.o.b. destination, revenue is recorded when title to the product passes upon delivery to the customer. The Company recognizes revenues on its annual and multi-year carton supply contracts as the shipment occurs in accordance with the shipping terms discussed above.

Payments from packaging machinery use agreements are recognized on a straight-line basis over the term of the agreements. Service revenue on packaging machinery is recorded at the time of service.

Discounts and allowances are comprised of trade allowances and rebates, cash discounts and sales returns. Cash discounts and sales returns are estimated using historical experience. Trade allowances are based on the estimated obligations and historical experience. Customer rebates are determined based on the quantity purchased and are recorded at the time of sale.

(J) RETAINED INSURABLE RISK

It is the Company s policy to self-insure or fund a portion of certain expected losses related to group health benefits and workers compensation claims. Provisions for expected losses are recorded based on the Company s estimates, on an undiscounted basis, of the aggregate liabilities for known claims and estimated claims incurred but not reported.

(K) ENVIRONMENTAL REMEDIATION RESERVES

The Company records accruals for environmental obligations based on estimates developed in consultation with environmental consultants and legal counsel. Accruals for environmental liabilities are established in accordance with the American Institute of Certified Public Accountants Statement of Position 96-1, *Environmental Remediation Liabilities*. The Company records a liability at the time it is probable and can be

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

reasonably estimated. Such liabilities are not reduced for potential recoveries from insurance carriers. Costs of future expenditures are not discounted to their present value.

(L) STOCK-BASED COMPENSATION

Effective January 1, 2006, the Company adopted the fair value recognition provisions of the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-Based Payment* (SFAS No. 123R), using the modified-prospective transition method. The modified-prospective transition method applies to new awards granted, unvested awards as of the date of adoption, and to awards modified, repurchased, or cancelled after the date of adoption. Stock-based compensation expense for all share-based payment awards granted after January 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R.

Prior to January 1, 2006, the Company s stock options were accounted for under the recognition and measurement provisions of the Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* and related interpretations, as permitted by FASB Statement No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123).

If the Company had elected to recognize compensation expense for awards under these plans at the grant dates using the fair value recognition provisions of SFAS No. 123, the Company s Net Loss would have been as follows:

In millions, except share amounts		**Year Ended December 31, 2005**
Net Loss, As Reported	$	(91.1)
Add: Stock-Based Employee Compensation Expense Included in Reported Net Loss		
Deduct: Total Stock-Based Employee Compensation Expense Determined Under Fair Value Based Method for All Awards		(5.5)
Adjusted Net Loss	$	(96.6)
Loss Per Basic Share-As Reported	$	(0.46)
Loss Per Basic Share-As Adjusted		(0.48)
Loss Per Diluted Share-As Reported		(0.46)
Loss Per Diluted Share-As Adjusted		(0.48)

On December 8, 2005, the Compensation and Benefits Committee of the Board of Directors of the Company approved the acceleration of the vesting of all of the unvested stock options granted to employees of the Company so that such options vested immediately. The action affected 1,835,268 stock options, 1,762,768 of which had exercise prices in excess of the current market price of the Company s common stock. The action reduced the Company s future compensation expense by $3.2 million. The $3.2 million is included in the $5.5 million deduction for 2005 in the table above.

The adoption of SFAS No. 123R on January 1, 2006 did not have a material impact on the Company s financial position, results of operations or cash flows.

(M) RESEARCH AND DEVELOPMENT

Research and development costs, which relate primarily to the development and design of new packaging machines and products are expensed as incurred. Expenses for the years ended December 31, 2007, 2006 and 2005 were $9.2 million, $10.8 million and $9.2 million, respectively.

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(N) SHIPPING AND HANDLING COSTS

The Company includes shipping and handling costs in Cost of Sales.

(O) RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements,* (SFAS No. 157) which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2 (FSP No. 157-2). FSP No. 157-2 provided a one year deferral for the implementation of SFAS No. 157 for other non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). In February 2008, the FASB issued FASB Staff Position No. FAS 157-1 (FSP No. 157-1). FSP No. 157-1 excludes certain leasing transactions accounted for under FASB Statement No. 13, *Accounting for Leases* from the scope of SFAS No. 157. The Company is currently evaluating the impact of SFAS No. 157.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115*, (SFAS No. 159) which is effective for fiscal years beginning after November 15, 2007. This statement permits an entity to choose to measure many financial instruments and certain other items at fair value on specified election dates. The Company is currently evaluating the impact of SFAS No. 159.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*, (SFAS No. 141R) which is effective for fiscal years beginning after December 15, 2008. SFAS No. 141R establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The impact on the Company of adopting SFAS No 141R will depend on the nature, terms and size of the business combinations completed after the effective date.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*, (SFAS No. 160) which is effective for fiscal years beginning after December 15, 2008. SFAS No. 160 amends Accounting Research Bulletin (ARB) 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It also amends certain of ARB No. 51 s consolidation procedures for consistency with the requirements of SFAS No. 141R.

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GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3 SUPPLEMENTAL BALANCE SHEET DATA

Receivables, Net:

In millions	2007	2006
Trade	$ 219.1	$ 214.6
Less, Allowance	1.6	2.4
	217.5	212.2
Other	9.2	18.7
Total	$ 226.7	$ 230.9

Inventories by Major Class:

In millions	2007	2006
Finished Goods	$ 157.8	$ 159.4
Work in Progress	27.9	22.1
Raw Materials	79.8	71.9
Supplies	58.9	56.8
	324.4	310.2
Less: Allowance	5.8	8.9
Total	$ 318.6	$ 301.3

Property, Plant and Equipment, Net:

In millions	2007	2006
Property, Plant and Equipment, at Cost		
Land and Improvements	$ 56.3	$ 59.6
Buildings	229.0	237.6
Machinery and Equipment	2,570.8	2,581.6
	2,856.1	2,878.8
Less: Accumulated Depreciation	1,479.9	1,390.1
Total	$ 1,376.2	$ 1,488.7

Other Assets:

In millions	2007	2006
Deferred Debt Issuance Costs, Net of Amortization of $11.6 and $23.2 for 2007 and 2006, respectively	$ 25.6	$ 35.0
Other	7.3	9.8
Total	$ 32.9	$ 44.8

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4 SUPPLEMENTAL CASH FLOW INFORMATION

Cash Flow Effects of (Increases) Decreases in Operating Assets and Liabilities:

In millions	2007	2006	2005
Receivables	$ (4.4)	$ (1.0)	$ (9.5)
Inventories	(27.0)	10.2	(7.2)
Prepaid Expenses	(11.5)	(4.7)	6.9
Accounts Payable	16.1	0.8	12.8
Compensation and Employee Benefits	6.6	1.4	(11.2)
Income Taxes	(0.4)	1.1	(0.2)
Interest Payable	(7.3)	5.6	(1.1)
Other Accrued Liabilities	(14.0)	(1.7)	14.2
Other Noncurrent Liabilities	6.0	(4.4)	0.9
Total	$ (35.9)	$ 7.3	$ 5.6

Cash paid for interest and cash paid, net of refunds, for income taxes was as follows:

In millions	2007	2006	2005
Interest	$ 168.3	$ 161.9	$ 149.3
Income Taxes	2.9	1.1	1.0

NOTE 5 DEBT

Short-Term Debt is composed of the following:

In millions	2007	2006
Short-Term Borrowings	$ 6.4	$ 11.7

Current Portion of Long-Term Debt	0.2	0.3
Total	$ 6.6	$ 12.0

Short-term borrowings are principally at the Company s international subsidiaries. The weighted average interest rate on short-term borrowings as of December 31, 2007 and 2006 was 3.6% and 3.4%, respectively.

On May 16, 2007, the Company entered into a new $1,355 million Credit Agreement (Credit Agreement). The Credit Agreement provides for a $300 million revolving credit facility due on May 16, 2013 and a $1,055 million term loan facility due on May 16, 2014. The revolving credit facility bears interest at a rate of LIBOR plus 225 basis points and the term loan facility bears interest at a rate of LIBOR plus 200 basis points. The facilities under the Credit Agreement replace the revolving credit facility due on August 8, 2009 and the term loan due on August 8, 2010 under the Company s previous senior secured credit agreement. The Company s obligations under the new Credit Agreement are collateralized by substantially all of the Company s domestic assets.

In connection with the replacement of the Company s previous revolving credit and term loan facilities and in accordance with Emerging Issues Task Force (EITF) 96-19, *Debtor s Accounting for a Modification or Exchange of Debt Instruments* and EITF 98-14, *Debtor s Accounting for Changes in Line-of-Credit or Revolving-Debt Arrangements* , the Company recorded a charge of $9.5 million, which represented a portion of the unamortized deferred financial costs associated with the previous revolving credit and term loan facilities. This charge is reflected as Loss on Early Extinguishment of Debt in the Company s Consolidated Statement of Operations. In connection with the new Credit Agreement, the Company recorded approximately $7 million of deferred financing costs. These costs, combined with the remainder of the deferred financing

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GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

costs relating to the previous senior secured credit agreement, will be amortized over the term of the new facilities.

Long-Term Debt consisted of the following:

In millions	2007	2006
Senior Notes with interest payable semi-annually at 8.5%, payable in 2011	$ 425.0	$ 425.0
Senior Subordinated Notes with interest payable semi-annually at 9.5%, payable in 2013	425.0	425.0
Senior Secured Term Loan Facility with interest payable at various dates at floating rates (7.47% at December 31, 2006) payable through 2010		1,055.0
Senior Secured Revolving Facility with interest payable at various dates at floating rates (10.25% at December 31, 2006) payable in 2009		3.6
Senior Secured Term Loan Facility with interest payable at various dates at floating rates (7.10% at December 31, 2007) payable through 2014	1,010.0	
Senior Secured Revolving Facility with interest payable at various dates at floating rates (8.50% at December 31, 2007) payable in 2013	11.0	
Other	1.0	2.4
	1,872.0	1,911.0
Less, current portion	0.2	0.3
Total	$ 1,871.8	$ 1,910.7

Long-Term Debt maturities are as follows:

In millions	
2008	$ 0.2
2009	10.3
2010	10.3
2011	435.3
2012	11.1
After 2012	1,404.8
Total	$ 1,872.0

At December 31, 2007, the Company and its U.S. and international subsidiaries had the following commitments, amounts outstanding and amounts available under revolving credit facilities:

In millions	Total Commitments	Total Outstanding	Total Available[(a)]
Revolving Credit Facility	$ 300.0	$ 11.0	$ 275.0
International Facilities	15.9	6.4	9.5
Total	$ 315.9	$ 17.4	$ 284.5

Note:

(a) In accordance with its debt agreements, the Company s availability under its Revolving Credit Facility has been reduced by the amount of standby letters of credit issued of $14.0 million as of December 31, 2007. These letters of credit are used as security against its self-insurance obligations and workers compensation obligations. These letters of credit expire at various dates through 2009 unless extended.

The Credit Agreement and the indentures governing the Senior Notes and Senior Subordinated Notes (the Notes) limit the Company s ability to incur additional indebtedness. Additional covenants contained in the Credit Agreement, among other things, restrict the ability of the Company to dispose of assets, incur guarantee

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GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

obligations, prepay other indebtedness, make dividend and other restricted payments, create liens, make equity or debt investments, make acquisitions, modify terms of indentures under which the Notes are issued, engage in mergers or consolidations (not including the proposed combination of the Company s business with that of Altivity Packaging, LLC), change the business conducted by the Company and its subsidiaries, and engage in certain transactions with affiliates. Such restrictions, together with the highly leveraged nature of the Company, could limit the Company s ability to respond to changing market conditions, fund its capital spending program, provide for unexpected capital investments or take advantage of business opportunities.

Under the terms of the Credit Agreement, as long as any commitment remains outstanding under the revolving credit facility, the Company must comply with a maximum consolidated leverage ratio covenant and a minimum consolidated interest expense ratio covenant. The financial covenants contained in the Credit Agreement, among other things, specify the following requirements for each period of four consecutive fiscal quarters ending March, June, September and December of:

	Maximum Consolidated Debt to Credit Agreement EBITDA Leverage Ratio[(a)]	Minimum Credit Agreement EBITDA To Consolidated Interest Expense Ratio[(a)]
2007	6.75 to 1.00	1.75 to 1.00
2008	6.00 to 1.00	1.75 to 1.00
2009	5.25 to 1.00	2.00 to 1.00
2010 and thereafter	4.75 to 1.00	2.25 to 1.00

Note:

(a) Credit Agreement EBITDA is defined in the Credit Agreement as consolidated net income before consolidated interest expense, non-cash expenses and charges, total income tax expense, depreciation expense, expense associated with amortization of intangibles and other assets, non-cash provisions for reserves for discontinued operations, extraordinary, unusual or non-recurring gains or losses or charges or credits, gain or loss associated with sale or write-down of assets not in the ordinary course of business, and any income or loss accounted for by the equity method of accounting.

At December 31, 2007, the Company was in compliance with the financial covenants in the Credit Agreement and the ratios were as follows:

Consolidated Debt to Credit Agreement EBITDA Leverage Ratio	5.02 to 1.00
Credit Agreement EBITDA to Consolidated Interest Expense Ratio	2.32 to 1.00

The Company s management believes that presentation of Credit Agreement EBITDA and the related ratios herein provides useful information to investors because borrowings under the Credit Agreement are a key source of the Company s liquidity, and the Company s ability to borrow under the Credit Agreement is dependent on, among other things, its compliance with the financial ratio covenants. Any failure by the Company to comply with these financial ratio covenants could result in an event of default, absent a waiver or amendment from the lenders under such agreement, in which case the lenders may be entitled to declare all amounts owed to be due and payable immediately.

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GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The calculations of the components of the Company s financial covenant ratios are listed below:

In millions		**Twelve Months Ended December 31, 2007**
Net Loss	$	(74.6)
Income Tax Expense		23.9
Interest Expense, Net		168.1
Loss on Early Extinguishment of Debt		9.5
Depreciation and Amortization		194.8
Dividends Received, Net of Earnings of Equity Affiliates		(0.2)
Pension, Postemployment and Postretirement Benefits Expense		21.3
Merger Related Expenses		4.6
Write-Down of Assets		19.3
Loss on Disposal of Assets		0.7
RSU Compensation Expense		3.5
Environmental Reserve		3.0
Credit Agreement EBITDA	$	373.9

In millions		**Twelve Months Ended December 31, 2007**
Interest Expense, Net	$	168.1
Amortization of Deferred Debt Issuance Costs		(6.9)
Consolidated Interest Expense	$	161.2

In millions	**As of December 31, 2007**

Short-Term Debt	$	6.6
Long-Term Debt		1,871.8
Total Debt	$	1,878.4

The Senior Notes are rated B- by Standard & Poor s and B2 by Moody s Investor Services. The Senior Subordinated Notes are rated B- by Standard & Poor s and B3 by Moody s Investor Services. The Company s indebtedness under the Credit Agreement is rated BB- by Standard & Poor s and Ba2 by Moody s Investor Services. As of December 31, 2007, both Standard & Poor s and Moody s Investor Services ratings on the Company remain on negative outlook.

If the negative impact of inflationary pressures on key inputs continues, or depressed selling prices, lower sales volumes, increased operating costs or other factors have a negative impact on the Company s ability to increase its profitability, the Company may not be able to maintain its compliance with the financial covenants in its Credit Agreement. The Company s ability to comply in future periods with the financial covenants in the Credit Agreement will depend on its ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, business and other factors, many of which are beyond the Company s control, and will be substantially dependent on the selling prices for the Company s products, raw material and energy costs, and the Company s ability to successfully implement its overall business strategies, and meet its profitability objective. If a violation of any of the covenants occurred, the Company would attempt to obtain a waiver or an amendment from its lenders, although no assurance can be given that the Company would be successful in this regard. The Credit Agreement and the indentures governing the Notes have certain cross-default or cross-acceleration provisions; failure to comply with these covenants in any

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GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

agreement could result in a violation of such agreement which could, in turn, lead to violations of other agreements pursuant to such cross-default or cross-acceleration provisions. If an event of default occurs, the lenders are entitled to declare all amounts owed to be due and payable immediately. The Credit Agreement is collateralized by substantially all of the Company s domestic assets.

NOTE 6 STOCK INCENTIVE PLANS

The Company has eight equity compensation plans. The Company s only active plan as of December 31, 2007 is the Graphic Packaging Corporation 2004 Stock and Incentive Compensation Plan (2004 Plan), pursuant to which the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units and other types of stock-based awards to employees and directors of the Company. The other plans are the 2003 Riverwood Holding, Inc. Long-Term Incentive Plan (2003 LTIP), the 2003 Riverwood Holding, Inc. Directors Stock Incentive Plan (2003 Directors Plan), the Riverwood Holding, Inc. 2002 Stock Incentive Plan (2002 SIP), the Riverwood Holding, Inc. Supplemental Long-Term Incentive Plan (1999 LTIP), the Riverwood Holding, Inc. Stock Incentive Plan (1996 SIP), the Graphic Packaging Equity Incentive Plan (EIP), and the Graphic Packaging Equity Compensation Plan for Non-Employee Directors (Graphic NEDP). Stock options and other awards granted under all of the Company s plans generally vest and expire in accordance with terms established at the time of grant. Compensation costs are recognized on a straight-line basis over the requisite service period of the award.

Effective January 1, 2006, the Company adopted the fair value recognition provisions of the SFAS No. 123R, using the modified-prospective transition method. The modified-prospective transition method applies to new awards granted, unvested awards as of the date of adoption, and to awards modified, repurchased, or cancelled after the date of adoption. Stock-based compensation expense for all share-based payment awards granted after January 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R.

Stock Options

Prior to January 1, 2006, the Company applied APB Opinion No. 25 Accounting for Stock Issued to Employees, and related interpretations in accounting for stock options issued under its plans. Accordingly, the Company recognized compensation expense for stock options when the exercise price was less than the related fair value at the date of grant or when the performance criteria was met.

The Company has not granted any options since 2004. The weighted average fair value of stock options is estimated to be $2.73 per option as of the date of grant for stock options granted in 2004. The Company used the Black-Scholes Merton option pricing model to value stock options with the following assumptions: dividend yield of zero, expected volatility ranging from 0% to 74%, risk-free interest rates ranging from 4.23% to 6.75%, a zero forfeiture rate and an expected life of 3 to 10 years.

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GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes information pertaining to stock options outstanding and exercisable at December 31, 2007 and the option exercise price range per plan. No options have been granted under the 2004 Plan or the 2003 Directors Plan, so these plans have been omitted from the table.

Plan	Shares Subject to Options	Weighted Average Exercise Price	Shares Subject to Exercisable Options	Weighted Average Exercise Price	Exercise Price Range	Weighted Average Remaining Contractual Life in Years
2003 LTIP	1,222,866	$ 6.18	1,222,866	$ 6.18	$4.45 to $6.57	5.7
2002 SIP	6,503,948	7.88	6,503,948	7.88	7.88	4.0
1999 LTIP	774,952	6.57	774,952	6.57	6.57	1.4
1996 SIP	1,567,788	6.57	1,567,788	6.57	6.57	2.0
EIP	2,647,046	7.57	2,647,046	7.57	1.56 to 13.74	5.3
Graphic NEDP	13,638	4.74	13,638	4.74	2.88 to 7.11	1.7
Total	12,730,238	$ 7.41	12,730,238	$ 7.41		4.0

As of December 31, 2007 and 2006, there were exercisable options in the amount of 12,730,238 and 14,886,487, respectively.

A summary of option activity during the three years ended December 31, 2007 is as follows:

	Options	Weighted Average Exercise Price
Outstanding December 31, 2004	16,657,896	$ 6.81
Canceled	(713,557)	6.17
Outstanding December 31, 2005	15,944,339	6.84

Exercised	(237,000)		3.13
Canceled	(820,852)		5.54
Outstanding December 31, 2006	14,886,487		6.97
Exercised	(303,640)		2.93
Canceled	(1,852,609)		4.70
Outstanding December 31, 2007	12,730,238	$	7.41

Stock Awards, Restricted Stock and Restricted Stock Units

The Company s 2004 Plan and the 2003 LTIP permit the grant of stock awards, restricted stock and restricted stock units (RSUs). All restricted stock and RSUs vest and become unrestricted in one to five years from date of grant. Upon vesting, RSUs granted in 2005, 2006 and 2007 are payable 50% in cash and 50% in shares of common stock. All other RSUs are payable in shares of common stock.

Data concerning stock awards, restricted stock and RSUs granted in the years ended December 31:

Shares in thousands	**2007**	**2006**	**2005**
RSUs Employees	2,501	2,239	506
Weighted-average price per share	$ 4.76	$ 2.83	$ 4.84
Stock Awards Board of Directors	50	71	
Weighted-average price per share	$ 4.83	$ 3.39	
Restricted Stock Board of Directors			67
Weighted-average price per share			$ 3.59

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GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The value of the RSUs is based on the market value of the Company s common stock on the date of grant. The shares payable in cash are subject to variable accounting and marked to market accordingly. The RSUs payable in cash are recorded as liabilities, whereas the RSUs payable in shares are recorded in Shareholders Equity. At December 31, 2007, the Company had 4,796,944 RSUs outstanding. The unrecognized expense at December 31, 2007 is approximately $7 million and is expected to be recognized over a weighted average period of 2 years.

The value of restricted stock and stock awards is based on the market value of the Company s common stock at the date of grant and recorded as a component of Shareholders Equity.

During 2007, 2006 and 2005, $6.6 million, $6.5 million and $4.0 million, respectively, was charged to compensation expense.

During 2007 and 2006, the Company also issued 17,782 and 27,890 shares of phantom stock, representing compensation deferred by one of its directors. These shares of phantom stock vest on the date of grant and are payable upon termination of service as a director. The Company also has an obligation to issue 189,844 shares in payment of employee deferred compensation.

NOTE 7 LEASES AND PURCHASE OBLIGATIONS

The Company leases certain warehouse facilities, office space, data processing equipment and plant equipment under long-term, non-cancelable contracts that expire at various dates. At December 31, 2007, total minimum rental payments under these leases were as follows:

In millions	**At December 31,**	
2008	$	20.6
2009		19.2
2010		15.9
2011		12.9
2012		8.2
Thereafter		27.0
Total	$	103.8

Total rental expense was $16.6 million, $13.8 million and $13.4 million for the years ended December 31, 2007, 2006 and 2005, respectively.

The Company has entered into other long-term contracts principally for the purchase of fiber, chip processing and electricity. The minimum purchase commitments extend beyond 2012. At December 31, 2007, total commitments under these contracts were as follows:

In millions	**At December 31,**
2008	$ 60.2
2009	58.1
2010	57.3
2011	56.5
2012	55.9
Thereafter	357.6
Total	$ 645.6

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS   (Continued)

NOTE 8   ENVIRONMENTAL AND LEGAL MATTERS

Environmental Matters

The Company is subject to a broad range of foreign, federal, state and local environmental, health and safety laws and regulations, including those governing discharges to air, soil and water, the management, treatment and disposal of hazardous substances, solid waste and hazardous wastes, the investigation and remediation of contamination resulting from historical site operations and releases of hazardous substances, and the health and safety of employees. Compliance initiatives could result in significant costs, which could negatively impact the Company s financial position, results of operations or cash flows. Any failure to comply with such laws and regulations or any permits and authorizations required thereunder could subject the Company to fines, corrective action or other sanctions.

In addition, some of the Company s current and former facilities are the subject of environmental investigations and remediations resulting from historical operations and the release of hazardous substances or other constituents. Some current and former facilities have a history of industrial usage for which investigation and remediation obligations may be imposed in the future or for which indemnification claims may be asserted against the Company. Also, potential future closures or sales of facilities may necessitate further investigation and may result in future remediation at those facilities.

During the first quarter of 2006, the Company self-reported certain violations of its Title V permit under the federal Clean Air Act for its West Monroe, Louisiana mill to the Louisiana Department of Environmental Quality (the LADEQ). The violations relate to the collection, treatment and reporting of hazardous air pollutants. The Company recorded $0.6 million of expense in the first quarter of 2006 for compliance costs to correct the technical issues causing the Title V permit violations. The Company received a consolidated Compliance Order and notice of potential penalty dated July 5, 2006 from the LADEQ indicating that the Company may be required to pay civil penalties for violations that occurred from 2001 through 2005. The Company believes that the LADEQ will assess a penalty of approximately $0.3 million to be paid partially in cash and partially through the completion of beneficial environmental projects.

At the request of the County Administrative Board of Östergötland, Sweden, the Company conducted a risk classification of its mill property located in Norrköping, Sweden. Based on the information collected through this activity, the Company determined that some remediation of the site is reasonably probable and recorded a $3.0 million reserve in the third quarter of 2007. Pursuant to the Sale and Purchase Agreement dated October 16, 2007 between Graphic Packaging International Holding Sweden AB (the Seller) and Lagrumment December nr 1031 Aktiebolg under which the Company s Swedish operations were sold, the Seller retains liability for certain environmental claims after the sale. See Note 15 Discontinued Operations regarding the sale of the Swedish operations.

On October 8, 2007, the Company received a notice from the United States Environmental Protection Agency (the EPA) indicating that it is a potentially responsible party for the remedial investigation and feasibility study to be conducted at the Devil s Swamp Lake site in East Baton Rouge Parish, Louisiana. The Company expects to enter into negotiations with the EPA regarding its potential responsibility and liability, but it is too early in the investigation process to quantify possible costs with respect to such site.

The Company has established reserves for those facilities or issues where liability is probable and the costs are reasonably estimable. Except for the Title V permit issue and the Devil s Swamp issue (for which it is too early in the investigation and regulatory process to make a determination), the Company believes that the amounts accrued for all of its loss contingencies, and the reasonably possible loss beyond the amounts accrued, are not material to the Company s financial position, results of operations or cash flows. The Company cannot estimate with certainty other future corrective compliance, investigation or remediation costs, all of which the Company currently considers to be remote. Costs relating to historical usage or

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

indemnification claims that the Company considers to be reasonably possible are not quantifiable at this time. The Company will continue to monitor environmental issues at each of its facilities and will revise its accruals, estimates and disclosures relating to past, present and future operations, as additional information is obtained.

Legal Matters

The Company is a party to a number of lawsuits arising in the ordinary conduct of its business. Although the timing and outcome of these lawsuits cannot be predicted with certainty, the Company does not believe that disposition of these lawsuits will have a material adverse effect on the Company s consolidated financial position, results of operations or cash flows.

NOTE 9 POSTRETIREMENT AND OTHER BENEFITS

OVERVIEW OF U.S. PLANS

The Company maintains defined benefit pension plans for its U.S. employees. Benefits are based on years of service and average base compensation levels over a period of years. The Company s funding policies with respect to its U.S. pension plans are to contribute funds to trusts as necessary to at least meet the minimum funding requirements of the U.S. Internal Revenue Code. Plan assets are invested in equities and fixed income securities.

The Company also sponsors three postretirement health care plans that provide medical and life insurance coverage to eligible salaried and hourly retired U.S. employees and their dependents. One of the salaried plans closed to new employees who began employment after December 31, 1993 and the other salaried plan closed to new employees who began after June 15, 1999.

Pension and Postretirement Expense

The pension and postretirement expenses related to the U.S. plans consisted of the following:

	Pension Benefits			**Postretirement Benefits**		
	Year Ended December 31,					
In millions	**2007**	**2006**	**2005**	**2007**	**2006**	**2005**
Components of Net Periodic Cost:						
Service Cost	$ 14.3	$ 16.4	$ 14.5	$ 1.0	$ 1.0	$ 0.9
Interest Cost	34.8	33.2	30.8	2.5	2.5	2.3
Expected Return on Plan Assets	(36.0)	(32.0)	(30.8)			
Amortizations:						
Prior Service Cost	2.3	2.4	2.6	0.1	0.1	0.1
Actuarial Loss (Gain)	2.4	6.0	3.3	(0.1)		(0.2)
Special One Time Benefit			1.2			

Curtailment Loss			0.4			
Net Periodic Cost	$ 17.8	$ 26.0	$ 22.0	$ 3.5	$ 3.6	$ 3.1

In 2005, a special one time benefit expense of $1.2 million was recorded for those plan participants at one of the Company s facilities who elected to take early retirement with unreduced benefits. In addition, a curtailment charge of $0.4 million, for the write-off of prior service costs, was recorded relating to the closure of the Clinton facility.

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Certain assumptions used in determining the pension and postretirement expense were as follows:

	Pension Benefits			Postretirement Benefits		
	Year Ended December 31,					
	2007	2006	2005	2007	2006	2005
Weighted Average Assumptions:						
Discount Rate	5.95%-6.05%	5.75%	6.00%	5.80%-6.05%	5.65%	5.80%
Rate of Increase in Future Compensation Levels	4.00%	4.50%	4.50%			
Expected Long-Term Rate of Return on Plan Assets	8.25%	8.25%	8.25%			
Initial Health Care Cost Trend Rate				9.00%	9.00%	8.50%
Ultimate Health Care Cost Trend Rate[(a)]				5.00%	5.00%	5.00%
Ultimate Year[(a)]				2016	2014	2012

Note:

(a) One of the salaried plan s costs was capped beginning in 1999.

Funded Status

The following table sets forth the funded status of the U.S. pension and postretirement plans as of December 31:

	Pension Benefits		Postretirement Benefits	
In millions	**2007**	**2006**	**2007**	**2006**
Change in Benefit Obligation:				
Benefit Obligation at Beginning of Year	$ 594.6	$ 575.0	$ 45.2	$ 44.5
Service Cost	14.3	16.4	1.1	1.0
Interest Cost	34.8	33.2	2.5	2.5
Actuarial Gain	(19.6)	(9.3)	(3.4)	(0.3)
Amendments	(2.4)	3.3		
Benefits Paid	(25.3)	(24.0)	(1.0)	(2.8)
Change in Claim Reserve				0.2
Retiree Drug Subsidy Paid				0.1

Benefit Obligation at End of Year	$ 596.4	$ 594.6	$ 44.4	$ 45.2
Change in Plan Assets:				
Fair Value of Plan Assets at Beginning of Year	$ 441.9	$ 391.8	$	$
Actual Return on Plan Assets	26.5	48.2		
Employer Contributions	24.9	25.9	1.0	2.8
Benefits Paid	(25.3)	(24.0)	(1.0)	(2.8)
Fair Value of Plan Assets at End of Year	$ 468.0	$ 441.9	$	$
Plan Assets Less than Projected Benefit Obligation	$ (128.4)	$ (152.7)	$ (44.4)	$ (45.2)

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In millions	Pension Benefits 2007	Pension Benefits 2006	Postretirement Benefits 2007	Postretirement Benefits 2006
Amounts Recognized in the Consolidated Balance Sheets Consist of:				
Accrued Pension and Postretirement Benefits Liability Current	$ (0.3)	$ (0.3)	$ (2.5)	$ (2.6)
Accrued Pension and Postretirement Benefits Liability Noncurrent	(128.1)	(152.4)	(41.9)	(42.6)
Accumulated Other Comprehensive Income:				
Net Actuarial Loss (Gain)	52.5	65.0	(4.5)	(1.3)
Prior Service Cost	3.7	8.4	0.1	0.2
Net Amount Recognized	$ (72.2)	$ (79.3)	$ (48.8)	$ (46.3)
Weighted Average Assumptions:				
Discount Rate	6.15%-6.35%(a)	5.95%-6.05%(a)	6.00%-6.35%(a)	5.80%-6.05%(a)
Rates of Increase in Future Compensation Levels	4.00%	4.00%		
Initial Health Care Cost Trend Rate			9.00%	9.00%
Ultimate Health Care Cost Trend Rate(b)			5.00%	5.00%
Ultimate Year(b)			2016	2015

Notes:

(a) Discount rates assumed for each plan are included in this range.

(b) One of the salaried plans assumes no future increases in employer subsidies.

Information for Pension Plans

The accumulated benefit obligation for all defined benefit plans was $576.8 million and $575.9 million at December 31, 2007 and 2006, respectively.

For plans with accumulated benefit obligations in excess of plan assets, at December 31, the projected benefit obligation, accumulated benefit obligation and fair value of the plan assets were:

In millions	**2007**	**2006**
Projected Benefit Obligation	$ 596.4	$ 594.6
Accumulated Benefit Obligation	576.8	575.9
Fair Value of Plan Assets	468.0	441.9

The Company s approach to developing its expected long-term rate of return on pension plan assets combines an analysis of historical investment performance by asset class, the Company s investment guidelines and current and expected economic fundamentals.

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GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company s retirement plan asset allocation at December 31, 2007 and 2006 and target allocation for 2008 by asset category are as follows:

	Target Allocation 2008	Percentage of Plan Assets at December 31, 2007	2006
Asset Category:			
Equity Securities	60.0%	59.3%	62.0%
Debt Securities	40.0	40.6	37.9
Cash		0.1	0.1
Total	100.0%	100.0%	100.0%

Active management of assets is used in asset classes and strategies where there is a potential to add value over a passive benchmark. Investment risk is measured and monitored on an on-going basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews.

At December 31, 2007 and 2006, pension investments did not include any direct investments in the Company s stock or the Company s debt.

During 2007 and 2006, the Company made $24.9 million and $25.9 million, respectively, of contributions to its U.S. pension plans. For 2008, the Company expects to make contributions of approximately $50 million.

Information for Postretirement Benefits

During 2007 and 2006, the Company made postretirement benefit payments of $1.0 million and $2.7 million, respectively.

Assumed health care cost trend rates affect the amounts reported for postretirement health care benefit plans. A one-percentage-point change in assumed health care trend rates would have the following effects on 2007 data:

In millions	One Percentage Point Increase	Decrease

Health Care Trend Rate Sensitivity:		
Effect on Total Interest and Service Cost Components	$ 0.3	$ (0.2)
Effect on Year-End Postretirement Benefit Obligation	2.7	(2.4)

Estimated Future Benefit Payments

The following represents the Company s estimated future pension and postretirement benefit payments through the year 2017:

In millions	**Pension Plans**	**Postretirement Benefits**
2008	$ 28.3	$ 2.5
2009	30.2	2.7
2010	32.4	2.9
2011	34.3	3.2
2012	36.6	3.2
2013 2017	219.7	19.3

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GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Information for Postemployment Benefits

The Company maintains postemployment benefits for U.S. employees. Certain benefits are based on years of service. The Company recorded an entry to Accumulated Other Comprehensive Income for the net actuarial gain of $1.1 million.

Net Periodic Benefit Costs

During 2008, amounts expected to be recognized in Net Periodic Benefit Costs are as follows:

In millions	**Pension Plans**	**Postretirement Benefits**	**Postemployment Benefits**
Recognition of Prior Service Cost	$ 2.7	$ 0.1	$
Recognition of Actuarial Loss (Gain)	1.7	(0.3)	0.5

DEFINED CONTRIBUTION PLANS

The Company provides defined contribution plans for eligible U.S. employees. The Company s contributions to the plans are based upon employee contributions and the Company s annual operating results. Contributions to these plans for the years ended December 31, 2007, 2006 and 2005 were $8.2 million, $7.8 million and $8.2 million, respectively.

INTERNATIONAL PENSION PLANS

Pension Expense

The Company maintains international defined benefit pension plans that are both noncontributory and contributory and are funded in accordance with applicable local laws. The pension or termination benefits are based primarily on years of service and the employees compensation.

The U.K. defined benefit plan was frozen effective March 31, 2001 and replaced with a defined contribution plan. The Company s contribution to the plan is based on employee contributions.

The pension expense related to the international plans consisted of the following:

	Year Ended December 31,		
In millions	**2007**	**2006**	**2005**

Components of Net Periodic Pension Cost:			
Service Cost	$ 0.4	$ 0.6	$ 0.5
Interest Cost	7.6	6.4	6.3
Expected Return on Plan Assets	(9.6)	(8.4)	(7.1)
Amortizations:			
Actuarial Loss	0.3	0.3	0.6
Net Periodic Pension (Income) Cost	$ (1.3)	$ (1.1)	$ 0.3
Weighed Average Assumptions:			
Discount Rate	5.10%	4.80%	5.25%
Rates of Increase in Future Compensation Levels	0.00%	0.00%	0.00%
Expected Long-Term Rate of Return on Plan Assets	7.00%	7.00%	7.00%

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Funded Status

The following table sets forth the funded status of the international pension plans as of December 31:

In millions	2007	2006
Change in Benefit Obligation:		
Benefit Obligation at Beginning of Year	$ 148.2	$ 126.5
Service Cost	0.4	0.6
Interest Cost	7.6	6.4
Actuarial (Gain) Loss	(6.8)	2.7
Foreign Exchange Translation	2.0	17.8
Expenses Paid	(0.4)	(0.3)
Benefits Paid	(6.9)	(5.5)
Benefit Obligation at End of Year	$ 144.1	$ 148.2
Change in Plan Assets:		
Fair Value of Plan Assets at Beginning of Year	$ 136.5	$ 114.0
Actual Return on Plan Assets	10.8	10.3
Foreign Exchange Translation	1.8	16.2
Expenses Paid	(0.4)	(0.3)
Employer Contribution	2.0	1.8
Benefits Paid	(6.9)	(5.5)
Fair Value of Plan Assets at End of Year	$ 143.8	$ 136.5
Plan Assets Less Than Projected Benefit Obligation	$ (0.3)	$ (11.7)
Amounts Recognized in the Consolidated Balance Sheets Consist of:		
Accrued Pension Liability Noncurrent	$ (0.3)	$ (11.7)
Accumulated Other Comprehensive Income:		
Net Actuarial Loss	11.5	19.5
Net Amount Recognized	$ 11.2	$ 7.8

Weighted Average Assumptions:		
Discount Rate	5.90%	5.10%
Rates of Increase in Future Compensation Levels	0.00%	0.00%

The accumulated benefit obligation for the Company s international defined benefit plan was $144.1 million and $148.2 million at December 31, 2007 and 2006, respectively.

The Company s approach to developing its expected long-term rate of return on pension plan assets combines an analysis of historical investment performance by asset class, the Company s investment guidelines and current and expected economic fundamentals.

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company s retirement plan asset allocation at December 31, 2007 and 2006 and target allocation for 2008 by asset category are as follows:

In millions	Target Allocation 2008	Percentage of Plan Assets at December 31, 2007	2006
Asset Category:			
Equity Securities	50.0%	50.0%	69.0%
Debt Securities	50.0	49.0	30.0
Cash		1.0	1.0
Total	100.0%	100.0%	100.0%

Active management of assets is used in asset classes and strategies where there is a potential to add value over a passive benchmark. Investment risk is measured and monitored on an on-going basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews.

During 2007 and 2006, the Company made $2.0 million and $1.8 million, respectively, of contributions to its international pension plan. For 2008, the Company expects to make contributions of approximately $2 million.

Estimated Future Benefit Payments

The following represents the Company s estimated future benefit payments through the year 2017:

In millions	
2008	$ 5.6
2009	5.7
2010	5.8
2011	5.9
2012	6.0
2013 2017	35.6

During 2008, the net actuarial loss is not expected to be recognized in Net Periodic Benefit Costs.

NOTE 10 INCOME TAXES

The U.S. and international components of Loss before Income Taxes and Equity in Net Earnings of Affiliates consisted of the following:

	Year Ended December 31,		
In millions	**2007**	**2006**	**2005**
U.S.	$ (26.3)	$ (66.3)	$ (60.7)
International	0.2	(11.3)	(8.6)
Loss before Income Taxes and Equity in Net Earnings of Affiliates	$ (26.1)	$ (77.6)	$ (69.3)

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GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The provisions for Income Tax (Expense) Benefit on Loss before Income Taxes and Equity in Net Earnings of Affiliates consisted of the following:

In millions	Year Ended December 31, 2007	2006	2005
Current			
U.S.	$ 0.2	$	$ 0.2
International	(5.1)	(0.4)	1.5
Total Current	(4.9)	(0.4)	1.7
Deferred			
U.S.	(19.6)	(19.8)	(19.5)
International	0.6	(0.6)	(4.2)
Total Deferred	(19.0)	(20.4)	(23.7)
Income Tax Expense	$ (23.9)	$ (20.8)	$ (22.0)

A reconciliation of Income Tax Expense on Loss before Income Taxes and Equity in Net Earnings of Affiliates at the federal statutory rate of 35% compared with the Company s actual Income Tax Expense is as follows:

	Year Ended December 31,					
In millions	2007	Percent	2006	Percent	2005	Percent
Income Tax Benefit at U.S. Statutory Rate	$ 9.1	35.0%	$ 27.2	35.0%	$ 24.2	35.0%
U.S. State and Local Tax Benefit	0.9	3.5	2.3	3.0	1.3	1.9
Valuation Allowance on Current Year Benefit	(10.0)	(38.5)	(25.5)	(32.9)	(24.8)	(36.0)
International Tax Rate Differences	(2.8)	(10.7)	(1.2)	(1.5)	0.5	0.8
Valuation Allowance Adjustment	0.9	3.4	(3.7)	(4.8)	(6.1)	(8.8)
Amortization of Goodwill	(19.6)	(75.0)	(19.6)	(25.3)	(19.5)	(28.1)

Foreign Withholding Tax	(0.1)	(0.3)	(0.2)	(0.2)	(0.1)	(0.1)
Adjustment to Tax Contingencies	(2.0)	(7.5)	0.1	0.1	2.5	3.6
Other	(0.3)	(1.3)	(0.2)	(0.2)		
Income Tax Expense	$ (23.9)	(91.4)%	$ (20.8)	(26.8)%	$ (22.0)	(31.7)%

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GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The tax effects of differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31 were as follows:

In millions	2007	2006
Deferred Tax Assets:		
Compensation Based Accruals	$ 22.1	$ 17.6
Net Operating Loss Carryforwards	533.8	541.2
Pension Accrual	50.1	62.3
Tax Credits	13.7	13.6
Other	65.8	64.5
Short-Term Valuation Allowance	(12.3)	(9.9)
Long-Term Valuation Allowance	(344.6)	(332.6)
Net Deferred Tax Assets	$ 328.6	$ 356.7
Deferred Tax Liabilities:		
Property, Plant and Equipment	$ (299.1)	$ (324.7)
Goodwill	(128.4)	(108.8)
Other Intangibles	(28.6)	(37.1)
Other	(0.7)	(4.6)
Total Deferred Tax Liabilities	$ (456.8)	$ (475.2)
Net Deferred Tax Liability	$ (128.2)	$ (118.5)

Deferred taxes as of December 31 are recorded as follows in the consolidated balance sheet:

In millions	2007	2006
Current Deferred Tax Assets	$ 13.3	$ 11.7
Long-Term Deferred Tax Liabilities	(141.5)	(130.2)

Net Deferred Tax Liability	$ (128.2)	$ (118.5)

The Company has reviewed the net deferred tax assets as of December 31, 2007 and 2006, respectively, and determined that it is more likely than not that some or all of the net deferred tax assets will not be realized. The valuation allowance of $356.9 million and $342.5 million at December 31, 2007 and 2006, respectively, is maintained on the remaining net deferred tax assets for which the Company has not determined that realization is more likely than not. Of the total valuation allowance, $33.3 million relates to foreign jurisdictions and the remaining $323.6 million relates to the U.S. The need for a valuation allowance is made on a country-by-country basis and the amount of the valuation allowance has increased as of December 31, 2007, over 2006 primarily due to operating activities in various countries in 2007 and changes in deferred tax balances. As of December 31, 2007, the Company has concluded that due to difficulty in maintaining profitability and the lack of sufficient future taxable income of the appropriate character, realization is less than more likely than not on the deferred tax assets related primarily to the Company s Brazil, Germany, France, Hong Kong, Mexico and the United Kingdom operations and as a result, a minimal valuation allowance was accrued in 2007. An additional valuation allowance was also accrued during 2007 for the U.S.

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The U.S. federal net operating loss carryforwards expire as follows:

In millions	
2012	$ 390.7
2018	295.0
2019	196.8
2021	144.2
2022	72.1
2023	122.0
2025	24.2
2026	100.0
2027	11.1
Total	$ 1,356.1

U.S. state net operating loss carryforward amounts total $785.3 million and expire in various years.

International net operating loss carryforward amounts total $97.8 million of which substantially all have no expiration date.

As of December 31, 2007, the Company, in accordance with APB Opinion 23, Accounting for Income Taxes, Special Areas, has determined that $61.0 million of undistributed foreign earnings are not intended to be reinvested indefinitely by its non-U.S. subsidiaries. Deferred income tax was recorded as a reduction to the Company s net operating losses on these undistributed earnings as well as the financial statement carrying value in excess of tax basis in the amount of $28.3 million. As of December 31, 2006, the Company had determined that $67.2 million of undistributed foreign earnings were not intended to be reinvested indefinitely. Deferred income tax was recorded as a reduction to the Company s net operating losses on these undistributed earnings as well as the financial statement carrying value in excess of tax basis in the amount of $30.2 million. The Company periodically determines whether the non-U.S. subsidiaries will invest their undistributed earnings indefinitely and reassesses this determination as appropriate. The Company has determined that it is not beneficial to utilize the temporary incentive related to the repatriation of earnings accumulated outside the U.S. as provided in the American Jobs Creation Act of 2004.

Uncertain Tax Positions

The Company adopted FIN 48 effective January 1, 2007. As of the date of adoption, the Company s liability for unrecognized income tax benefits totaled $4.1 million, the total of which, if recognized, would affect the annual effective income tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

In millions	
Balance at January 1, 2007	$ 4.1
Additions based on tax positions related to the current year	
Additions for tax positions of prior years	2.6
Reductions for tax positions of prior years	(1.4)
Settlements	(4.4)
Lapse of statute of limitations	
Effect of Exchange Rate Changes	0.5
Balance at December 31, 2007	$ 1.4

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The increase in unrecognized income tax benefits primarily relates to a judgment received in the Swedish tax court during the first quarter of 2007. The Company intends to settle a portion of this matter in the first quarter of 2008 by paying $4.4 million which is reflected as a settlement in the above table.

Of the unrecognized tax benefits, $1.4 million of which, if recognized, would affect the annual effective income tax rate.

The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits within its global operations in income tax expense. The Company had $1.7 million and $0.8 million for the payment of interest and penalties accrued at December 31, 2007 and 2006, respectively.

The Company does not anticipate that total unrecognized tax benefits will significantly change within the next 12 months, other than the Swedish tax matter discussed above.

The Company files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 1999.

NOTE 11 FINANCIAL INSTRUMENTS, DERIVATIVES AND HEDGING ACTIVITIES

The Company is exposed to fluctuations in interest rates on its variable debt, fluctuations in foreign currency transaction cash flows and variability in cash flows attributable to certain commodity purchases. The Company actively monitors these fluctuations and periodically uses derivatives and other financial instruments to hedge exposures to interest, currency and commodity risks. The Company s use of derivative instruments may result in short-term gains or losses and may increase volatility in its earnings. In addition, these instruments involve, to varying degrees, elements of market and credit risk in excess of the amounts recognized in the Consolidated Balance Sheets. The Company does not trade or use derivative instruments with the objective of earning financial gains on interest or currency rates, nor does it use leveraged instruments or instruments where there are no underlying exposures identified.

Interest Rate Risk

The Company uses interest rate swaps to manage interest rate risks on future income caused by interest rate changes on its variable rate Term Loan facility. The differential to be paid or received under these agreements is recognized as an adjustment to interest expense related to the debt. At December 31, 2007, the Company had interest rate swap agreements with a notional amount of $440.0 million, which expire on various dates from 2008 to 2009 under which the Company will pay fixed rates of 4.53% to 5.46% and receive the three-month LIBOR rates.

During 2007, there were minimal amounts of ineffective portions related to changes in the fair value of the interest rate swap agreements due to the May 2007 refinancing. During 2006, there were no ineffective portions related to changes in the fair value of the interest rate swap agreements. Additionally, there were no amounts excluded from the measure of effectiveness.

Commodity Risk

To manage risks associated with future variability in cash flows and price risk attributable to certain commodity purchases, the Company entered into natural gas swap contracts to hedge prices for approximately 45% of its expected natural gas usage through 2008 with a weighted average contractual rate of $8.14 per MMBTU. Such contracts are designated as cash flow hedges. When a contract matures, the resulting gain or loss is reclassified into Cost of Sales concurrently with the recognition of the commodity purchased. The

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ineffective portion of the swap contracts change in fair value, if any, would be recognized immediately in earnings.

During 2007 and 2006, there were minimal amounts of ineffective portions related to changes in fair value of natural gas swap contracts. Additionally, there were no amounts excluded from the measure of effectiveness.

Foreign Currency Risk

The Company enters into forward exchange contracts to manage risks associated with future variability in cash flows resulting from anticipated foreign currency transactions that may be adversely affected by changes in exchange rates. Gains/losses, if any, related to these contracts are recognized in income when the anticipated transaction affects income.

At December 31, 2007 and 2006, multiple forward exchange contracts existed that expire on various dates throughout 2008. Those purchased forward exchange contracts outstanding at December 31, 2007, when measured in U.S. dollars at December 31, 2007 exchange rates, had notional amounts totaling $78.2 million. Those purchased forward exchange contracts outstanding at December 31, 2006, when measured in U.S. dollars at December 31, 2006 exchange rates, had notional amounts totaling $140.2 million.

Minimal amounts were reclassified to earnings during 2007 in connection with forecasted transactions that were no longer considered probable of occurring due to the sale of the Swedish operations and there was no amount of ineffective portion related to changes in the fair value of foreign currency forward contracts. No amounts were reclassified to earnings during 2006 in connection with forecasted transactions that were no longer considered probable of occurring and there was no amount of ineffective portion related to changes in the fair value of foreign currency forward contracts. Additionally, there were no amounts excluded from the measure of effectiveness.

Derivatives not Designated as Hedges

The Company enters into forward exchange contracts to effectively hedge substantially all of accounts receivable resulting from transactions denominated in foreign currencies in order to manage risks associated with foreign currency transactions adversely affected by changes in exchange rates. At December 31, 2007 and 2006, multiple foreign currency forward exchange contracts existed, with maturities ranging up to three months. Those forward currency exchange contracts outstanding at December 31, 2007, when aggregated and measured in U.S. dollars at December 31, 2007 exchange rates, had net notional amounts totaling $14.5 million. Those forward currency exchange contracts outstanding at December 31, 2006, when aggregated and measured in U.S. dollars at December 31, 2006 exchange rates, had net notional amounts totaling $6.6 million. Generally, unrealized gains and losses resulting from these contracts are recognized in operations and approximately offset corresponding unrealized gains and losses recognized on these accounts receivable. These contracts are presently being and will continue to be marked to market through the income statement.

Foreign Currency Movement Effect

Net international currency exchange (gains) losses included in determining Income from Operations for the years ended December 31, 2007, 2006 and 2005 were $(1.3) million, $(2.3) million and $6.2 million, respectively.

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GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accumulated Derivative Instruments (Loss) Gain

The following is a reconciliation of changes in the fair value of the interest rate swap agreements, natural gas swaps and foreign currency forward contracts which have been recorded as Accumulated Derivative Instruments (Loss) Gain in the Statement of Shareholders Equity as of December 31:

In millions	**2007**	**2006**	**2005**
Balance at January 1	$ (5.4)	$ 5.2	$ (9.0)
Reclassification to earnings	9.3	19.3	(11.4)
Current period change in fair value	(11.8)	(29.9)	25.6
Balance at December 31	$ (7.9)	$ (5.4)	$ 5.2

At December 31, 2007, the Company expects to reclassify $0.9 million of losses in 2008 from Accumulated Derivative Instruments (Loss) Gain to earnings, contemporaneously with and offsetting changes in the related hedged exposure. The actual amount that will be reclassified to future earnings may vary from this amount as a result of changes in market conditions.

Fair Value of Financial Instruments

The fair values of the Company s financial assets at December 31, 2007 and 2006, equal the carrying values reported on the Consolidated Balance Sheets except for Long-Term Debt. The fair value of the Company s Long-Term Debt was $1,829.2 million and $1,960.5 million as compared to the carrying amounts of $1,872.0 million and $1,911.0 million as of December 31, 2007 and 2006, respectively. The fair value of Long-Term Debt is based on quoted market prices.

NOTE 12 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in the components of Accumulated Other Comprehensive Income (Loss) are as follows:

	Years Ended December 31,								
	2007			**2006**			**2005**		
In millions	**Pretax Amount**	**Tax Effect**	**Net Amount**	**Pretax Amount**	**Tax Effect**	**Net Amount**	**Pretax Amount**	**Tax Effect**	**Net Amount**

Accumulated Derivative Instruments (Loss) Gain	$ (2.5)	$	$	(2.5)	$ (10.6)	$	$	(10.6)	$ 14.2	$	$	14.2
Minimum Pension Liability Adjustment					23.3			23.3	(24.8)			(24.8)
Currency Translation Adjustment	4.6			4.6	14.7			14.7	(17.2)			(17.2)
Pension Benefit Plans	25.2			25.2	(26.2)			(26.2)				
Postretirement Benefit Plans	3.3			3.3	1.1			1.1				
Postemployment Benefit Plans	1.5			1.5	(6.1)			(6.1)				
Accumulated Other Comprehensive Income (Loss)	$ 32.1	$	$	32.1	$ (3.8)	$	$	(3.8)	$ (27.8)	$	$	(27.8)

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The balances of Accumulated Other Comprehensive Loss, net of applicable taxes are as follows:

	December 31,	
In millions	**2007**	**2006**
Accumulated Derivative Instruments Loss	$ (7.9)	$ (5.4)
Currency Translation Adjustment	1.9	(2.7)
Pension Benefit Plan	(67.7)	(92.9)
Postretirement Benefit Plan	4.4	1.1
Postemployment Benefit Plan	(4.6)	(6.1)
Accumulated Other Comprehensive Loss	$ (73.9)	$ (106.0)

NOTE 13 BUSINESS SEGMENT AND GEOGRAPHIC AREA INFORMATION

The Company reports its results in two business segments: paperboard packaging and containerboard/other. These segments are evaluated by the chief operating decision maker based primarily on income from operations. The Company s reportable segments are based upon strategic business units that offer different products. The paperboard packaging business segment includes the production and sale of paperboard for its beverage multiple packaging and consumer products packaging businesses from its West Monroe, Louisiana, Macon, Georgia and Kalamazoo, Michigan mills; carton converting facilities in the U.S., Europe, Brazil and Canada; and the design, manufacture and installation of packaging machinery related to the assembly of cartons. The containerboard/other business segment primarily includes the production and sale of linerboard, corrugating medium and kraft paper from paperboard mills in the U.S.

The Company s customers are not concentrated in any specific geographic region, but are concentrated in certain industries. Customers of the Paperboard Packaging business segment include the beverage and consumer products packaging industries. Customers of the Containerboard/Other business segment include integrated and non-integrated containerboard converters. The Company did not have any one customer who accounted for 10% or more of the Company s net sales during 2007, 2006 or 2005.

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Business segment information is as follows:

In millions	Year Ended December 31, 2007	2006	2005
NET SALES:			
Paperboard Packaging	$ 2,325.9	$ 2,227.1	$ 2,208.1
Containerboard/Other	95.3	94.6	86.2
Total	$ 2,421.2	$ 2,321.7	$ 2,294.3
INCOME (LOSS) FROM OPERATIONS:			
Paperboard Packaging	$ 210.0	$ 146.9	$ 161.3
Containerboard/Other	(13.5)	(17.9)	(16.1)
Corporate[a]	(45.3)	(35.2)	(58.7)
Total	$ 151.2	$ 93.8	$ 86.5
CAPITAL EXPENDITURES:			
Paperboard Packaging	$ 91.0	$ 89.6	$ 98.5
Containerboard/Other	2.9	2.6	2.3
Corporate	2.0	2.3	10.0
Total	$ 95.9	$ 94.5	$ 110.8
DEPRECIATION AND AMORTIZATION:			
Paperboard Packaging	$ 159.5	$ 155.0	$ 165.8
Containerboard/Other	11.0	11.3	11.0
Corporate	19.1	22.2	22.0
Total	$ 189.6	$ 188.5	$ 198.8

In millions	2007	2006
ASSETS AT DECEMBER 31:		
Paperboard Packaging[b]	$ 2,620.6	$ 2,708.9
Containerboard/Other[b]	85.5	102.9
Corporate[c]	71.2	76.8
Total	$ 2,777.3	$ 2,888.6

Business geographic area information is as follows:

	Year Ended December 31,		
In millions	2007	2006	2005
NET SALES:			
U.S./North America	$ 2,122.9	$ 2,060.9	$ 2,034.2
Central/South America	29.0	21.9	17.8
Europe	282.1	260.7	246.4
Asia Pacific	136.3	123.6	128.4
Eliminations[d]	(149.1)	(145.4)	(132.5)
Total	$ 2,421.2	$ 2,321.7	$ 2,294.3

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GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In millions	**2007**	**2006**
ASSETS AT DECEMBER 31:		
U.S/North America	$ 2,498.4	$ 2,559.5
Central/South America	16.5	11.4
Europe	145.0	202.4
Asia Pacific	46.2	38.5
Corporate[c]	71.2	76.8
Total	$ 2,777.3	$ 2,888.6

Notes:

(a) Primarily consists of unallocated general corporate expenses.

(b) Certain mill assets are allocated based on production.

(c) Corporate assets are principally cash and equivalents, other current assets, deferred tax assets, deferred loan costs and a portion of property, plant and equipment.

(d) Represents primarily the elimination of intergeographic sales and profits from transactions between the Company s U.S., Europe, Asia Pacific and Central/South America operations.

NOTE 14 IMPAIRMENT

In accordance with the FASB SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144), the Company reviews long-lived assets for impairment when events or changes in circumstances indicate the carrying value of these assets may exceed their current fair values.

During the third quarter of 2007, the Company recognized an impairment charge of $25.2 million relating to its paperboard mill located in Norrköping, Sweden. The Company s plan to sell the operations led to the testing for impairment of these long-lived assets. The fair value of the impaired assets was determined based on selling price less cost to sell. During the fourth quarter of 2007, the Company recognized a reduction to the impairment charge of $6.6 million for the non-cash currency translation adjustment component of accumulated other comprehensive income related to the sale of the Swedish paperboard mill. This reduction, which should have been recorded in the third quarter, related to the impairment recorded in the third quarter. The Company has determined that the impact of this item was not material to the third quarter or fourth quarter. The impairment charge is reflected as a component of Loss from Discontinued Operations on the Consolidated Statement of Operations and as a component of the Company s

Paperboard Packaging Segment.

During the third quarter of 2006, the Company recognized an impairment charge of $3.9 million relating to its Sao Paulo, Brazil operations. The continued and projected operating losses and negative cash flows led to the testing for impairment of long-lived assets. The fair value of the impaired assets was determined using the expected present value method and third party appraisals. The impairment charge is reflected as a component of Cost of Sales on the Consolidated Statement of Operations and as a component of Income from Operations in the Company s Paperboard Packaging Segment.

NOTE 15 DISCONTINUED OPERATIONS

On October 16, 2007, Graphic Packaging International Holding Sweden AB (the Seller), an indirect wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Lagrumment December nr 1031 Aktiebolg, a company organized under the laws of Sweden that will be renamed Fiskeby International Holding AB (the Purchaser), and simultaneously completed the transactions contemplated by such agreement. Pursuant to such Purchase and Sales Agreement, the Purchaser will acquire all of the

GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

outstanding shares of Graphic Packaging International Sweden (GP-Sweden). GP-Sweden and its subsidiaries are in the business of developing, manufacturing and selling paper and packaging boards made from recycled fiber. The Sale and Purchase Agreement specifies that the purchase price is $8.6 million and contains customary representations and warranties of the Seller.

The Purchaser is affiliated with Jeffery H. Coors, the Vice Chairman and a member of the Board of Directors of the Company. The Seller undertook the sale of GP-Sweden to the Purchaser after a thorough exploration of strategic alternatives with respect to GP-Sweden. The transactions contemplated by the Sale and Purchase Agreement were approved by the Audit Committee of the Board of Directors of the Company pursuant to its Policy Regarding Related Party Transactions and by the full Board of Directors other than Mr. Coors.

The long-lived assets of GP-Sweden comprise operations and cash flows that can be distinguished from the rest of the Company. Since these cash flows will be eliminated from ongoing operations, the results of operations were reported in discontinued operations for all periods presented.

Summarized financial information for discontinued operations is as follows:

In millions	Year Ended December 31, 2007	2006	2005
Net Sales	$ 83.4	$ 99.4	$ 96.9
(Loss) Income before Income Taxes	(33.4)	(3.6)	0.3

GP-Sweden was included in the Paperboard Packaging segment and the Europe geographic area.

NOTE 16 RELATED PARTY TRANSACTIONS

On November 18, 1999, the Company loaned $5.0 million to Stephen M. Humphrey pursuant to a non-interest bearing note due March 26, 2002. On December 19, 2001, the Company extended the maturity of the loan through March 26, 2007. The note was repaid during the first quarter of 2007. At December 31, 2006, this receivable was included in Other Current Assets on the Consolidated Balance Sheet.

Coors Brewing Company, a subsidiary of Molson Coors Brewing Company (formerly known as the Adolph Coors Company), accounted for approximately $85 million, $74 million and $84 million of the Company s Net Sales for the year ended December 31, 2007, 2006 and 2005, respectively. The Company continues to sell packaging products to Coors Brewing Company. The loss of Coors Brewing Company as a customer in the foreseeable future could have a material effect on the Company s results of operations. The supply agreement, as amended, effective April 1, 2003, with Coors Brewing Company will not expire until December 31, 2009. Mr. Jeffrey H. Coors, a member of the Company s Board of Directors, was an Executive Vice President of the Adolph Coors Company from 1991 to 1992 and its President from 1985 to 1989. Together with family members and related trusts, Mr. Coors owns a significant interest in Molson Coors Brewing Company.

One of the Company s subsidiaries, Golden Equities, Inc., is the general partner of Golden Properties, Ltd., a limited partnership in which Coors Brewing Company is the limited partner. Before the Merger, Golden Equities was a subsidiary of Graphic Packaging International Corporation. The partnership owns, develops, operates and sells certain real estate previously owned directly by Coors Brewing Company or Adolph Coors Company. Transactions between the Company and Golden Properties, Ltd. are eliminated in the consolidated financial statements.

On October 16, 2007, the Company sold an indirect wholly-owned subsidiary to a purchaser affiliated with Jeffrey H. Coors. See Note 15 Discontinued Operations.

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GRAPHIC PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17 QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Results of operations for the four quarters of 2007 and 2006 are shown below.

In millions, except per share amounts	2007 First	Second	Third	Fourth	Total
Statement of Operations Data:					
Net Sales	$ 584.1	$ 623.1	$ 612.1	$ 601.9	$ 2,421.2
Gross Profit	62.7	89.0	112.0	95.8	359.5
Income from Operations	12.8	39.0	61.6	37.8	151.2
(Loss) Income from Continuing Operations	(37.5)	(19.6)	15.1	(7.1)	(49.1)
(Loss) Income from Discontinued Operations,					
Net of Taxes	(1.2)	(1.7)	(29.0)	6.4	(25.5)
Net Loss	(38.7)	(21.3)	(13.9)	(0.7)	(74.6)
(Loss) Income Per Share Basic:					
Continuing Operations	(0.18)	(0.10)	0.07	(0.03)	(0.24)
Discontinued Operations	(0.01)	(0.01)	(0.14)	0.03	(0.13)
Total	(0.19)	(0.11)	(0.07)	(0.00)	(0.37)
(Loss) Income Per Share Diluted:					
Continuing Operations	(0.18)	(0.10)	0.07	(0.03)	(0.24)
Discontinued Operations	(0.01)	(0.01)	(0.14)	0.03	(0.13)
Total	(0.19)	(0.11)	(0.07)	(0.00)	(0.37)

In millions, except per share amounts	2006 First	Second	Third	Fourth	Total
Statement of Operations Data:					
Net Sales	$ 556.5	$ 603.6	$ 595.9	$ 565.7	$ 2,321.7
Gross Profit	61.3	77.7	95.4	66.7	301.1
Income from Operations	9.8	26.0	42.7	15.3	93.8
Loss from Continuing Operations	(36.4)	(21.6)	(5.4)	(34.0)	(97.4)
(Loss) Income from Discontinued Operations,					
Net of Taxes	(0.3)	(1.2)	0.3	(1.9)	(3.1)
Net Loss	(36.7)	(22.8)	(5.1)	(35.9)	(100.5)
Loss Per Share Basic:					
Continuing Operations	(0.18)	(0.11)	(0.03)	(0.17)	(0.48)
Discontinued Operations				(0.01)	(0.02)
Total	(0.18)	(0.11)	(0.03)	(0.18)	(0.50)

Loss Per Share Diluted:					
Continuing Operations	(0.18)	(0.11)	(0.03)	(0.17)	(0.48)
Discontinued Operations				(0.01)	(0.02)
Total	(0.18)	(0.11)	(0.03)	(0.18)	(0.50)

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Graphic Packaging Corporation:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Graphic Packaging Corporation and its subsidiaries at December 31, 2007 and December 31, 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Notes 6 and 10, respectively, to the consolidated financial statements, Graphic Packaging Corporation and its subsidiaries changed their method of accounting for stock based compensation plans as of January 1, 2006 and their method of accounting for uncertainty in income taxes as of January 1, 2007.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP
Atlanta, Georgia
February 28, 2008

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ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

The Company s management has established disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the Exchange Act) is recorded, processed, summarized and reported within time periods specified in the Securities and Exchange Commission rules and forms. Such disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company s management to allow timely decisions regarding required disclosure.

Based on management s evaluation as of the end of the period covered by this Annual Report on Form 10-K, the Company s Chief Executive Officer and Chief Financial Officer have concluded that the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) were effective as of the end of the period covered by this Annual Report on Form 10-K.

Management s Report on Internal Control Over Financial Reporting

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company s assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only with proper authorizations; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company s management, under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2007 based on criteria for effective control over financial reporting described in *Internal Control Integrated Framework* issued by the COSO. Based on this assessment, the Company s management concluded that its internal control over financial reporting was effective as of December 31, 2007.

The effectiveness of the Company s internal control over financial reporting as of December 31, 2007 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

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Changes in Internal Control Over Financial Reporting

There was no change in the Company s internal control over financial reporting that occurred during the quarter ended December 31, 2007 that has materially affected, or is likely to materially affect, the Company s internal control over financial reporting.

ITEM 9B. *OTHER INFORMATION*

None.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

Pursuant to Instruction G(3) to Form 10-K, the information relating to Directors of the Registrant, compliance with Section 16(a) of the Exchange Act and compliance with the Company s Code of Ethics required by Item 10 is incorporated by reference to the Registrant s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 20, 2008, which is to be filed pursuant to Regulation 14A within 120 days after the end of the Registrant s fiscal year ended December 31, 2007.

ITEM 11. *EXECUTIVE COMPENSATION*

Pursuant to Instruction G(3) to Form 10-K, the information required by Item 11 is incorporated by reference to the Registrant s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 20, 2008, which is to be filed pursuant to Regulation 14A within 120 days after the end of the Registrant s fiscal year ended December 31, 2007.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

Pursuant to Instruction G(3) to Form 10-K, the information required by Item 12 is incorporated by reference to the Registrant s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 20, 2008, which is to be filed pursuant to Regulation 14A within 120 days after the end of the Registrant s fiscal year ended December 31, 2007.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

Pursuant to Instruction G(3) to Form 10-K, the information required by Item 13 is incorporated by reference to the Registrant s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 20, 2008, which is to be filed pursuant to Regulation 14A within 120 days after the end of the Registrant s fiscal year ended December 31, 2007.

ITEM 14. *PRINCIPAL ACCOUNTING FEES AND SERVICES*

Pursuant to Instruction G(3) to Form 10-K, the information required by Item 14 is incorporated by reference to the Registrant s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 20, 2008, which is to be filed pursuant to Regulation 14A within 120 days after the end of the Registrant s fiscal year ended December 31, 2007.

PART IV

ITEM 15. *EXHIBITS AND FINANCIAL STATEMENT SCHEDULES*

a.) Financial statements, financial statement schedule and exhibits filed as part of this report:

1. Consolidated Balance Sheets as of December 31, 2007 and 2006

Consolidated Statements of Operations for each of the three years in the period ended December 31, 2007

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2007

Consolidated Statements of Shareholders Equity for each of the three years in the period ended December 31, 2007

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

2. Schedule II Valuation and Qualifying Accounts.

All other schedules are omitted as the information required is either included elsewhere in the consolidated financial statements herein or is not applicable.

3. Exhibits to Annual Report on Form 10-K for Year Ended December 31, 2007.

Exhibit Number	**Description**
2.1	Agreement and Plan of Merger, dated as of March 25, 2003, among Registrant, Riverwood Acquisition Sub LLC and Graphic Packaging International Corporation. Filed as Exhibit 2.1 to Registrant s Current Report on Form 8-K filed on March 27, 2003 (Commission File No. 001-11113), and incorporated herein by reference.
2.2	Amendment No. 1 to Agreement and Plan of Merger, dated as of July 11, 2003, among Registrant, Riverwood Acquisition Sub LLC and Graphic Packaging International Corporation. Filed as part of Annex A to Registrant s Amendment No. 3 to Registration Statement on Form S-4 filed on July 17, 2003 (Registration No. 333-104928), and incorporated herein by reference.
2.3	Transaction Agreement and Agreement and Plan of Merger dated as of July 9, 2007, by and among the Company, Bluegrass Container Holdings, LLC, TPG Bluegrass IV, L.P., TPG Bluegrass IV AIV 2, L.P., TPG Bluegrass V, L.P., TPG Bluegrass V AIV 2, L.P., TPG FOF V A, L.P., TPG FOF V B, L.P., BCH Management, LLC, Field Holdings, Inc., New Giant Corporation and Giant Merger Sub, Inc. Filed as Exhibit 2.1 to Graphic Packaging Corporation s Current Report on Form 8-K filed on July 11, 2007 (Commission File No. 001-13182), and incorporated herein by reference.
3.1	Restated Certificate of Incorporation of Graphic Packaging Corporation. Filed as Exhibit 3.1 to Registrant s Current Report on Form 8-K filed on August 13, 2003 (Commission File No. 001-13182), and incorporated herein by reference.

3.2 Bylaws of Graphic Packaging Corporation, as amended and restated as of September 20, 2006. Filed as Exhibit 3.1 to Registrant s Current Report on Form 8-K filed on September 25, 2006 (Commission File No. 001-13182), and incorporated herein by reference.

3.3 Graphic Packaging Corporation Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock. Filed as Exhibit 3.3 to Registrant s Current Report on Form 8-K filed on August 13, 2003 (Commission File No. 001-13182), and incorporated herein by reference.

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Exhibit Number	Description
4.1	Form of Certificate for the Common Stock, par value $0.01 per share. Filed as Exhibit 4.1 to Registrant s Amendment No. 1 to Registration Statement on Form S-4 filed on June 13, 2003 (Registration No. 333-104928), and incorporated herein by reference.
4.2	Rights Agreement, dated as of August 7, 2003, between Registrant and Wells Fargo Bank Minnesota, National Association. Filed as Exhibit 4.1 to Registrant s Current Report on Form 8-K filed on August 13, 2003 (Commission File No. 001-13182), and incorporated herein by reference.
4.3	Indenture, dated as of August 8, 2003, among Graphic Packaging International, Inc., as Issuer, Registrant and GPI Holding, Inc., as Note Guarantors, and Wells Fargo Bank Minnesota, National Association, as Trustee, relating to the 8.50% Senior Notes due 2011 of Graphic Packaging International, Inc. Filed as Exhibit 4.4 to Registrant s Current Report on Form 8-K filed on August 13, 2003 (Commission File No. 001-13182), and incorporated herein by reference.
4.4	Indenture, dated as of August 8, 2003, among Graphic Packaging International, Inc., as Issuer, Registrant and GPI Holding, Inc., as Note Guarantors, and Wells Fargo Bank Minnesota, National Association, as Trustee, relating to the 9.50% Senior Subordinated Notes due 2013 of Graphic Packaging International, Inc. Filed as Exhibit 4.5 to Registrant s Current Report on Form 8-K filed on August 13, 2003 (Commission File No. 001-13182), and incorporated herein by reference.
4.5	Form of 8.50% Senior Notes due 2011 of Graphic Packaging International, Inc.(included in Exhibit 4.5). Filed as Exhibit A to the Indenture, dated as of August 8, 2003, among Graphic Packaging International, Inc., as Issuer, Registrant and GPI Holding, Inc., as Note Guarantors, and Wells Fargo Bank Minnesota, National Association, as Trustee, relating to the 8.50% Senior Notes due 2011 of Graphic Packaging International, Inc. filed as Exhibit 4.4 to Registrant s Current Report on Form 8-K filed on August 13, 2003 (Commission File No. 001-13182), and incorporated herein by reference.
4.6	Form of 9.50% Senior Subordinated Notes due 2013 of Graphic Packaging International, Inc. (included in Exhibit 4.6). Filed as Exhibit A to the Indenture, dated as of August 8, 2003, among Graphic Packaging International, Inc., as Issuer, Registrant and GPI Holding, Inc., as Note Guarantors, and Wells Fargo Bank Minnesota, National Association, as Trustee, relating to the 9.50% Senior Subordinated Notes due 2013 of Graphic Packaging International, Inc. filed as Exhibit 4.5 to Registrant s Current Report on Form 8-K filed on August 13, 2003 (Commission File No. 001-13182), and incorporated herein by reference.
4.7	$1,355,000,000 Credit Agreement dated as of May 16, 2007 among Graphic Packaging International, Inc., Bank of America, N.A., as Administrative Agent, L/C Issuer, Swing Line Lender and Alternative Currency Funding Fronting Lender, Deutsche Bank Securities Inc., as Syndication Agent, Goldman Sachs Credit Partners L.P., LaSalle Bank National Association and Morgan Stanley Senior Funding, Inc., as Co-Documentation Agents, and the several lenders from time to time party thereto. Filed as Exhibit 10.1 to Graphic Packaging Corporation s Current Report on Form 8-K filed on May 21, 2007 (Commission File No. 001-13182), and incorporated herein by reference.
4.8	Amendment to Rights Agreement, dated as of August 7, 2003, between the Company and Wells Fargo Bank, National Association (formerly known as Wells Fargo Bank Minnesota, National Association). Filed as Exhibit 4.1 to Graphic Packaging Corporation s Current Report on Form 8-K filed on July 11, 2007 (Commission File No. 001-13182), and incorporated herein by reference.
10.1	Amended and Restated Registration Rights Agreement, dated as of March 25, 2003, among Registrant, the Family Stockholders named therein, Clayton Dubilier & Rice Fund V Limited Partnership, EXOR Group S.A., and the Other Riverwood Stockholders named therein. Filed as Exhibit 10.1 to Registrant s Registration Statement on Form S-4 filed on May 2, 2003 (Registration No. 333-104928), and

incorporated herein by reference.

10.2 Stockholders Agreement, dated as of March 25, 2003, by and among Registrant, the Family Stockholders named therein, Clayton Dubilier & Rice Fund V Limited Partnership and EXOR Group S.A. Filed as Exhibit 10.2 to Registrant s Registration Statement on Form S-4 filed on May 2, 2003 (Registration No. 333-104928), and incorporated herein by reference.

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Exhibit Number	Description
10.3	Amendment No. 1 to Stockholders Agreement, dated as of April 29, 2003, by and among Registrant, the Family Stockholders named therein, Clayton, Dubilier & Rice Fund V Limited Partnership and EXOR Group S.A. Filed as Exhibit 10.3 to Registrant s Registration Statement on Form S-4 filed on May 2, 2003 (Registration No. 333-104928), and incorporated herein by reference.
10.4	Amendment No. 2 to Stockholders Agreement, dated as of June 12, 2003, by and among Registrant, the Family Stockholders named therein, Clayton, Dubilier & Rice Fund V Limited Partnership and EXOR Group S.A. Filed as Exhibit 10.4 to Registrant s Amendment No. 1 to Registration Statement on Form S-4 filed on June 13, 2003 (Registration No. 333-104928), and incorporated herein by reference.
10.5	Amendment No. 3 to Stockholders Agreement, dated as of July 20, 2006, by and among Registrant, the Family Stockholders named therein, Clayton, Dubilier & Rice Fund V Limited Partnership and EXOR Group S.A. Filed as Exhibit 10.9 to the Registrant s Current Report on Form 8-K filed on July 24, 2006 and incorporated herein by reference.
10.6*	Employment Agreement, dated as of July 20, 2006, by and among Graphic Packaging International, Inc., Registrant and Jeffrey H. Coors. Filed as Exhibit 10.1 to Registrant s Current Report on Form 8-K filed on July 24, 2006 (Commission File No. 001-13182) and incorporated herein by reference.
10.7*	Employment Agreement, dated as of July 20, 2006, by and among Graphic Packaging International, Inc., Registrant and David W. Scheible. Filed as Exhibit 10.3 to Registrant s Current Report on Form 8-K filed on July 24, 2006 (Commission File No. 001-13182) and incorporated herein by reference.
10.8*	Employment Agreement, dated as of July 20, 2006, by and among Graphic Packaging International, Inc., Registrant and Stephen M. Humphrey. Filed as Exhibit 10.2 to Registrant s Current Report on Form 8-K filed on July 24, 2006 (Commission File No. 001-13182) and incorporated herein by reference.
10.9*	Employment Agreement, dated as of July 20, 2006, by and among Graphic Packaging International, Inc., Registrant and Daniel J. Blount. Filed as Exhibit 10.4 to Registrant s Current Report on Form 8-K filed on July 24, 2006 (Commission File No. 001-13182) and incorporated herein by reference.
10.10*	Employment Agreement, dated as of July 20, 2006, by and among Graphic Packaging International, Inc., Registrant and Stephen A. Hellrung. Filed as Exhibit 10.5 to Registrant s Current Report on Form 8-K filed on July 24, 2006 (Commission File No. 001-13182) and incorporated herein by reference.
10.11*	Employment Agreement, dated as of July 20, 2006, by and among Graphic Packaging International, Inc., Registrant and Wayne E. Juby. Filed as Exhibit 10.6 to Registrant s Current Report on Form 8-K filed on July 24, 2006 (Commission File No. 001-13182) and incorporated herein by reference.
10.12*	Employment Agreement, dated as of July 20, 2006, by and among Graphic Packaging International, Inc., Registrant and Michael R. Schmal. Filed as Exhibit 10.7 to Registrant s Current Report on Form 8-K filed on July 24, 2006 (Commission File No. 001-13182) and incorporated herein by reference.
10.13*	Employment Agreement, dated as of July 20, 2006, by and among Graphic Packaging International, Inc., Registrant and Robert M. Simko. Filed as Exhibit 10.8 to Registrant s Current Report on Form 8-K filed on July 24, 2006 (Commission File No. 001-13182) and incorporated herein by reference.
10.14*	Employment Agreement, dated as of July 20, 2006, by and among Graphic Packaging International, Inc., Registrant and Michael P. Doss. Filed as Exhibit 10.1 to Registrant s Current Report on Form 8-K filed on September 25, 2006 (Commission File No. 001-13182) and incorporated herein by reference.
10.15*	

Riverwood Holding, Inc. Stock Incentive Plan. Filed as Exhibit 10.10 to Registration Statement on Form S-1 (Registration No. 33-80475) of New River Holding, Inc. (renamed Riverwood Holding, Inc.) and incorporated herein by reference.

Exhibit Number	Description
10.16*	Riverwood Holding, Inc. Supplemental Long-Term Incentive Plan. Filed as Exhibit 10.15 to Riverwood Holding, Inc. s Annual Report on Form 10-K filed on March 17, 2000 (Commission File No. 1-11113) and incorporated herein by reference.
10.17*	2003 Riverwood Holding, Inc. Long-Term Incentive Plan. Filed as Exhibit 10.15 to Registration Statement on Form S-4 (Registration Statement No. 333-104928) filed on May 2, 2003 and incorporated herein by reference.
10.18*	Riverwood Holding, Inc. 2002 Stock Incentive Plan. Filed as Exhibit 10.19 to Registrant s Annual Report on Form 10-K filed April 15, 2003 (Commission File No. 1-11113) and incorporated herein by reference.
10.19*	Amendment No. 1 to Riverwood Holding, Inc. Stock Incentive Plan, Riverwood Holding, Inc. Supplemental Long-Term Incentive Plan and Riverwood Holding, Inc. 2002 Stock Incentive Plan. Filed as Exhibit 10.11 to Registrant s Quarterly Report on Form 10-Q filed on November 14, 2003 (Commission File No. 001-13182), and incorporated herein by reference.
10.20*	Form of Restricted Unit Agreement, dated as of August 8, 2003, between Registrant and each of Jeffrey H. Coors, David W. Scheible and Donald W. Sturdivant. Filed as Exhibit 10.12 to Registrant s Quarterly Report on Form 10-Q filed on November 14, 2003 (Commission File No. 001-13182), and incorporated herein by reference.
10.21*	Form of Management Stock Option Agreement entered into by and between Registrant and each of Wayne E. Juby, Michael R. Schmal, Daniel J. Blount, and Stephen A. Hellrung. Filed as Exhibit 10.13 to Registrant s Quarterly Report on Form 10-Q filed on November 14, 2003 (Commission File No. 001-13182), and incorporated herein by reference.
10.22*	Form of Restricted Unit Agreement entered into by and between Registrant and each of Wayne E. Juby, Michael R. Schmal, Daniel J. Blount, and Stephen A. Hellrung. Filed as Exhibit 10.14 to Registrant s Quarterly Report on Form 10-Q filed on November 14, 2003 (Commission File No. 001-13182), and incorporated herein by reference.
10.23*	Form of Option Cancellation Acknowledgement of Wayne E. Juby and Michael R. Schmal. Filed as Exhibit 10.15 to Registrant s Quarterly Report on Form 10-Q filed on November 14, 2003 (Commission File No. 001-13182), and incorporated herein by reference.
10.24*	Management Stock Option Agreement, dated as of August 8, 2003 entered into by and between Registrant and Stephen M. Humphrey. Filed as Exhibit 10.17 to Registrant s Quarterly Report on Form 10-Q filed on November 14, 2003 (Commission File No. 001-13182), and incorporated herein by reference.
10.25*	Restricted Unit Agreement, dated as of August 8, 2003, entered into by and between Registrant and Stephen M. Humphrey. Filed as Exhibit 10.18 to Registrant s Quarterly Report on Form 10-Q filed on November 14, 2003 (Commission File No. 001-13182), and incorporated herein by reference.
10.26*	Form of Officers Salary Continuation Agreement, as amended. Filed as Exhibit 10.10 to Graphic Packaging International Corporation s Annual Report on Form 10-K filed on March 20, 1995 (Commission File No. 0-20704), and incorporated herein by reference.
10.27*	Graphic Packaging Equity Incentive Plan, as amended and restated, effective as of March 1, 2001. Filed as Exhibit 10.9 to Graphic Packaging International Corporation s Annual Report on Form 10-K filed on March 23, 2001 (Commission File No. 001-14060), and incorporated herein by reference.
10.28*	Graphic Packaging Equity Compensation Plan for Non-Employee Directors, as amended and restated. Filed as Exhibit 10.10 to Graphic Packaging International Corporation s Annual Report on Form 10-K filed on March 23, 2001 (Commission File No. 001-14060), and incorporated herein by reference.

10.29*	ACX Technologies, Inc. Phantom Equity Plan. Filed as Exhibit 10.11 to Graphic Packaging International Corporation s Current Report on Form 8-K filed on November 19, 1992 (Commission File No. 0-20704), and incorporated herein by reference.
10.30*	Graphic Packaging Excess Benefit Plan, as restated, effective as of January 1, 2000. Filed as Exhibit 10.12 to Graphic Packaging International Corporation s Annual Report on Form 10-K filed on March 23, 2001 (Commission File No. 001-14060), and incorporated herein by reference.

Exhibit Number	Description
10.31*	Graphic Packaging Supplemental Retirement Plan, as restated, effective as of January 1, 2000. Filed as Exhibit 10.13 to Graphic Packaging International Corporation s Annual Report on Form 10-K filed on March 23, 2001 (Commission File No. 001-14060), and incorporated herein by reference.
10.32*	ACX Technologies, Inc. Deferred Compensation Plan, as amended. Filed as Exhibit 10.15 to Graphic Packaging International Corporation s Annual Report on Form 10-K filed on March 7, 1996 (Commission File No. 0-20704), and incorporated herein by reference.
10.33*	First Amendment to the Graphic Packaging Deferred Compensation Plan. Filed as Exhibit 10.16 to Graphic Packaging International Corporation s Annual Report on Form 10-K filed on March 23, 2001 (Commission File No. 001-14060), and incorporated herein by reference.
10.34*	Graphic Packaging Executive Incentive Plan, as amended and restated, effective February 1, 2002. Filed as Exhibit 10.1 to Graphic Packaging International Corporation s Quarterly Report on Form 10-Q filed on October 31, 2002 (Commission File No. 001-14060), and incorporated herein by reference.
10.35	Form of Indemnification Agreement, dated as of September 10, 2003, entered into by and among Registrant, GPI Holding, Inc., Graphic Packaging International, Inc. and each of Jeffrey H. Coors, Stephen M. Humphrey, Kevin J. Conway, G. Andrea Botta, John D. Beckett, Harold R. Logan, Jr., John R. Miller, Robert W. Tieken, B. Charles Ames (as emeritus director) and William K. Coors (as emeritus director). Filed as Exhibit 10.30 to Registrant s Annual Report on Form 10-K filed on March 16, 2004 (Commission File No. 001-13182) and incorporated herein by reference.
10.36	Indemnification Agreement, dated as of September 10, 2003, entered into by and among Registrant, GPI Holding, Inc., Graphic Packaging International, Inc. and Lawrence C. Tucker. Filed as Exhibit 10.31 to Registrant s Annual Report on Form 10-K filed on March 16, 2004 (Commission File No. 001-13182) and incorporated herein by reference.
10.37*	2004 Stock and Incentive Compensation Plan of Graphic Packaging Corporation. Filed as Appendix B to the Company s definitive proxy statement filed on April 5, 2004 (Commission File No. 001-13182) and incorporated herein by reference.
10.38*	Amended and Restated Riverwood Holding, Inc. Stock Incentive Plan effective May 17, 2005. Filed as Exhibit 10.38 to Registrant s Annual Report on Form 10-K filed on March 2, 2007 (Commission File No. 001-13182) and incorporated herein by reference.
10.39*	Form of Service Restricted Stock Unit Award Agreement granted on March 16, 2005 under the 2004 Stock and Incentive Compensation Plan. Filed as Exhibit 10.32 to Registrant s Annual Report on Form 10-K filed on March 3, 2006 (Commission File No 001-13182) and incorporated herein by reference.
10.40*	Graphic Packaging International, Inc. Supplemental Executive Pension Plan, effective April 7, 2006. Filed as Exhibit 10.1 to Registrant s Current Report on Form 8-K filed on April 11, 2006 (Commission File No. 001-13182) and incorporated herein by reference.
10.41*	Graphic Packaging International, Inc. Management Incentive Plan. Filed as Exhibit 10.2 to the Registrant s Quarterly Report on Form 10-Q filed on May 3, 2007 (Commission File No. 001-13182) and incorporated herein by reference.
10.42*	Agreement Regarding Settlement of Stock Options dated as of March 28, 2007 by and between Graphic Packaging Corporation and Stephen M. Humphrey. Filed as Exhibit 10.1 to Graphic Packaging Corporation s Current Report on Form 8-K filed on March 29, 2007 (Commission File No. 001-13182) and incorporated herein by reference.
10.43	Voting Agreement dated as of July 9, 2007, by and among BCH, the persons listed on the signature pages thereto as a Family Stockholder, Clayton, Dubilier & Rice Fund V Limited Partnership, EXOR

Group S.A., and, solely for the purposes of Section 5.2 thereof, the Registrant. Filed as Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on July 11, 2007 (Commission File No. 001-13182), and incorporated herein by reference.

Exhibit Number	Description
10.44	Sale and Purchase Agreement dated October 16, 2007 between Graphic Packaging International Holding Sweden AB and Lagrummet December NR 1031 Aktiebolag (under change of name to Fiskeby International Holding AB) regarding Graphic Packaging International Sweden AB. Filed as Exhibit 10.1 to Graphic Packaging Corporation s Current Report on Form 8-K filed on October 17, 2007 (Commission File No. 001-13182), and incorporated herein by reference.
10.45	Master Services Agreement dated November 29, 2007 by and between Graphic Packaging International, Inc. and Perot Systems Corporation. Filed as Exhibit 10.1 to Registrant s Current Report on Form 8-K filed on December 5, 2007 (Commission File No. 001-13182), and incorporated herein by reference.
14.1	Code of Business Conduct and Ethics. Filed as Exhibit 14.1 to Registrant s Annual Report on Form 10-K filed on March 16, 2004 (Commission File No. 001-13182) and incorporated herein by reference.
21.1	List of Subsidiaries.
23.1	Consent of PricewaterhouseCoopers LLP.
31.1	Certification required by Rule 13a-14(a).
31.2	Certification required by Rule 13a-14(a).
32.1	Certification required by Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2	Certification required by Section 1350 of Chapter 63 of Title 18 of the United States Code.

* Executive compensation plan or agreement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GRAPHIC PACKAGING CORPORATION
(Registrant)

/s/ DAVID W. SCHEIBLE David W. Scheible	President and Chief Executive Officer (Principal Executive Officer)	February 29, 2008
/s/ DANIEL J. BLOUNT Daniel J. Blount	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 29, 2008
/s/ DEBORAH R. FRANK Deborah R. Frank	Vice President and Controller (Principal Accounting Officer)	February 29, 2008

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated. Each of the directors of the Registrant whose signature appears below hereby appoints Daniel J. Blount and Stephen A. Hellrung, and each of them severally, as his attorney-in-fact to sign in his name and behalf, in any and all capacities stated below, and to file with the Securities and Exchange Commission any and all amendments to this report on Form 10-K, making such changes in this report on Form 10-K as appropriate, and generally to do all such things on their behalf in their capacities as directors and/or officers to enable the Registrant to comply with the provisions of the Securities Exchange Act of 1934, and all requirements of the Securities and Exchange Commission.

Signatures	Title	Date
/s/ JOHN R. MILLER John R. Miller	Non-Executive Chairman and Director	February 29, 2008
/s/ JOHN D. BECKETT John D. Beckett	Director	February 29, 2008
/s/ G. ANDREA BOTTA G. Andrea Botta	Director	February 29, 2008

/s/ KEVIN J. CONWAY	Director	February 29, 2008
Kevin J. Conway		
/s/ JEFFREY H. COORS	Director	February 29, 2008
Jeffrey H. Coors		
/s/ WILLIAM R. FIELDS	Director	February 29, 2008
William R. Fields		
/s/ HAROLD R. LOGAN, JR.	Director	February 29, 2008
Harold R. Logan, Jr.		
/s/ DAVID W. SCHEIBLE	Director	February 29, 2008
David W. Scheible		
/s/ ROBERT W. TIEKEN	Director	February 29, 2008
Robert W. Tieken		

GRAPHIC PACKAGING CORPORATION

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

In millions	Balance Beginning of Period	Charges to Costs and Expenses	(Deductions) Additions	Balance at End of Period
(Classification)				
Year ended December 31, 2007				
Allowances Reducing the Assets in the Balance Sheet:				
Accounts receivable	$ 2.4	$ 24.6	$ (25.4)	$ 1.6
Inventories	8.9	0.4	(3.5)	5.8
Deferred tax assets	342.5	18.7	(4.3)	356.9
Total	$ 353.8	$ 43.7	$ (33.2)	$ 364.3
Year ended December 31, 2006				
Allowances Reducing the Assets in the Balance Sheet:				
Accounts receivable	$ 2.8	$ 24.7	$ (25.1)	$ 2.4
Inventories	9.1	2.9	(3.1)	8.9
Deferred tax assets	283.4	23.5	35.6	342.5
Total	$ 295.3	$ 51.1	$ 7.4	$ 353.8
Year ended December 31, 2005				
Allowances Reducing the Assets in the Balance Sheet:				
Accounts receivable	$ 3.7	$ 21.2	$ (22.1)	$ 2.8
Inventories	9.1	4.9	(4.9)	9.1
Deferred tax assets	221.7	25.6	36.1	283.4
Total	$ 234.5	$ 51.7	$ 9.1	$ 295.3

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ext-indent:-1.00em">Recovered grade (oz/t) 0.011 0.013 0.013

Recovered grade (g/t)	0.39	0.43	0.46
Gold production (000 oz)	267	233	218
Total cash costs ($/oz) (1)	569	500	371
Total production costs ($/oz) (1)	929	901	743
Capital expenditure ($ million)	67	73	87
Employees (2)	454	403	367
Outside contractors	127	243	195
All injury frequency rate	19.80	12.26	15.80

(1) Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see Item 5A.: Operating results Total cash costs and total production costs .

(2) Average for the year.

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Performance

Production at CC&V increased by 15 percent to 267,000 ounces in 2011 at a total cash cost of $569 per ounce, compared with 233,000 ounces at a total cash cost of $500 per ounce the previous year.

Major construction of the MLE1 project was completed during the year and this contributed to production as ore was placed closer to the liner on the new section of the pad. An all phase 5 pad liner was placed in 2011, a county road was relocated and additional adjacent land was purchased in support of the project.

Operations continued to be affected by a severe drought in the Colorado River Basin. The lack of water reduced percolation through the pad, curtailing production and productivity. Total tonnage mined was increased from 180,000 tonnes a day to more than 200,000 tonnes a day to offset a higher strip ratio and decreasing grades.

Commodity inflation was the primary driver of the year-on-year increase in cash costs along with higher diesel consumption as mining occurred deeper in the Cresson pit and waste hauls were longer. Development and mining progressed on the Wild Horse Extension of the orebody which is expected to provide new ore at shallower depths, while additional working faces in the existing mining areas are expected to be available in the future.

Growth and improvement

CC&V s Ore Reserve increased by 1 million ounces in 2011. Exploration in the concession area immediately surrounding the operation will continue. The feasibility study on the mine life extension 2 (MLE2) project was initiated by the Americas project team during the year. This expansion includes the addition of a mill and a second valley heap leach facility. Selective mining of mill-grade ore is to take place to feed the new plant and is expected to generate improvements to productivity, operating unit costs and production. The mill s processing stream in MLE2 should allow a marked improvement in recoveries from the heap leach.

Safety

CC&V has a strong safety record with no fatalities in 2011, maintaining its long-term fatality-free record. The all injury frequency rate deteriorated to 19.80 from 12.26 per million hours worked in 2010, mainly due to an increase in relatively minor incidents of strains and sprains. The Environmental Observation Program continued in its second year and encouraged all employees to submit observations of safe as well as unsafe activities, unsafe conditions, near-miss incidents and environmental concerns. These observations are reviewed weekly by the management team and appropriate actions taken to resolve each issue.

The Project ONE and Safety Transformation initiatives were rolled out with standards being implemented as they are finalized. As part of the improvement initiatives, management is engaging all employees in soliciting, developing and implementing improvement ideas related to safety and production. This effort includes regular, scheduled meetings with top management and the hourly paid workforce.

In October, CC&V received recognition of continued certification at the Gold level in the Environmental Leadership Program sponsored by Colorado Department of Public Health and Environment (CDPHE).

SOUTH AMERICA

AngloGold Ashanti has three operations in South America - Cerro Vanguardia in Argentina and AngloGold Ashanti Córrego do Sítio Mineração (AGA Mineração) and Serra Grande in Brazil.

AngloGold Ashanti has had an active exploration program in Colombia for some years, with the most favorable of the prospects being in the La Colosa district.

ARGENTINA

Argentina Cerro Vanguardia

Description

AngloGold Ashanti has a 92.5 percent interest in Cerro Vanguardia with Fomicruz (the province of Santa Cruz) owning the remaining 7.5 percent. Located to the northwest of Puerto San Julian in the province of Santa Cruz, Cerro Vanguardia consists of multiple small open pits. Shallow underground mining began in 2010 to access high-grade material and in 2011 accounted for about 19 percent of the mine s production. The orebodies comprise a series of hydrothermal vein deposits containing gold and large quantities of silver, which is mined as a by-product. Ore is processed at the metallurgical plant which has a capacity of 3,000 tonnes per day and includes a cyanide recovery facility.

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Geology

The oldest rocks in this part of Patagonia are metamorphics of the Precambrian-Cambrian age. These are overlain by Permian and Triassic continental clastic rocks which have been faulted into a series of horsts and grabens and are associated with both limited basaltic sills and dykes and with calc-alkaline granite and granodiorite intrusions. Thick andesite flows of Lower Jurassic age occur above these sedimentary units. A large volume of rhyolitic ignimbrites was emplaced during the Middle and Upper Jurassic age over an area of approximately 100,000 square kilometers. These volcanic rocks include the Chon Aike formation ignimbrite units that host the gold bearing veins at Cerro Vanguardia. Post-mineral units include Cretaceous and Tertiary rocks of both marine and continental origin, the Quaternary La Avenida formation, the Patagonia gravel and the overlying La Angelita basalt flows. These flows do not cover the area of the Cerro Vanguardia veins.

Gold and silver mineralization at Cerro Vanguardia occurs within a vertical range of about 150 meters to 200 meters in a series of narrow, banded quartz veins that occupy structures within the Chon Aike ignimbrites. These veins form a typical structural pattern related to major north-south (Concepcion) and east-west (Vanguardia) shears. Two sets of veins have formed in response to this shearing - one set strikes about N40W and generally dips 65 to 90 degrees to the east; while the other set strikes about N75W and the veins dip 60 degrees to 80 degrees to the south.

The veins are typical of epithermal, low-temperature, adularia-sericite character and consist primarily of quartz in several forms: as massive quartz, banded chalcedonic quartz, and quartz-cemented breccias. Dark bands in the quartz are due to finely disseminated pyrite, now oxidized to limonite. The veins show sharp contacts with the surrounding ignimbrite which hosts narrow stockwork zones that are weakly mineralized and appear to have been cut by a sequence of north-east-trending faults that have southerly movement with no appreciable lateral displacement.

Operating and production data for Cerro Vanguardia

	2011	2010	2009
Pay limit (oz/t)	0.11	0.13	0.12
Pay limit (g/t)	3.86	4.36	4.17
Recovered grade (oz/t)	0.182	0.178	0.190
Recovered grade (g/t)	6.23	6.11	6.51
Gold production (000 oz) 100 percent	212	209	208
Gold production (000 oz) 92.50 percent	196	194	192
Silver production (000 oz) 100 percent	2.9	2.8	2.2
Silver production (000 oz) 92.50 percent	2.7	2.6	2.0
Total cash costs ($/oz)(1)	403	366	359
Total production costs ($/oz)(1)	566	521	495
Capital expenditure ($ million) 100 percent	79	41	18
Employees (2)	1,065	883	753
Outside contractors (2)	579	359	316
All injury frequency rate	1.59	8.08	9.34

(1) *Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see Item 5A.: Operating results Total cash costs and total production costs .*

(2) *Average for the year.*

Performance

Cerro Vanguardia was the group s lowest cost producer in 2011. Attributable gold production of 196,000 ounces was marginally higher than the previous year total of 194,000 ounces and met operating targets. Total cash costs of $403 per ounce were lower than projected at the beginning of the year due to improved efficiencies at the mine and also the positive impact of higher-than-forecast silver production and prices. Ensuring a consistent supply of feed to keep the plant running at capacity was a principal focus during the year, as was the consolidation of the fledgling underground operation. Two mine portals were opened in the Mangas Centro and Mangas Sur pits during the year and more than 6 million tonnes of underground development achieved.

Meeting production goals was complicated somewhat by the introduction of import restrictions by the federal government which delayed the delivery of some spare parts and capital equipment. In addition, accelerating inflation in Argentina pushed costs higher for both consumables and the payroll. These factors continue to pose a significant challenge in Argentina and may present additional hurdles to imports, in recruitment and labor relations in the year ahead.

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Construction of the new heap leach was delayed from the third quarter of 2011 to the first quarter of 2012, principally owing to construction delays caused by unseasonably inclement weather. The delay curtailed production but was mitigated by additional output achieved by rescheduling some open pit operations as well as optimizing capacity of the underground operation. The heap leach project will allow Cerro Vanguardia to exploit additional sources of low-grade ore previously excluded from the mine plan.

Growth and improvement

About 34,000 meters of diamond drilling and 19,000 meters of reverse circulation holes were done during the year with the aim of expanding the resource at depth and to the north and west of the concession.

Given the continued inflationary challenges facing companies in Argentina, the potential reduction in unit costs that will accompany additional production, makes further expansion of the operation an attractive option. The mine continued work on the underground and heap leach projects which are expected to add incremental production in coming years. Given the continued success of the brownfield exploration team in identifying new, high-grade sources of ore in the vein structures at the mine, the Americas team is investigating further expansion possibilities. These include increasing the size of the plant and further expanding the scale of the heap leach footprint.

To improve the knowledge of the orebody and to provide more certainty of both grade and tonnage, the Gabriela, Lucy, Cuncuna, Rocio, El Lazo, Loma del Muerto, Osvaldo 4 and Liliana veins were drilled.

Focus will remain on the recruitment of skilled workers in an increasingly competitive environment for human resources as more mining development occurs nationally and regionally. Maintenance and planning strategies will also be adapted to cope with the more complex set of import restrictions.

Seminars, workshops and ongoing training of employees at all levels are aimed at ensuring a reduction in reportable environmental and safety incidents. At Cerro Vanguardia, close attention will be paid to the management of underground water in order to prevent pollution as this portion of the mine s development increases.

Safety

Cerro Vanguardia s safety performance improved further during 2011, and the mine recorded its ninth straight year with no fatality. The AIFR improved markedly from 8.08 to 1.59 per million hours worked, a new record for the mine. The safety transformation program was launched during the first half of the year with several initiatives developed to reinforce safety awareness.

BRAZIL

Brazil AngloGold Ashanti Córrego do Sítio Mineração (AGA Mineração)

Description

AngloGold Ashanti Córrego do Sítio Mineração (AGA Mineração) comprises two operational units, namely the Cuiabá and the Córrego do Sítio complexes. The Cuiabá complex includes the Cuiabá and Lamego mines and the Cuiabá and Queiroz plants. In operation for 26 years, the Cuiabá mine is principally a cut-and-fill mine accessed by ramp and shaft. Lamego is a new mine developed to mine an underground sulfide ore. The first stage of the processing of the ore from Cuiabá and Lamego mines is in the gold plant at the Cuiabá complex, where concentrate is produced. The material is then transported 15 kilometers by aerial ropeway to the Queiroz plant where milling, flotation, roasting, leaching, precipitation and refining occur. Total capacity of the complete circuit is 1.65 million tonnes per year and recoveries of 93 percent are achieved.

The Córrego do Sítio operation comprises one surface (oxide) and two underground (sulfide) mines, as well as a heap leach pad and sulfide plant, the latter originally acquired from Eldorado late in 2008 and since refurbished.

Geology

The area in which Brasil Mineração is located is known as the Iron Quadrangle and is host to historic and current gold mining operations, as well as a number of open-pit limestone and iron ore operations. The geology of the Iron Quadrangle is composed of Proterozoic and Archaean volcano-sedimentary sequences and Pre-Cambrian granitic complexes. The host to the gold mineralization is the volcano-sedimentary Nova Lima Group (NLG) that occurs at the base of the Rio das Velhas SuperGroup (RDVS). The upper sequence of the RDVS is the meta-sedimentary Maquiné Group. Cuiabá mine, located at Sabara Municipality, has gold mineralization associated with sulfides and quartz veins in Banded Ironstone Formation (BIF) and volcanic sequences. At this mine, structural control and fluids flow ascension are the most important factors for gold mineralization with a common association between large-scale shear zones and their associated structures. Where BIF is mineralized the ore appears strongly stratiform due to the selective sulfidation of the iron rich layers. Steeply plunging shear zones tend to control the ore shoots, which commonly plunge parallel to intersections between the shears and other structures.

The controlling mineralization structures are the apparent intersection of thrust faults with tight isoclinal folds in a ductile environment. The host rocks at Brasil Mineração are BIF, Lapa Seca and mafic volcanics (principally basaltic). Mineralization is due to the interaction of low salinity carbon dioxide rich fluids with the high-iron BIF, basalts and carbonaceous graphitic schists. Sulfide mineralization consists of pyrrhotite and pyrite with subordinate pyrite and chalcopyrite; the latter tends to occur as a late-stage fracture fill and is not associated with gold mineralization. Wallrock alteration is typically carbonate, potassic and silicic.

Brazil Summary of metallurgical operations

	AngloGold Ashanti Mineração		Serra Grande
	Cuiabá	Raposos	
Gold plants			
Capacity (000 tonnes/month)	135	26	66

Operating and production data for AGA Mineração

	2011	2010	2009
Pay limit (oz/t)	0.13	0.13	0.08
Pay limit (g/t)	4.41	4.40	2.69
Recovered grade (oz/t) (1)	0.217	0.210	0.205
Recovered grade (g/t) (1)	7.43	7.21	7.02
Gold production (000 oz)	361	338	329
Total cash costs ($/oz) (2)	571	444	347
Total production costs ($/oz) (2)	855	683	492
Capital expenditure ($ million)	259	142	84
Employees (3)	2,715	2,486	2,249
Outside contractors (3)	1,110	940	715
All injury frequency rate	4.05	2.62	4.19

(1) Recovered grade represents underground operations.

(2) Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see Item 5A. Operating results Total cash costs and total production costs .

(3) Average for the year.

Performance

At AGA Mineração, production in 2011 was 361,000 ounces, 7 percent higher than the prior year. The higher output followed the ramp-up at Lamego and the start of production from Córrego do Sítio. Production was, however, negatively impacted by lower tonnage at Cuiabá, due mainly to geotechnical and fleet availability issues.

Cash costs of $571 per ounce were 29 percent up on the previous year, mainly due to labor cost inflation and higher energy consumption following the commissioning of the refrigeration plant in Cuiabá. Other factors were the stronger Brazilian real, which appreciated by 5 percent against the dollar in 2011, lower volumes and higher unit costs from new Córrego do Sítio sulfide production. An improved price received for sulfuric acid, a by-product at the Cuiabá complex, had a positive impact on costs during the year.

The cost and availability of specialized mining skills remained key challenges in Brazil, where a surfeit of mining and engineering projects exacerbated an already tight labor market and inflated salaries. This trend is likely to continue for some time with additional mining and infrastructure projects set to proliferate in Brazil in coming years, along with additional development of iron ore capacity and preparations for the next FIFA World Cup in 2014 and the Olympic Games in 2016.

Project ONE implementation is ongoing and the BPF stabilization phase was completed at Cuiabá, with benefits achieved in maintenance and production to counter the low availability of the fleet of heavy mechanized equipment. Renewed focus was placed on training to improve safety and productivity in high-dip areas, while trial mining using the sub-level bench method was successfully piloted and will now be extended to other areas of the mine. This change also mitigated geomechanical instability and is expected to result in improved productivity in 2012 and 2013.

Given the increased mining depth to more than 1,100 meters at Cuiabá by the end of 2011 and the resultant rise in working temperatures, a refrigeration plant was commissioned to service the deeper areas of the mine.

At Lamego, where tonnages improved by 15 percent, the drill method was changed to cross-cut instead of driving the ramp down to the mine s deepest levels so as to improve knowledge of the orebody at depth. Now, more than 2.5 years of reserves are estimated to be available at current production rates, following development of ore drives from level 3.1 to level 4 at the Carruagem orebody. This enables a high level of mining flexibility.

While the scheduled maintenance shutdown at the pyrometallurgy plant at Queiroz was undertaken during the year, there was an unexpected shutdown of Plant A to undertake screening of the catalyst bed and removal of the roasters. Three new flotation cells were added to the Cuiabá plant and the wall of the tailings dam was lifted to cope with incremental production.

At Córrego do Sítio, the underground sulfide mine was developed and the orebodies prepared for the start of production during 2011. This mine had reached production capacity of 40 percent by year-end. The underground mine produced 171,000 tonnes in 2011. The metallurgical plant was commissioned in January 2012. The oxide heap leach plant improved its productivity 18 percent by increasing bench heights on the heap leach by 1 meter to 7 meters.

Growth and improvement

Both greenfield and brownfield exploration drilling campaigns continued, with the focus on increasing the gold resource base.

Commissioning and mine ramp-up of the Córrego do Sítio project proceeded during the year and full production at Lamego mine was achieved in 2011. Scoping studies are in progress for both mines to determine further expansion opportunities. At Córrego do Sítio, additional sources of oxide and sulfide ores will enable an expansion.

The underground sulfide operation is ramping up and is expected to reach full production by the end of 2012. One of the principal operating challenges is to control dilution from the sub-level stoping by a greater focus on grade control, while keeping the ramp-up on track with the development of ramps and ore drives to ensure appropriate flexibility.

The Lamego project was completed at the end of 2011, with only minor changes to civil infrastructure required at a cost of some $2 million. Meanwhile, further work is planned to improve knowledge of the upside in the oxide and sulfide endowment.

At Lamego, management focused on improvements to equipment reliability as well as better planning and scheduling. The success of crews in using the business improvement framework to realize significant improvements in productivity without increased capital expenditure, have demonstrated the possibility of increased throughput. The establishment of an operational control centre at the mine has further helped streamline operations.

At Cuiabá, work is underway to stabilize production in narrow veins and to investigate use of satellite orebodies to further boost production. Management also began investigating mining at depths greater than those envisaged in the current mine plan, beginning with a drilling campaign below the 24 level and the formation of a team to conduct improved geological mapping of the mine. Increased infill drilling will also be undertaken to facilitate the change of mining method, while brownfield exploration drilling will be conducted to determine the viability of restarting mothballed mining operations previously closed during periods of low prices and of locating satellite orebodies. Among the latter is the Nova Lima Sul project which envisages the development of smaller deposits close to current operations, which will use spare capacity at the Queiroz plant.

Safety

The safety performance at AGA Mineração deteriorated when compared to 2010, recording an all injury frequency rate of 4.05 per million hours worked. Regrettably, a contractor died when he was run over by a tractor at the tailings facility construction site.

Following a culture survey undertaken during the year, a safety behaviour plan was launched at all of AngloGold Ashanti s Brazilian operations. Initiatives include improvements to the new employee induction course, a review of on-the-job training processes, and standardization of safety processes. Also a new approach to incident investigation and analysis was established during the year. A proactive safety indicator to evaluate the quality of processes has been developed.

The company also holds the following certifications:

ISO 14001 Environment;
OHSAS 18001 Occupational Health and Safety;
ISO 17025 Laboratory analysis;
NBR 16001 Social responsibility 1st Brazilian mine company;
International Cyanide Management Code; and
ISO 9001 Quality (Laboratory and smelter house).

Brazil Serra Grande (attributable 50 percent)

Description

Serra Grande is owned equally by AngloGold Ashanti and Kinross Gold Corporation. AngloGold Ashanti manages the operation located in central Brazil, in the state of Goiás, about 5km from the city of Crixás. Serra Grande comprises three mechanised underground mines: Mina III, Mina Nova (which includes the Pequizão orebody) and Palmeiras and an open pit on the outcrop of Mina III orebody. One dedicated metallurgical plant treats ore from these different sources. Annual capacity of the processing circuit, which has grinding, leaching, filtration, precipitation and smelting facilities, is 1.15 million tonnes.

Geology

The deposits are in the Rio Vermelho and Ribeirão das Antes Formations of the Archaean Pilar de Goia s Group which together account for a large proportion of the Crixás Greenstone Belt in central Brazil.

The stratigraphy of the belt is dominated by basics and ultrabasics in the lower sequences with volcano sedimentary units forming the upper successions.

The gold deposits are hosted in a sequence of schists, volcanics and carbonates occurring in a typical greenstone belt structural setting. The host rocks are of the Pilar de Goiás Group of the Upper Archaean. Gold mineralization is associated with massive sulfides and vein quartz material associated with graphitic and sericitic schists and dolomites. The oreshoots plunge to the north-west with dips of between 6 and 35 degrees. The stratigraphy is overturned and thrusts towards the east.

The greenstone belt lithologies are surrounded by Archaean tonalitic gneiss and granodiorite. The metamorphosed sediments are primarily composed of quartz, chlorite, sericite, graphitic and garnetiferous schists. The carbonates have been metamorphosed to ferroan dolomite marble with development of siderite and ankerite veining in the surrounding wallrock, usually associated with quartz veining. The basalts are relatively unaltered but do show pronounced stretching with elongation of pillow structures evident.

The Crixás greenstone belt comprises a series of Archaean to Palaeoproterozoic metavulcanics, metasediments and basement granitoids stacked within a series of north to north-east transported thrust sheet. Thrusting (D1) was accompanied by significant F1 folding/foliation development and progressive alteration in a brittle-ductile regime. D1 thrusting developed with irregular thrust ramp geometry, in part controlled by concealed early basin faults. The main Crixás orebodies are adjacent to a major north-north-west structural corridor, and up the main fault ramp/corner, to become dispersed to the east and north in zones of foreland thrust flats. Fluid alteration also diminished to the west away from the main fault corner. A series of concealed east-west to north-west-south-east basement block faults may have provided secondary fluid migration, and development of early anti-formal warps in the thrust sheets; these structures probably define the quasi-regular spacing of significant mineralization within the belt. The D1 thrust stack was gently folded by non-cylindrical folds. Gold mineralizing fluids probably migrated during this event, with similar south-south-west to north-north-east migration, and focusing on bedding slip during folding. Gold mineralization became minor and dispersed to the north and east along the formal thrust flat zone. Concentrations of gold along the case of quartz vein may be due to the damming of fluids migrating upward along layering.

Operating and production data for Serra Grande

	2011	2010	2009
Pay limit (oz/t)	0.11	0.09	0.11
Pay limit (g/t)	3.89	3.20	3.92
Recovered grade (oz/t)	0.105	0.118	0.132
Recovered grade (g/t)	3.59	4.05	4.52
Gold production (000 oz) 100 percent	134	155	154
Gold production (000 oz) 50 percent	67	77	77
Total cash costs ($/oz)(1)	851	481	429
Total production costs ($/oz) (1)	1,224	688	571
Capital expenditure ($ million) 100 percent	45	52	67
Employees(2)	1,039	965	864
Outside contractors (2)	300	303	425
All injury frequency rate (per million hours worked)	3.48	7.22	8.99

(1) *Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see Item 5A.: Operating results Total cash costs and total production costs .*

(2) *Average for the year.*

Performance

Attributable production in 2011 was 67,000 ounces, compared with 77,000 ounces in 2010. The reduction was due primarily to higher-than-expected dilution and the resultant impact on mined grades. This was partly offset by a 5 percent increase in the total ore mined at the operation to 1.33 million tonnes, with strong performance from the open pit and the Palmeiras underground mine in particular.

To improve the grade mined at Serra Grande, an action plan was compiled and new operational control measures for dilution and close monitoring of the drilling and blasting processes were implemented. Total dilution for all Serra Grande s mining operations started in 2011 at more than 30 percent and closed the year with significant reduction to 18 percent. Other factors which contributed to the decline in production included delays in development which in turn slowed the preparation of production stopes. Poor availability of drill rigs, as well as heavy machinery and the equipment fleet, hampered underground drilling and overall operational performance.

In the plant, recoveries were curtailed by problems encountered in the grinding and filtering circuits. Each of these issues has been addressed and Project ONE implementation is on track to support the operations.

Total cash costs increased by 77 percent to $851 per ounce as a result of reduced production as well as continued inflationary pressure on all mining-related inputs in Brazil and the impact of the stronger Brazilian real.

Growth and improvement

A priority for Serra Grande s management is to facilitate closer co-operation between the geology, mine, plant and maintenance teams so as to reduce variability and increase both underground mine output and plant throughput. This is a key benefit that will follow Project ONE s BPF stabilization on site and will assist in maintaining the required feed to the mill while also rebuilding the strategic stockpile which was depleted in 2010. Optimization of the gravity circuit is planned to be completed in mid-2012, with expected further improvements in recoveries.

An operational control center has been established on site to improve maintenance and enhance the general skill level of operators in order to achieve better operational performance and reduce breakdowns.

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 programs, given that focus was previously on Orebody IV at Mina III. The focus now is on developing an optimal mine sequencing plan to make the best possible use of these higher grade areas.

In the longer term, beyond 2013, the focus of the exploration effort will shift to increasing the operation s mineral endowment to increase mine life.

A new program will also evaluate technical alternatives in mine design, sequencing and metallurgical processes to seek improvements in production and returns on invested capital.

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Safety

The operation s all injury frequency rate of 3.48 per million hours worked in 2011 improved when compared with 7.22 in 2010. No lost time injuries have been reported for 19 months and no fatalities for more than three years.

Following a culture survey undertaken during the year, a safety behavior plan was launched at all Brazilian operations. Initiatives include improvements to new employee induction, a review of on-the-job training processes, and standardization of safety processes. A new approach to incident investigation and analysis was established in 2011. A proactive safety indicator to evaluate the quality of processes has been developed.

The company also holds the following certifications:

- ISO 14001 Environment;
- OHSAS 18001 Occupational health and safety;
- International Cyanide Management Code; and
- ISO 9001 Quality (Laboratory and smelter house).

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GLOBAL EXPLORATION

Total expensed exploration including joint ventures for 2011 amounted to $313 million, of which $98 million was spent on greenfield exploration, $87 million on brownfield exploration, $19 million on marine exploration and the balance of $109 million on prefeasibility studies.

An expansive greenfield exploration program was undertaken during 2011 in 17 countries. A total of 213,441 meters of diamond, reverse circulation and aircore drilling was completed in testing existing priority targets and in the delineation of new targets in Australia, Colombia, Brazil, Argentina, the Solomon Islands, Gabon, Guinea, Egypt, Ethiopia, the Democratic Republic of Congo (DRC) and Canada. Significant airborne geophysical surveys were undertaken in Colombia.

Greenfield activities were undertaken through joint ventures, strategic alliances and on wholly owned ground holdings. The principal objective of the greenfield exploration team is value creation through the discovery of new long-life, low-cost mines that maximize shareholder value. Discoveries and ground positions that do not meet certain investment criteria are joint-ventured or divested to maximize AngloGold Ashanti s return on its exploration investment.

AngloGold Ashanti s investment in greenfield exploration and projects in recent years has resulted in five greenfield projects being advanced and developed further to date.

They are:

- In Colombia, in the Americas region:
  - Gramalote; and
  - La Colosa.
- In the DRC, in the Continental Africa region:
  - Kibali; and
  - Mongbwalu.
- In Australia, in the Australasia region:
  - Tropicana.

Of these, Tropicana is the most advanced.

Americas Colombia

Gramalote

Description

The Gramalote project, a joint venture between AngloGold Ashanti Limited (51 percent) and Vancouver-based B2Gold, is located 110 kilometers northeast of Medellin in the municipality of San Roque, which is in the department of Antioquia, Colombia. The project, managed by AngloGold Ashanti, is expected to be the group s first operating gold mine in Colombia, establishing its operating credentials in the country.

Progress

During 2010, AngloGold Ashanti resumed its role as operator and project manager of Gramalote after it acquired part of B2Gold s interest and undertook the prefeasibility and feasibility analyses. AngloGold Ashanti immediately accelerated the drilling program to improve knowledge of the orebody and increased the project s resource.

During 2011, a total of 30,683 meters of drilling was undertaken. Drilling was undertaken on satellite areas adjacent to the main Cerro Gramalote orebody. This work built on the foundation created by B2Gold, which had completed an earlier scoping study on the project.

Since September 2010, when AngloGold Ashanti assumed control of the project, 33 kilometers of drilling has been completed.

Continued exploration success and favourable metallurgical testwork suggest the potential to increase the scale of the project.

The successful development of Gramalote also offers an ideal opportunity for AngloGold Ashanti to establish its project development credentials to the host community and to the broader Colombian population.

Almost $30 million was spent on the prefeasibility study in 2011, which included exploration on only about 10 percent of the 30,000 hectare concession area. This study is expected to be completed during 2012 and will be followed immediately by the full feasibility study which is expected to be completed in 2013.

La Colosa

Description

The exploration rights at the La Colosa project are wholly held by AngloGold Ashanti. This gold project is located 14 kilometers from the town of Cajamarca, in the department of Tolima, in Colombia. La Colosa, which lies in steep terrain in Colombia s central Cordillera province, is the largest greenfields discovery made by AngloGold Ashanti to date. Exploration drilling at site resumed toward the middle of 2010 after a two-year suspension to receive or renew permits necessary to continue work on this gold porphyry deposit.

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Progress

The prefeasibility study currently underway is scheduled for completion in 2014. It is expected to define the extent and size of the resource, conduct metallurgical testwork, weigh the alternatives for mining and processing infrastructure, purchase land necessary for access and infrastructure development and conduct the necessary social and environmental impact baseline studies.

About 47,619 meters of drilling was completed during 2011. Almost $64 million was spent on the prefeasibility study during the year. At a time when many of the world s newest gold deposits are built in remote regions, La Colosa lies less than 6 kilometers from a national highway, close to Colombia s main power grid.

Exploratory activities at the La Colosa project in Colombia have been challenged by legal suits petitioning the court to order the government not to declare the project feasible on the grounds that the project threatens a healthy environment, public health and food safety for local residents. See Item 8A.: Consolidated statements and other financial information -- Legal proceedings .

Continental Africa DRC

Kibali

Description

The Kibali gold project is a joint venture between AngloGold Ashanti and Randgold Resources, with each owning a 45 percent stake and Société des Mines d Or de Kilo-Moto (SOKIMO), a state-owned gold company, which owns the balance.

Kibali, which the company acquired as a result of the acquisition of Moto Goldmines in 2009, lies in the north-eastern DRC, adjacent to the town of Doko, a staging point for the project and 180 kilometers by road from Arua, on the Ugandan border. Jersey-based Randgold, which is also AngloGold Ashanti s partner at the Morila gold mine in Mali, is the operator and project manager at Kibali. The project does not currently produce any gold. Furthermore the company does not purchase gold or other conflict minerals from any local mining companies and/or artisanal miners.

Key statistics Kibali

		2011
Ore Reserve	Moz	4.52
Capital expenditure	$m	73

Progress

By the end of 2011, the construction crew had started mobilizing on site, a process that was substantially completed by the end of the first quarter of 2012. Long-lead plant and equipment items were secured, key contractors selected and a development management team assembled.

The Kibali mine is expected to comprise an integrated open pit and underground mining operation, feeding a larger 6 million tonnes a year processing plant which is expected to include a full flotation section for treating sulfide ore. The complex is ultimately expected to be supplied by four hydropower stations supported by a thermal power station for low rainfall periods and back-up. The core capital program is scheduled to run over the next four years.

Phase 1 of the project, which is expected to end with the delivery of the mine s first gold production, is expected to consist of the construction of the metallurgical facility, one hydropower station and back-up thermal power facility, a tailings storage facility, and all shared infrastructure as well as relocation of villages and open-pit mining. This phase is expected to run over a two-year period.

Phase 2, which is expected to run concurrently with Phase 1 but extend over four years, is expected to focus primarily on development of the underground mine and include a twin-decline and vertical shaft system, along with three hydropower stations.

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Mongbwalu

Description

The Mongbwalu gold project in the northeastern DRC is a venture between AngloGold Ashanti, which owns an 86.22 percent interest and Société des Mines d Or de Kilo-Moto (SOKIMO), the DRC s state-owned gold company, which owns the balance. The deposit lies about 48 kilometers northwest of the town of Bunia, a staging point for the project. Preparatory work at the project has been completed.

The venture holds 18 tenements which, at the end of the year, covered an extensive area of 5,487m^2. About 600 people are currently employed on site.

Progress

The preliminary scoping work envisaged an initial underground mine in the Adidi area of the resource, with the necessary infrastructure designed to generate cash flow to fund further exploration and expansion activities within the demarcated area belonging to the venture.

The feasibility study for the project was completed in March 2011, after which the business and technical development teams conducted the normal optimization process through the balance of the year. The final feasibility study and integrated execution schedule was submitted to the Board of the venture company in March and approved by the Board as submitted.

Regional exploration continued on the 5,487km^2 Kilo concession. The brownfield exploration team continued drilling in support of the project on the Adidi and Kanga Mineral Resource. Greenfield exploration activities continued on five targets, namely Lodjo, Issuru, Dala, Alosi Camp 3 and Petsi. An IP survey was completed for Camp 3 (Kilo Central) while diamond drilling continued at Pili Pili (Pluto North-Issuru). Trenching and soil sampling continued in Kilo Central and Kilo North.

Australasia Australia

Tropicana

Description

The Tropicana project, an unincorporated joint venture between AngloGold Ashanti Australia Ltd (70 percent) and Independence Group NL (30 percent), is located 330 kilometers eastnortheast of Kalgoorlie in Western Australia. The project is managed by AngloGold Ashanti on behalf of the joint venture partners.

Key statistics Tropicana

		2011
Ore Reserve	Moz	2.74
Capital expenditure	$m	73

Progress

The project development approval was obtained in November 2010 at a total attributable capitalized development cost of A$530 million.

Lycopodium Minerals was engaged in early 2011 to provide engineering, procurement and construction management services to develop the infrastructure and processing plant. Macmahon was awarded the mining contract and is responsible for the design and establishment of the infrastructure required to support mining operations.

By December 31, 2011, the project had progressed to schedule and within the approved budget. All regulatory approvals were obtained. The necessary infrastructure, including access road, airstrip, accommodation village and telecommunications services were at advanced stages of development. Full transportation access to the site was achieved.

As at December 31, 2011, engineering and design for processing plant and infrastructure was approximately 75 percent complete, procurement of all equipment was 90 percent complete and the delivery of the equipment was in line with the project schedule.

Construction of the processing plant began in late 2011. Bulk earthworks for the plant site and internal access roads and concrete works commenced in early 2012.

Achievements

Significant achievements for 2011 included the delineation of additional pre-inferred gold ounces in Guinea and the resumption of drilling at the Quebradona project in Colombia.

Considerable progress was also made in advancing AngloGold Ashanti s greenfield exploration portfolio elsewhere in 2011. Following the company s entry into four new regions in 2009, 2011 saw rapid progress in the delineation of exploration targets, license applications and associated approvals and exploration activities, including drilling, airborne and ground geophysics and diamond drilling.

Encouraging drilling and trench results have been received from Egypt, Guinea, the DRC and the Solomon Islands.

Following the La Colosa, Gramalote, Tropicana-Havana and Mongbwalu discoveries, greenfield exploration teams are targeting new discoveries in Colombia, Australia and the DRC. At the same time, prospects in Guinea and Egypt have advanced from early stage to tangible projects, where multiple intersections of potentially economic gold mineralization have been intersected.

Expansion

During the course of 2011, AngloGold Ashanti entered into a number of new joint ventures and strategic alliances. These new ventures include the Nome joint venture in Alaska, the Gordon joint venture in Ethiopia as well as joint ventures in Saudi Arabia.

Initiatives to enhance the success of the greenfield exploration team included a rigorous assessment of the existing exploration portfolio. The work focused on establishing the appropriate split between frontier, emerging and known geological terranes. As a consequence, the team is well positioned to increase drilling on both existing and new projects that were at or near drill-ready stage in 2011.

To further improve decision-making processes in project and portfolio management, a global portfolio management process is being implemented to encompass both technical and commercial gating elements.

COLOMBIA

The synthesis of proprietary airborne and ground geophysical and geochemical data sets built up over the last decade of AngloGold Ashanti s involvement in Colombia has facilitated consolidation of a tenement portfolio with a robust project pipeline.

The principal area of focus has been to advance exploration on a number of key projects in Colombia. This has included further mapping and airborne surveys over the Anaima-Tocha project area, covering some 600km^2 predominantly to the north of La Colosa. It is anticipated that a number of drill-ready projects will be explored in 2012 once permits have been obtained. Elsewhere in Colombia, the completion of airborne magnetics and radiometrics and further mapping has resulted in new targets being defined and drilled at Quebradona (AngloGold Ashanti/B2Gold joint venture). Here a total of 4,711 meters was drilled targeting porphyry gold-copper mineralization.

Elsewhere in Colombia, exploration among others was undertaken on the Rio Dulce and La Llanada tenement groups.

CANADA

In Canada, exploration continued on properties forming part of the superior joint venture with Laurentian Goldfields, where drill testing of targets generated by lake sediment geochemistry was completed in late 2011 in the Goldpines South joint venture. On the Baffin Island joint venture with Commander Resources, exploration work was limited to mapping and IP surveys on specific targets.

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BRAZIL

In Brazil, early stage exploration comprised of mapping and regional geochemical programs was undertaken on the wholly owned Jurena Belt tenements. The Falcão joint venture with Horizonte Minerals commenced drill testing of greenstone hosted gold mineralization, using a combination of aeromagnetic interpretations and gold-in-soil geochemistry to target initial drill holes. A total of 15 diamond holes for a total of 3,663 meters were completed in 2011. The drill testing produced some encouraging early results but no ore grade intercepts.

DEMOCRATIC REPUBLIC OF THE CONGO

In the DRC, AngloGold Ashanti holds an 86.22 percent interest in Ashanti Goldfields Kilo (AGK), while the remaining 13.78 percent is held by the state-owned gold company SOKIMO. Of the 7,443km^2 previously held under exploitation licenses by SOKIMO, 5,447km^2 have been transferred to AGK under the terms of an agreement with the government, with 399km^2 pending transfer at the end of the year. Significant progress was made with regional soil geochemistry programs that are expected to provide significant coverage over much of the landholding during 2012. This, combined with detailed geologic mapping and structural interpretation, has enabled the ranking and prioritization of drill targets. During 2011, a total of 4,009 diamond meters were drilled, with some encouraging results. A total of 789 trench samples were taken at a number of prospects, some of which returned promising gold grades.

GABON

In Gabon, AngloGold Ashanti is conducting exploration on an exclusive basis on the Ndjole and Mevang properties in partnership with Silver Bull Resources (formally Dome Ventures). The work has comprised regional geochemical sampling programs and completion of a diamond drilling program on the Ndjole license.

MIDDLE EAST AND NORTH AFRICA (MENA)

In the Middle East and North Africa, exploration is conducted through a regional strategic alliance with Dubai based Thani Investments. Since the inception of the alliance in mid-2009, significant progress has been made on advancing exploration projects on the Wadi Kareem and Hodine concessions in Egypt. The Hutite project, located on the Hodine concession, is an orogenic gold deposit where the alliance has to date completed 54 diamond holes for a total of 12,352 meters. Visible gold and significant intercepts have been returned from many of the completed diamond holes. Mineralization extends over a strike length greater than 1.6 kilometers.

In Eritrea, AngloGold Ashanti is currently reviewing its investment. Exploration in partnership with Stratex International was conducted for epithermal gold mineralization in the Afar depression of Ethiopia where the first-phase drill program intersected encouraging low- to moderate-tenor gold mineralization.

The alliance has continued with project generation activities in Saudi Arabia and a number of license applications have been made.

CHINA

In China AngloGold Ashanti is in the process of divesting its 70 percent interest in Gansu Longxin Minerals CJV located in the Gansu Province of western China. All active exploration activities in China have been concluded.

AUSTRALIA

The Tropicana joint venture (AngloGold Ashanti 70 percent, Independence Group NL 30 percent) is systematically targeting a belt of tectonically reworked Archaean and Proterozoic rocks on the eastern margin of the Yilgarn Craton, Western Australia. Greenfields exploration in the Tropicana joint venture during 2011 focused on regional aircore drilling and reverse circulation/ diamond drilling of seven priority targets. A number of prospects have been identified for further work including the Iceberg prospect, located 35 kilometers south of the Tropicana Gold Mine, where aircore and RC drilling identified mineralization. Best results include 20 meters @ 1 gram per tonne Au from 32 meters.

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The wholly owned Viking project covers the interpreted southeast extensions of the Tropicana belt. Exploration during 2011 included airborne magnetics/radiometrics, regional auger sampling and aircore drilling of selected targets. Several auger anomalies have been identified for drill testing.

In Australia, a total of 2,231 Aircore/RAB holes were drilled for 102,278 meters, 109 reverse circulation holes for 15,945 meters and six diamond holes for 1,032 meters. In addition, 18,417 surface auger samples were collected, 30,861-line kilometers of aeromagnetic and radiometric surveys were flown and 1,223 line kilometers of ground gravity data were acquired.

SOLOMON ISLANDS

In the Solomon Islands, where AngloGold Ashanti is in joint venture with XDM Resources, an extensive land position is held over the New Georgia Island chain. Work has been focused on specific epithermal and porphyry targets, including Vulu, Mase and Konga. The potential for substantive epithermal gold mineralization appears limited in the Vulu area. Exploration will now focus on the broader region in anticipation of securing additional land access agreements. The joint ventures collectively cover 1,707km^2 in the New Georgia Belt, effectively consolidating the entire island chain. Exploration activities in 2011 included drilling 4,911 meters, trenching, field mapping, soil and rock chip sampling, spectral studies and airborne electromagnetic surveying.

ANGLOGOLD ASHANTI / DE BEERS JOINT VENTURE

Results from the seafield sampling campaign in New Zealand were analyzed and although offshore gold was detected, the grades did not warrant any further follow up work. Subsequently, a decision was made to relinquish the offshore prospecting licenses.

Exploration activities in the South African sea areas (SASA) offshore concessions of ~28,000km^2 entailed the following:

- Logging, sampling and the assay of a large number of historical vibro cores and samples;
- A geophysical survey campaign of ~3,300 kilometres of seismic data;
- An 11-day vibrocoring campaign during which 38 cores were collected; and
- A reconnaissance field trip to the west coast of South Africa.

All of the above was used to complete a geological and mineralization model which was used to derive exploration targets for the coring campaign that began during December 2011 and was completed during February 2012.

4C. ORGANIZATIONAL STRUCTURE
GROUP STRUCTURE

AngloGold Ashanti s operations are divided into the following regions:

South Africa operations in Vaal River and West Wits;
Continental Africa operations in Ghana, Guinea, Mali, Namibia and Tanzania;
Australasia operation in Australia; and
Americas operations in Argentina, Brazil and the United States.
The above four regions also correspond to AngloGold Ashanti s four business segments.

Management of the group is entrusted to AngloGold Ashanti s executive committee which is chaired by the Chief Executive Officer, comprising the two executive directors, nine executive vice presidents and one senior vice president. See Item 6.: Directors, executive management and employees .

Support is provided to the executive committee in managing AngloGold Ashanti s corporate activities at both the central and local levels. Activities managed centrally include strategic and business planning, marketing, corporate finance, treasury, exploration, technology and innovation, corporate secretarial and corporate affairs. Specialized services directed from the center but managed by local operations include mining, engineering, metallurgy, mineral resource management, safety and health, the environment and human resources.

SUBSIDIARIES

AngloGold Ashanti has investments in numerous principal subsidiaries and joint venture interests, see Item 19.: Exhibits Exhibit 19.8 List of AngloGold Ashanti Limited subsidiaries for details.

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4D. PROPERTY, PLANTS AND EQUIPMENT

For a discussion of AngloGold Ashanti s mining properties, plant and equipment, see Item 4B.: Business Overview Operating performance .

ORE RESERVES

The combined Proven and Probable Ore Reserve of the group amounted to 75.6 million ounces as at December 31, 2011.

Ore Reserve estimates are reported in accordance with the requirements of the SEC s Industry Guide 7. Accordingly, as of the date of reporting, all Ore Reserves are planned to be mined out under the life-of-mine plans within the period of AngloGold Ashanti s existing rights to mine, or within the renewal periods of AngloGold Ashanti s rights to mine. In addition, as of the date of reporting, all Ore Reserves are covered by required permits and governmental approvals. See Item 4B: Business overview The regulatory environment enabling AngloGold Ashanti to mine .

AngloGold Ashanti has standard procedures for the estimation of Ore Reserves. These standard procedures are performed by technical personnel at the mining operations and reviewed by regional and corporate competent persons.

In the case of its underground mines, the procedure is as follows: Firstly, gold content and tonnage are estimated for in-situ mineralized material at a mining operation. This mineralized material is not necessarily economically viable. Exclusions on the grounds of safety (for example, stability pillars and shaft pillars) are then defined. Grade and tonnage curves specific for each of the deposits, in conjunction with parameters such as the cost structure; yield; mine call factor and gold price estimates are used to determine an optimal mining mix. This process facilitates the determination of the average grade to be mined by each operation. This grade is then applied to the grade-tonnage curves, which in turn facilitates the determination of the cut-off grade and Ore Reserve tonnage for the operation. A full mine design is carried out on the blocks of mineralized material, excluding large mining areas that do not meet the cut-off grade criterion. This mining plan is reviewed to ensure that it satisfies the economic criterion and practical limitations of access and timing. If the review process is positive then the mineralized material (with dilution) included in the mining plan is declared and published as the Ore Reserve for that operation. In the case of open-pit mines the procedure is as follows: revenue and costs are calculated for each mining block within a three-dimensional model of the orebody using assumed values for gold price, operating costs and metallurgical recoveries. An optimization process is then applied to determine the combination of blocks within the model that make a positive contribution under these assumptions. Block selection is within a shell whose limits are defined by the planned slope angles of the pit. Within this process, a cut-off grade is applied which determines the ore blocks to be treated and included in the Ore Reserves. These blocks are scheduled with consideration being given to practical mining considerations and limitations. Scheduled ore blocks that are classified as Proven or Probable constitute the Ore Reserve.

The gold price and exchange rate used for 2011 and 2010 Reserves are outlined in the following table.

	2011 (3 year average)	**2011 (Business Plan)**	**2010 (3 year average)**	**Units**
Reserve Gold Price	1,256	1,100	1,015	US$/oz
Exchange Rate South Africa	7.64	7.63	8.00	ZAR/US$
Reserve Gold Price (South African rand per ounce)	9,479	8,393	8,120	ZAR/oz

The Ore Reserves have been determined using the company s business plan assumptions - a gold price of $1,100 per ounce and a South African rand exchange rate of 7.63 to the US dollar, which translates to a South African rand gold price of ZAR8,393 per ounce.

As in prior years, the Ore Reserves determined from the planning process were then tested for economic viability at the three-year historical average gold price and currency exchange rates shown in the above table for determining SEC compliant Ore Reserves. This did not result in any changes. The resultant SEC compliant Proven and Probable Ore Reserves are shown in the following pages.

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In Australia and South Africa, AngloGold Ashanti is legally required to publicly report Ore Reserves and Mineral Resources according to the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 2004 Edition) and the South African Code for Reporting of Mineral Resources and Ore Reserves (The SAMREC Code, 2007 Edition). The SEC s Industry Guide 7 does not recognize Mineral Resources. Accordingly, AngloGold Ashanti does not report estimates of Mineral Resources in this annual report on Form 20-F.

The AngloGold Ashanti Ore Reserve increased from 71.2 million ounces in 2010 to 75.6 million ounces in December 2011. A year-on-year increase of 9.6 million ounces occurred before the subtraction of 5.2 million ounces for depletion, resulting in an increase of 4.4 million ounces after the subtraction of depletion. A gold price of $1,100 per ounce (ZAR8,393 per ounce) was used for Ore Reserve estimates (2010: $850 per ounce, ZAR7,404 per ounce).

The principal changes in AngloGold Ashanti s Ore Reserves as at December 31, 2011 compared with those published as at December 31, 2010 are as follows:

Ore Reserve		**Million oz**
Ore Reserves as at December 31, 2010		**71.2**
Reductions		
Moab Khotsong	Depletion and minor model revision	(0.5)
Other	Total of non-significant changes	(1.1)
Additions		
Geita	Improved Ore Reserve price	0.5
Cripple Creek & Victor	Mine Life Extension added to Ore Reserve	0.5
Vaal River Surface	Technical studies showed that the economic extraction of gold and uranium from the tailings is viable	3.2
Other	Total of non-significant changes	1.7
Ore Reserves as at December 31, 2011		**75.6**

Rounding may result in computational differences.

AngloGold Ashanti will continue to pursue a strategy of increasing value-adding Ore Reserves through expansion projects, brownfields and greenfields exploration and acquisition of new assets.

The Ore Reserve estimates in this document include Ore Reserves below current infrastructure in the case of certain South African, Brazilian and Ghanaian underground mines which are in production. These Ore Reserves have been determined based upon completed economic studies.

By-products

Several by-products are recovered as a result of the processing of gold Ore Reserves. These include 126.32 million pounds of uranium oxide from the South African operations, 0.45 million tons of sulfur from Brazil and 46.93 million ounces of silver from Argentina. Details of by-product Ore Reserves are given in the Mineral Resource and Ore Reserve Report 2011, which is available on the corporate website.

External Audit of Mineral Resource and Ore Reserve Statement

During the course of the year the following AngloGold Ashanti operations were subjected to external audits by a number of consulting companies:

- AGA Mineração
- Cripple Creek & Victor
- Geita
- Moab Khotsong
- Mponeng
- Obuasi
- Siguiri
- Tropicana

The company has been informed that the audits identified no material shortcomings in the process by which AngloGold Ashanti s grade models were evaluated. It is the company s intention to continue a process whereby each of its operations will be audited, on average, every three years.

Competent Persons

The information in this report that relates to Ore Reserves is based on information compiled by the Competent Persons. The Competent Persons consent to the inclusion of Exploration Results and Ore Reserves information in this report, in the form and context in which it appears.

During the past decade, the company has developed and implemented a rigorous system of internal and external reviews of Exploration Results, Mineral Resources and Ore Reserves. A chain of responsibility exists from the Competent Persons at the operations to the company s Mineral Resource and Ore Reserve Steering Committee. Accordingly, the Chairman of the Mineral Resource and Ore Reserve Steering Committee, VA Chamberlain, MSc (Mining Engineering), BSc Hons (Geology), MGSSA, FAusIMM, assumes responsibility for the Mineral Resource and Ore Reserve processes for AngloGold Ashanti and is satisfied that the Competent Persons have fulfilled their responsibilities.

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Ore Reserves: Imperial	At December 31, 2011						
	Proven Ore Reserves (1)			Probable Ore Reserves (1)(2)			Metallurgical Recovery Factor
	Tons(5) (mill)	Grade (oz/ton)	Gold Content (1) (mill oz)	Tons (5) (mill)	Grade (oz/ton)	Gold Content (1) (mill oz)	percent
South Africa							
***Vaal River* (6)**							
Great Noligwa	3.66	0.229	0.84	1.57	0.183	0.29	95.8
Kopanang	2.05	0.197	0.40	12.78	0.187	2.39	96.5
Moab Khotsong (2)	1.50	0.303	0.46	21.10	0.310	6.54	96.5
West Wits							
Mponeng (2)	5.09	0.276	1.41	41.99	0.300	12.62	98.2 (4)
Savuka	-	-	-	2.60	0.231	0.60	97.4
TauTona	0.81	0.346	0.28	6.19	0.265	1.64	97.4
Surface							
Surface sources	-	-	-	546.11	0.009	4.96	76-88 (4)
Continental Africa							
Democratic Republic of Congo							
Kibali (45 percent) (3)	-	-	-	36.86	0.123	4.52	84.5; 91.3 (10)
Ghana							
Iduapriem	31.52	0.038	1.21	29.59	0.045	1.34	95.0
Obuasi (2)	15.58	0.194	3.02	29.87	0.212	6.34	85.0
Guinea							
Siguiri (85 percent) (3)	39.38	0.018	0.70	79.56	0.020	1.61	92 (4)
Mali							
Morila (40 percent) (3)	0.63	0.050	0.03	2.95	0.033	0.10	88.8-89.0 (4)
Sadiola (41 percent) (3)	4.69	0.060	0.28	43.72	0.046	2.02	78-97.0
Yatela (40 percent) (3)	0.41	0.019	0.01	0.88	0.051	0.05	84.8
Namibia							
Navachab	6.96	0.032	0.22	48.70	0.038	1.83	69.5 ; 86.7 (9)
Tanzania							
Geita	-	-	-	62.10	0.076	4.74	46-91 (4)
Australasia							
Australia							
Sunrise Dam(3)	16.35	0.034	0.55	8.33	0.117	0.97	84.8-86 (4)
Tropicana (70 percent)(3)	19.87	0.067	1.33	23.61	0.060	1.41	90.3
Americas							
Argentina							
Cerro Vanguardia (92.5 percent)(3)(7)	11.64	0.040	0.46	14.16	0.124	1.76	95.0
Brazil							
AGA Mineraçáo(2)(8)	5.78	0.182	1.05	7.51	0.140	1.05	88-93 (4)
Serra Grande (50 percent)(3)	2.05	0.098	0.20	1.61	0.109	0.17	93.9
United States of America							
Cripple Creek & Victor	177.23	0.024	4.26	95.46	0.021	2.00	43-95 (4)
Total	345.20	0.048	16.72	1117.25	0.053	58.95	

(1) *Ore Reserves include marginally economic and diluting materials delivered for treatment and allow for losses that may occur during mining.*
(2) *Probable Ore Reserves include Ore Reserves below infrastructure. See table below.*
(3) *Ore Reserves attributable to AngloGold Ashanti s percentage interest shown.*

(4) *Recovery factor varies according to ore type.*
(5) *Tons refers to a short ton, which is equivalent to 2000lbs avoirdupois.*
(6) *The Vaal Reef Ore Reserves include 126.32 million pounds of Uranium oxide by-products; this cannot be accounted for by individual mine as Great Noligwa, Kopanang and Moab Khotsong feed to a combination of plants.*
(7) *The Ore Reserve contains 46.93 million ounces of silver to be recovered as a by-product.*
(8) *The Ore Reserve contains 0.45 million tons of sulfur to be recovered as a by-product.*
(9) *DMS plant and CIP plant, respectively.*
(10) *Open pit and underground mining, respectively.*

Rounding may result in computational differences.

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The 2011 Probable Ore Reserves include Ore Reserves below infrastructure in the case of the following underground mines currently in production:

Mine	Tons (millions)	Grade (ounces/ton)	Gold Content (million ounces)
Moab Khotsong	13.91	0.312	4.34
Mponeng	35.20	0.325	11.46
Obuasi	2.99	0.381	1.14
AGA Mineração	2.96	0.158	0.47
Total	55.06	0.316	17.40

Rounding may result in computational differences.

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Ore Reserves: Imperial	At December 31, 2010						
	Proven Ore Reserves (1)			Probable Ore Reserves (1)(2)			Metallurgical Recovery Factor percent
	Tons(5) (mill)	Grade (oz/ton)	Gold Content (1) (mill oz)	Tons (5) (mill)	Grade (oz/ton)	Gold Content (1) (mill oz)	
South Africa							
***Vaal River* (6)**							
Great Noligwa	4.44	0.225	1.00	1.98	0.210	0.42	96.0
Kopanang	1.37	0.230	0.31	14.71	0.190	2.79	95.6
Moab Khotsong (2)	2.03	0.305	0.62	18.57	0.370	6.87	95.4-95.6 (4)
West Wits							
Mponeng (2)	4.58	0.234	1.07	43.96	0.292	12.83	97.4-98.2 (4)
Savuka	0.09	0.147	0.01	3.60	0.181	0.65	97.0
TauTona	0.75	0.226	0.17	7.01	0.269	1.89	97.2
Surface							
Surface sources	-	-	-	121.79	0.014	1.74	40-88 (4)
Continental Africa							
Democratic Republic of the Congo							
Kibali (45 percent) (3)	-	-	-	36.86	0.123	4.52	84.5; 91.3 (10)
Ghana							
Iduapriem	32.21	0.039	1.26	27.23	0.045	1.24	95.0
Obuasi (2)	16.30	0.195	3.18	27.12	0.212	5.75	85.0
Guinea							
Siguiri (85 percent) (3)	43.05	0.018	0.78	74.34	0.021	1.60	90-95 (4)
Mali							
Morila (40 percent) (3)	2.59	0.049	0.13	2.95	0.033	0.10	89.0
Sadiola (41 percent) (3)	2.57	0.086	0.22	38.88	0.053	2.08	76-96 (4)
Yatela (40 percent) (3)	0.31	0.023	0.01	1.36	0.052	0.07	75-85 (4)
Namibia							
Navachab	15.73	0.030	0.47	32.78	0.042	1.38	69.5 ;86.5 (9)
Tanzania							
Geita	-	-	-	45.10	0.093	4.21	46-89 (4)
Australasia							
Australia							
Sunrise Dam(3)	7.93	0.050	0.40	7.38	0.133	0.98	85.5-86 (4)
Tropicana (70 percent)(3)	18.57	0.066	1.23	18.41	0.062	1.13	90.3
Americas							
Argentina							
Cerro Vanguardia (92.5 percent)(3)(7)	10.51	0.036	0.37	9.45	0.155	1.47	95.0
Brazil							
AGA Mineraçáo(2)(8)	5.45	0.197	1.07	6.70	0.160	1.07	93.0
Serra Grande (50 percent)(3)	2.17	0.100	0.22	1.45	0.121	0.18	90.9-94.9 (4)
United States of America							
Cripple Creek & Victor	162.25	0.024	3.84	86.81	0.022	1.89	43-95 (4)
Total	332.90	0.049	16.34	628.45	0.087	54.86	

(1) *Ore Reserves include marginally economic and diluting materials delivered for treatment and allow for losses that may occur during mining.*
(2) *Probable Ore Reserves include Ore Reserves below infrastructure. See table below.*
(3) *Ore Reserves attributable to AngloGold Ashanti s percentage interest shown.*

(4) *Recovery factor varies according to ore type.*
(5) *Tons refers to a short ton, which is equivalent to 2000lbs avoirdupois.*
(6) *The Vaal Reef Ore Reserves include 47.6 million pounds of Uranium oxide by-products; this cannot be accounted for by individual mine as Great Noligwa, Kopanang and Moab Khotsong feed to a combination of plants.*
(7) *The Ore Reserve contains 34.6 million ounces of silver to be recovered as a by-product.*
(8) *The Ore Reserve contains 0.49 million tons of sulfur to be recovered as a by-product.*
(9) *DMS plant and CIP plant, respectively.*
(10) *Open pit and underground mining, respectively.*

Rounding may result in computational differences.

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The 2010 Probable Ore Reserves include Ore Reserves below infrastructure in the case of the following underground mines currently in production:

Mine	Tons (millions)	Grade (ounces/ton)	Gold Content (million ounces)
Moab Khotsong	11.47	0.366	4.19
Mponeng	34.06	0.311	10.58
Obuasi	2.99	0.381	1.14
AGA Mineração	3.54	0.172	0.61
Total	52.06	0.317	16.53

Rounding may result in computational differences.

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Ore Reserves: Metric	At December 31, 2011						
	Proven Ore Reserves[1]			Probable Ore Reserves[1][2]			Metallurgical
	Tonnes[6]	Grade	Gold Content	Tonnes	Grade	Gold Content	Recovery factor
	(mill)	(g/t)	(tonnes)	(mill)	(g/t)	(tonnes)	percent
South Africa							
***Vaal River*[5]**							
Great Noligwa	3.32	7.845	26.06	1.42	6.266	8.90	95.8
Kopanang	1.86	6.752	12.54	11.59	6.421	74.43	96.5
Moab Khotsong[2]	1.36	10.402	14.16	19.14	10.632	203.52	96.5
West Wits							
Mponeng[2]	4.62	9.471	43.73	38.09	10.302	392.47	98.2[4]
Savuka	-	-	-	2.36	7.903	18.67	97.4
TauTona	0.73	11.854	8.68	5.61	9.084	50.99	97.4
Surface							
Surface sources	-	-	-	495.42	0.312	154.43	76-88[4]
Continental Africa							
Democratic Republic of the Congo							
Kibali (45 percent) [3]	-	-	-	33.44	4.207	140.69	84.5; 91.3 [10]
Ghana							
Iduapriem	28.59	1.318	37.70	26.85	1.555	41.74	95.0
Obuasi[2]	14.13	6.656	94.07	27.10	7.281	197.31	85.0
Guinea							
Siguiri (85 percent)[3]	35.72	0.613	21.90	72.18	0.692	49.97	92[4]
Mali							
Morila (40 percent)[3]	0.57	1.709	0.98	2.67	1.136	3.04	88.8-89.0[4]
Sadiola (41 percent)[3]	4.26	2.047	8.71	39.66	1.583	62.76	78-97.0
Yatela (40 percent)[3]	0.37	0.635	0.24	0.80	1.752	1.40	84.8
Namibia							
Navachab	6.31	1.091	6.88	44.18	1.287	56.88	69.5 ; 86.7[9]
Tanzania							
Geita	-	-	-	56.34	2.618	147.47	46-91[4]
Australasia							
Australia							
Sunrise Dam	14.84	1.162	17.24	7.56	3.996	30.20	84.8-86[4]
Tropicana (70 percent)[3]	18.03	2.299	41.45	21.42	2.043	43.75	90.3
Americas							
Argentina							
Cerro Vanguardia (92.5 percent)[3][7]	10.56	1.354	14.30	12.85	4.252	54.64	95.0
Brazil							
AGA Mineraçáo[8]	5.25	6.228	32.68	6.81	4.808	32.74	88-93[4]
Serra Grande (50 percent) [3]	1.86	3.355	6.24	1.46	3.724	5.43	93.9
United States of America							
Cripple Creek & Victor	160.78	0.824	132.48	86.60	0.717	62.06	43-95[4]
Total	313.16	1.661	520.04	1013.56	1.809	1833.51	

(1) *Ore Reserves include marginally economic and diluting materials delivered for treatment and allow for losses that may occur during mining.*
(2) *Probable Ore Reserves include Ore Reserves below infrastructure. See table below.*
(3) *Ore Reserves attributable to AngloGold Ashanti s percentage interest shown.*
(4) *Recovery factor varies according to ore type.*
(5) *The Vaal Reef Ore Reserves include 57.3 thousand tonnes of Uranium oxide by-products; this cannot be accounted for by individual mine as Great Noligwa, Kopanang and Moab Khotsong feed to a combination of plants.*
(6) *Tonnes refers to a metric tonne which is equivalent to 1000 kilograms.*
(7) *The Ore Reserve contains 1 459 tonnes of silver to be recovered as a by-product.*
(8) *The Ore Reserve contains 0.41 million tonnes of sulfur to be recovered as a by-product.*
(9) *DMS plant and CIP plant, respectively.*
(10) *Open pit and underground mining, respectively.*
Rounding may result in computational differences.

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The 2011 Probable Ore Reserves include Ore Reserves below infrastructure in the case of the following underground mines currently in production:

Mine	Tonnes (millions)	Grade (grams/tonne)	Gold Content (tonnes)
Moab Khotsong	12.62	10.70	134.95
Mponeng	31.93	11.16	356.30
Obuasi	2.71	13.08	35.49
AGA Mineração	2.68	5.43	14.57
Total	49.95	10.84	541.31

Rounding may result in computational differences.

Ore Reserves: Metric	At December 31, 2010						
	Proven Ore Reserves(1)			Probable Ore Reserves(1)(2)			Metallurgical
	Tonnes(6) (mill)	Grade (g/t)	Gold Content (tonnes)	Tonnes (mill)	Grade (g/t)	Gold Content (tonnes)	Recovery factor percent
South Africa							
Vaal River(5)							
Great Noligwa	4.03	7.71	31.06	1.80	7.20	12.95	96.0
Kopanang	1.24	7.87	9.76	13.35	6.51	86.84	95.6
Moab Khotsong(2)	1.84	10.46	19.26	16.84	12.69	213.71	95.4-95.6(4)
West Wits							
Mponeng(2)	4.15	8.01	33.27	39.88	10.01	399.19	97.4-98.2(4)
Savuka	0.08	5.05	0.42	3.27	6.20	20.29	97.0
TauTona	0.68	7.73	5.29	6.36	9.23	58.66	97.2
Surface							
Surface sources	-	-	-	110.49	0.49	54.10	40-88(4)
Continental Africa							
Democratic Republic of the Congo							
Kibali (45 percent) (3)	-	-	-	33.44	4.21	4.52	84.5; 91.3 (10)
Ghana							
Iduapriem	29.22	1.34	39.09	24.70	1.56	38.49	95.0
Obuasi(2)	14.79	6.68	98.76	24.60	7.27	178.79	85.0
Guinea							
Siguiri (85 percent)(3)	39.05	0.62	24.38	67.44	0.74	49.71	90-95(4)
Mali							
Morila (40 percent)(3)	2.35	1.68	3.93	2.68	1.14	3.04	89.0
Sadiola (41 percent)(3)	2.33	2.95	6.88	35.27	1.83	64.59	76-96(4)
Yatela (40 percent)(3)	0.28	0.79	0.22	1.24	1.78	2.20	75-85(4)
Namibia							
Navachab	14.27	1.02	14.49	29.74	1.45	42.99	69.5 ; 86.5(9)
Tanzania							
Geita	-	-	-	40.92	3.20	131.06	46-89(4)
Australasia							
Australia							
Sunrise Dam	7.20	1.71	12.30	6.69	4.56	30.53	85.5-86(4)
Tropicana (70 percent)(3)	16.85	2.26	38.16	16.70	2.11	35.29	90.3
Americas							
Argentina							
Cerro Vanguardia (92.5 percent)(3)(7)	9.54	1.22	11.63	8.57	5.32	45.62	95.0
Brazil							
AGA Mineraçáo(8)	4.94	6.74	33.34	6.08	5.50	33.41	93.0
Serra Grande (50 percent) (3)	1.96	3.42	6.72	1.32	4.15	5.47	92.9-94.9(4)
United States of America							
Cripple Creek & Victor	147.19	0.81	119.37	78.76	0.75	58.76	43-95(4)
Total	302.00	1.68	508.32	570.12	2.99	1,706.39	

(1) *Ore Reserves include marginally economic and diluting materials delivered for treatment and allow for losses that may occur during mining.*
(2) *Probable Ore Reserves include Ore Reserves below infrastructure. See table below.*
(3) *Ore Reserves attributable to AngloGold Ashanti s percentage interest shown.*
(4) *Recovery factor varies according to ore type.*
(5) *The Vaal Reef Ore Reserves include 21.6 thousand tonnes of Uranium oxide by-products; this cannot be accounted for by individual mine as Great Noligwa, Kopanang and Moab Khotsong feed to a combination of plants.*
(6) *Tonnes refers to a metric tonne which is equivalent to 1000 kilograms.*
(7) *The Ore Reserve contains 1 078 tonnes of silver to be recovered as a by-product.*
(8) *The Ore Reserve contains 0.44 million tonnes of sulfur to be recovered as a by-product.*
(9) *DMS plant and CIP plant, respectively.*
(10) *Open pit and underground mining, respectively.*
Rounding may result in computational differences.

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The 2010 Probable Ore Reserves include Ore Reserves below infrastructure in the case of the following underground mines currently in production:

Mine	Tonnes (millions)	Grade (grams/tonne)	Gold Content (tonnes)
Moab Khotsong	10.40	12.54	130.46
Mponeng	30.90	10.65	329.13
Obuasi	2.71	13.08	35.49
AGA Mineração	3.21	5.91	19.01
Total	47.22	10.89	514.09

Rounding may result in computational differences.

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Stockpiles: Imperial

Stockpiles are previously mined ore scheduled for future process plant feed. The Proven and Probable Ore Reserves include the following stockpile material:

Stockpiles	At December 31, 2011		
	Tons (million)	**Grade (ounces/ton)**	**Gold content (million ounces)**
South Africa			
Surface sources[2]	546.11	0.009	4.96
Continental Africa			
Ghana			
Iduapriem	6.28	0.027	0.17
Guinea			
Siguiri (85 percent) [1][3]	66.59	0.016	1.09
Mali			
Morila (40 percent) [1]	3.58	0.036	0.13
Sadiola (41 percent) [1]	4.69	0.060	0.28
Yatela (40 percent) [1]	0.41	0.019	0.01
Namibia			
Navachab	4.47	0.031	0.14
Tanzania			
Geita	12.16	0.036	0.43
Australasia			
Australia			
Sunrise Dam	15.92	0.033	0.53
Americas			
Argentina			
Cerro Vanguardia (92.5 percent) [1]	14.23	0.019	0.27
Brazil			
Serra Grande (50 percent) [1]	0.03	0.055	0.00

(1) *Ore Reserves attributable to AngloGold Ashanti s percentage interest shown.*
(2) *Centralized operations treating material on surface that was previously generated by several underground operations.*
(3) *Spent heap included in Ore Reserve.*
The rounding of figures and converting from metric to imperial units may result in minor computational discrepancies.

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Stockpiles: Imperial

Stockpiles are previously mined ore scheduled for future process plant feed. The Proven and Probable Ore Reserves include the following stockpile material:

Stockpiles	**At December 31, 2010**		
	Tons (million)	**Grade (ounces/ton)**	**Gold content (million ounces)**
South Africa			
Surface sources[2]	121.79	0.014	1.74
Continental Africa			
Ghana			
Iduapriem	4.29	0.030	0.13
Guinea			
Siguiri (85 percent) [1][3]	67.22	0.016	1.08
Mali			
Morila (40 percent) [1]	5.53	0.040	0.22
Sadiola (41 percent) [1]	2.57	0.086	0.22
Yatela (40 percent) [1]	0.26	0.019	0.00
Namibia			
Navachab	9.05	0.022	0.20
Tanzania			
Geita	7.57	0.032	0.24
Australasia			
Australia			
Sunrise Dam	7.26	0.049	0.35
Americas			
Argentina			
Cerro Vanguardia (92.5 percent) [1]	12.35	0.020	0.25
Brazil			
Serra Grande (50 percent) [1]	0.03	0.083	0.00

(1) *Ore Reserves attributable to AngloGold Ashanti s percentage interest shown.*
(2) *Centralized operations treating material on surface that was previously generated by several underground operations.*
(3) *Spent heap included in Ore Reserve.*
The rounding of figures and converting from metric to imperial units may result in minor computational discrepancies.

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Stockpiles: Metric

Stockpiles are previously mined ore scheduled for future process plant feed. The Proven and Probable Ore Reserves include the following stockpile material:

Stockpiles	**At December 31, 2011**		
	Tonnes (million)	**Grade (grams/tonne)**	**Gold content (tonnes)**
South Africa			
Surface sources[2]	495.42	0.312	154.43
Continental Africa			
Ghana			
Iduapriem	5.70	0.935	5.32
Guinea			
Siguiri (85 percent)[1][3]	60.41	0.562	33.94
Mali			
Morila (40 percent)[1]	3.25	1.237	4.02
Sadiola (41 percent)[1]	4.26	2.047	8.71
Yatela (40 percent)[1]	0.37	0.635	0.24
Namibia			
Navachab	4.06	1.063	4.31
Tanzania			
Geita	10.50	1.248	13.10
Australasia			
Australia			
Sunrise Dam	14.44	1.137	16.43
Americas			
Argentina			
Cerro Vanguardia (92.5 percent)[1]	12.91	0.642	8.28
Brazil			
Serra Grande (50 percent)[1]	0.03	1.890	0.05

(1) *Ore Reserves attributable to AngloGold Ashanti s percentage interest shown.*
(2) *Centralized operations treating material on surface that was previously generated by several underground operations.*
(3) *Spent heap included in Ore Reserve.*
The rounding of figures and converting from metric to imperial units may result in minor computational discrepancies.

Stockpiles: Metric

Stockpiles are previously mined ore scheduled for future process plant feed. The Proven and Probable Ore Reserves include the following stockpile material:

Stockpiles	**At December 31, 2010**		
	Tonnes (million)	**Grade (grams/tonne)**	**Gold content (tonnes)**
South Africa			
Surface sources[2]	110.49	0.49	54.10
Continental Africa			
Ghana			
Iduapriem	3.89	1.05	4.06
Guinea			
Siguiri (85 percent)[1][3]	60.98	0.55	33.62
Mali			
Morila (40 percent)[1]	5.02	1.39	6.97
Sadiola (41 percent)[1]	2.33	2.95	6.88
Yatela (40 percent)[1]	0.23	0.66	0.15
Namibia			
Navachab	8.21	0.77	6.31
Tanzania			
Geita	6.87	1.09	7.51
Australasia			
Australia			
Sunrise Dam	6.58	1.67	11.02
Americas			
Argentina			
Cerro Vanguardia (92.5 percent)[1]	11.20	0.70	7.83
Brazil			
Serra Grande (50 percent)[1]	0.03	2.83	0.08

(1) *Ore Reserves attributable to AngloGold Ashanti s percentage interest shown.*
(2) *Centralized operations treating material on surface that was previously generated by several underground operations.*
(3) *Spent heap included in Ore Reserve.*
The rounding of figures and converting from metric to imperial units may result in minor computational discrepancies.

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Drill hole spacing: Imperial

In determining the Proven and Probable Ore Reserves, AngloGold Ashanti applied the following drill hole spacings:

	Drill Hole Spacings	
	Proven Ore Reserves	**Probable Ore Reserves**
South Africa		
Underground sources	Ore body opened up, developed and sampled on a 7 to 10 foot spacing on raise lines and on a 16 x 16 grid thereafter	From a 131 x 131 foot spacing up to 3281 x 3281 foot spacing
Surface sources	Variable sampling strategies: Belt samplers, cross stream residue samplers and bulk sampling campaigns	Variable sampling strategies: Belt samplers, cross stream residue samplers
Continental Africa		
Ghana		
Iduapriem	164 x 164 feet, 164 x 328 feet	164 x 246 feet, 246 x 328 feet
Obuasi - Surface	66 x 66 feet	98 x 98 feet
Obuasi - Underground	66 x 66 feet	197 x 197 feet
Guinea		
Siguiri	16 x 33 feet	66 x 131 feet, 82 x 82 feet
Mali		
Morila	33 x 33 feet	98 x 98 feet
Sadiola	66 x 66 feet, 82 x 82 feet	82 x 164 feet
Yatela	33 x 33 feet, 82 x 82 feet	115 x 148 feet
Namibia		
Navachab	33 x 33 feet	82 x 164 feet
Tanzania		
Geita	16 x 33 feet, 33 x 33 feet	131 x 131 feet
Australasia		
Australia		
Sunrise Dam	33 x 33 feet, 82 x 82 feet	66 x 66 feet, 131 x 131 feet, 164 x 164 feet
Americas		
Argentina		
Cerro Vanguardia	41 x 41 feet	131 x 131 feet
Brazil		
AGA Mineraçáo	66 x 66 feet, 82 x 82 feet. Drilling pattern of 66 x 197 feet for the Cuiabá Expansion Project.	66 x 66 feet, 164 x 164 feet.
Serra Grande	33 x 33 feet, 33 x 66 feet	33 x 66 feet, 66 x 164 feet
United States of America		
Cripple Creek & Victor	<98 x 98 feet	>98 x 98 feet

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Drill hole spacing: Metric

In determining the Proven and Probable Ore Reserves, AngloGold Ashanti applied the following drill hole spacings:

	Drill Hole Spacings	
	Proven Ore Reserves	**Probable Ore Reserves**
South Africa		
Underground sources	Ore body opened up, developed and sampled on a 2 to 3 meter spacing on raise lines and on a 5 x 5 grid thereafter	From a 40 x 40 meter spacing up to 1000 x 1000 meter spacing
Surface sources	Variable sampling strategies: Belt samplers, cross stream residue samplers and bulk sampling campaigns	Variable sampling strategies: Belt samplers, cross stream residue samplers
Continental Africa		
Ghana		
Iduapriem	50 x 50 meter, 50 x 100 meter	50 x 75 meter, 75 x 100 meter
Obuasi Surface	20 x 20 meter	30 x 30 meter
Obuasi - Underground	20 x 20 meter	60 x 60 meter
Guinea		
Siguiri	5 x 10 meter	20 x 40 meter, 25 x 25 meter
Mali		
Morila	10 x 10 meter	30 x 30 meter
Sadiola	20 x 20 meter, 25 x 25 meter	25 x 50 meter
Yatela	10 x 10 meter, 25 x 25 meter	35 x 45 meter
Namibia		
Navachab	10 x 10 meter	25 x 25 meter
Tanzania		
Geita	5 x 10 meter, 10 x 10 meter	40 x 40 meter
Australasia		
Australia		
Sunrise Dam	10 x 10 meter, 25 x 25 meter	20 x 20 meter, 40 x 40 meter, 50 x 50 meter
Americas		
Argentina		
Cerro Vanguardia	12.5 x 12.5 meter	40 x 40 meter
Brazil		
AGA Mineraçáo	20 x 20 meter, 25 x 25 meter. Drilling pattern of 20 x 60 meter for the Cuiabá Expansion Project.	20 x 20 meter, 50 x 50 meter.
Serra Grande	10 x 10 meter, 10 x 20 meter	10 x 20 meter, 20 x 50 meter
United States of America		
Cripple Creek & Victor	<30 x 30 meter	>30 x 30 meter

ITEM 4A: UNRESOLVED STAFF COMMENTS

Not applicable.

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ITEM 5: OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion provides information that management believes is relevant to an assessment and understanding of the consolidated financial condition and results of operations of AngloGold Ashanti Limited under US GAAP for the three years ended and as at December 31, 2011, 2010 and 2009.

This item should be read in conjunction with the Company s consolidated financial statements and the notes thereto which are included under Item 18 of this annual report.

The principal accountant of AngloGold Ashanti has made reference to the work of other auditors in its report on the consolidated financial statements of AngloGold Ashanti Limited for the year ended December 31, 2010 and therefore in compliance with Regulation S-X Rule 2-05 the separate report of the other auditor is included in Item 18.

Overview

AngloGold Ashanti is a global gold mining company headquartered in Johannesburg, South Africa. AngloGold Ashanti s main product is gold. As part of extracting gold the Company also produces silver, uranium oxide and sulfuric acid as by-products. The Company sells its products on world markets.

AngloGold Ashanti conducts gold-mining operations in the following regions, which represent its business segments:

South Africa (comprising the Vaal River and West Wits operations)
Continental Africa (comprising Ghana, Guinea, Mali, Namibia and Tanzania operations)
Australasia (comprising Australia)
Americas (comprising Argentina, Brazil and United States of America)

In particular, AngloGold Ashanti has 20 operations in the four regions comprising open-pit and underground mines and surface metallurgical plants, which are supported by extensive, yet focused, exploration activities. For more information on the Company s business and operations, see Item 4B.: Business Overview Products, operations and geographical locations .

As at December 31, 2011 the Company had on an attributable basis, Proven and Probable Ore Reserves of approximately 75.6 million ounces (including joint ventures). For the year ended December 31, 2011, AngloGold Ashanti had an attributable gold production of approximately 4.3 million ounces (including joint ventures).

AngloGold Ashanti s costs and expenses consist primarily of production costs, royalties, exploration, general and administration costs and depreciation, depletion and amortization. Production costs include labor, mining contracts, fuel, lubricants, power, consumable stores (which include explosives, timber, other consumables), utilities and costs of environmental rehabilitation. The Company s mining operations consist of deep-level underground mining methods as well as open-pit operations, both of which are labor intensive, therefore labor is a significant component of production costs.

Outlook

Gold production for 2012 is forecast to be between 4.3 million and 4.4 million ounces. Capital expenditure is expected to be approximately $2.2 billion to $2.3 billion in 2012 (2011: $1,527 million), of which 27 percent relates to South Africa, 40 percent to Continental Africa, 16 percent to the Americas, 14 percent to Australasia and 3 percent to other.

AngloGold Ashanti s results of operations, financial condition and prospects, as well as the company's ability to meet its targets, may be adversely affected by a number of factors, risks and uncertainties, some of which are beyond the company's control, including gold prices, exchange rate fluctuations, inflation, as well as political, mining and other risks. In particular production outlook is subject to, among other things, unplanned stoppages and safety related interventions, the stability and availability of power as well as other operational risks generally. Certain of these risks, uncertainties and other factors are described in Item 3D.: Risk factors . See also Note regarding forward-looking statements .

5A. OPERATING RESULTS
INTRODUCTION

In 2011, the gold market continued to be profoundly influenced by ongoing economic turmoil, particularly in the United States of America in the first half of the year and latterly by the Eurozone crisis triggered by the deterioration of the sovereign debt markets. This trend persisted until the fourth quarter, during which the situation in Europe deteriorated, the euro started slipping against the US Dollar in the face of the inability of the European countries to resolve the funding crisis and the gold price failed to react favorably to these conditions. Despite this trend in the fourth quarter of 2011, the year-end spot gold price gained 11 percent in 2011 compared to 2010 and averaged $1,572 per ounce in 2011, which is 28 percent higher than the average spot price of $1,227 per ounce in 2010. However, prospects for the gold market continued to deteriorate in the first quarter of 2012 as uncertainty about sovereign debt and inflation eased, European economic prospects improved, investor interest for gold slowed and physical demand in India decreased.

As AngloGold Ashanti had eliminated its hedge book in 2010, it had full exposure to the higher spot gold prices in 2011 as reflected in the increased net income for 2011 when compared to 2010, notwithstanding lower production levels, stronger exchange rates and increased costs.

Key factors affecting results

Gold prices

AngloGold Ashanti s operating results are directly related to the price of gold, which can fluctuate widely and is affected by numerous factors beyond its control, including investment, jewellery and industrial demand, expectations with respect to the rate of inflation, the strength of the US dollar (the currency in which the price of gold is generally quoted) and of other currencies, interest rates, actual or expected gold sales and purchases by central banks and the International Monetary Fund (IMF), global or regional political or economic events, and production and cost levels in major gold-producing regions. In addition, the price of gold is often subject to sharp, short-term changes because of speculative activities. The shift in gold demand from physical demand to investment and speculative demand may exacerbate the volatility of gold prices.

The current demand for and supply of gold may affect gold prices, but not necessarily in the same manner as current supply and demand affects the prices of other commodities. The supply of gold consists of a combination of new production and fabricated gold held by governments, public and private financial institutions, industrial organizations and private individuals. As the global gold production in any single year constitutes a small portion of the total potential supply of gold, short term variations in current production do not necessarily have a significant impact on the supply of gold or on its prices.

Yearly average spot gold prices have increased during the three years under review as follows:

- 2009 - $974 per ounce
- 2010 - $1,227 per ounce
- 2011 - $1,572 per ounce

AngloGold Ashanti s net income for 2009 and 2010 was adversely impacted by its hedge book, which was eliminated in 2010. The Company had no hedge contracts in 2011 and was therefore fully exposed to spot gold prices, which resulted in higher net income for 2011. If revenue from gold sales falls for a substantial period below the Company s cost of production at its operations, AngloGold Ashanti could determine that it is not economically feasible to continue commercial production at any or all of its operations or to continue the development of some or all of its projects.

In the first quarter of 2012, the gold price came under some pressure and it reached lows of $1,562 per ounce on January 3, 2012 due to muted jewellery demand from India and lower than anticipated investment demand. On April 16, 2012, the afternoon fixing price for gold on the London Bullion Market was $1,653 per ounce.

Production levels

In addition to gold prices, AngloGold Ashanti s revenue in any year is also influenced by its level of gold production. Production levels are in turn influenced by grades, tonnages mined and processed through the plant, and metallurgical recoveries. Attributable gold production (including joint ventures) declined from 4.6 million ounces in 2009 to 4.3 million ounces in 2011. The decline in production levels is due to a variety of factors, as follows:

South Africa: Sale of Tau Lekoa mine in 2010 and increased levels of safety related stoppages at the mines resulting in lower tonnages being mined and processed.

Continental Africa: Production levels have remained relatively flat over this period with declines in Ghana, Guinea and Mali, compensated by higher production from Tanzania on the back of improved grades and productivity improvements.

Australasia: 38 percent decline in production due to unprecedented rainfalls, pitwall and access ramp failure at Sunrise Dam, together with forecast decline in grades at the mine.

Americas: 6 percent increase in production from Americas came from Brazil on the back of grade and productivity improvements. This increase partially offset the decline from the other regions.

Grades from gold ore bodies tend to decline as they mature over time. With a view to reversing the grade decline, the Company embarked on the following initiatives:

Short-term: Continued implementation of Project ONE (roll out started in 2009) and aims to put in place optimum resources, business processes to restore stability, initially by minimising variations, and once stable, to further enhance productivity.

Medium-term: Active exploration programmes to replenish depletion in existing ore bodies by mine life extensions and new mines.

Long-term: Technology project in South Africa with a view to accessing the ore body at greater depth and further distance from existing infrastructure.

Concurrently, AngloGold Ashanti also embarked on ways of increasing the tonnage mined and processed, and processing improvements to enhance metallurgical recoveries.

Foreign exchange fluctuations

Production costs in all business segments are largely incurred in local currency where the relevant operation is located. US dollar denominated production costs and net income tend to be adversely impacted by local currency strength and favorably impacted by local currency weakness, assuming there are no other offsetting factors. AngloGold Ashanti s financial results can be influenced significantly by the fluctuations in the South African Rand, Brazilian Real, Australian Dollar and, to a lesser extent, the Argentinean Peso, Ghanaian Cedi and other local currencies. As set out below, during the years ended December 31, 2011, 2010 and 2009, the US Dollar weakened and the South African Rand, Brazilian Real and Australian Dollar strengthened, which had an unfavorable impact on AngloGold Ashanti s US Dollar denominated production costs.

Average annual exchange rates to the US dollar	**2011**	**2010**	**2009**
South African Rand	7.26	7.30	8.39
Brazilian Real	1.68	1.76	2.00
Australian Dollar	0.97	1.09	1.26

In 2011, the Company derived 61 percent (58 percent including joint ventures) of its revenues from South Africa, Brazil, Australia and Argentina, and incurred 61 percent (57 percent including joint ventures) of its production costs in these local currencies. A one percent strengthening of these local currencies against the US dollar will result in an increase of total cash costs incurred of nearly $5 per ounce.

Certain exchange controls are currently in force in most emerging markets in which the Company operates, including for example South Africa and Argentina. In the case of South Africa, though the exchange rate of the rand is primarily market determined, its value at any time may not be considered a true reflection of the underlying value while exchange controls exist. The government has indicated its intention to relax exchange controls over time. As exchange controls are relaxed, rand exchange rates will be more closely tied to market forces. It is not possible to predict whether or when this will occur or the future value of the rand. For a detailed discussion of these exchange controls, see Item 10D.: Exchange controls .

Production costs and effects of inflation

Production costs include the cost of labor, mining contracts, fuel, lubricants, power, consumable stores (which include explosives, timber and other consumables), utilities and environmental rehabilitation costs. The mining industry continues to experience price inflation for costs of inputs used in the production of gold, which leads to higher production costs reported by many gold producers.

AngloGold Ashanti s operations have not been materially adversely affected by inflation in recent years, given that it has benefited from sustained periods of rising gold prices. However, the Company is unable to control the prices at which it sells its gold. Accordingly, in the event of significant inflation in South Africa or, to a lesser extent, Brazil, Argentina or Australia, without a concurrent devaluation of the local currency or an increase in the price of gold, there could be a material adverse effect upon the Company s results and financial condition.

AngloGold Ashanti employs over 60,000 people globally, most of whom are members of trade unions, particularly in South Africa, Continental Africa and the Americas. Labor and mining contracts account for a significant component of production costs and are impacted by annual wage increases. During the period under review, given the rally in the gold price, trade unions have been successful in negotiating and securing higher than inflationary wage increases. During the years ended December 31, 2009, 2010 and 2011, management used Project ONE to claw back some of the increases through productivity improvements.

Energy costs, comprising power, fuel and lubricants, are another material component of production costs. Due to the remote location of some of its mines in Continental Africa, AngloGold Ashanti uses fuel to generate power and uses fuel and lubricants at its mines to run its fleet and processing plants. The price of oil has recently been volatile, fluctuating between $94.20 and $122.60 per barrel of Brent crude in 2011. AngloGold Ashanti estimates that for each $1 per barrel rise in the oil price, other factors remaining equal, the average cash costs under IFRS of all its operations increases by about $0.70 per ounce with the cash costs of certain of the company s mines, particularly Geita, Cripple Creek & Victor, Siguiri and Sadiola, which are more dependent on fuel, being more sensitive to changes in the price of oil. Energy costs, even in business segments which are supported by grid power, like South Africa, have increased considerably over the three year period with price increases from Eskom (South Africa s power utility) of approximately 26 percent per annum, far higher than average inflation. These increases have adversely impacted production costs.

AngloGold Ashanti has no influence over the cost of most consumables, many of which are linked to some degree to the price of oil and steel and in a number of cases have exceeded inflation. Furthermore, there has also been volatility recently in the price of steel, used in the manufacture of most forms of fixed and mobile mining equipment, which is a relatively large contributor to the operating costs and capital expenditure of a mine. All of these cost pressures have adversely impacted net income during the period.

Discounted closure liabilities (excluding joint ventures) increased from $530 million in 2010 to $653 million in 2011. This change is largely attributable to a change in mine plans resulting in accelerated cash flows, change in economic assumptions and discount rates, change in design of tailings storage facilities and change in methodology following requests from the Ghana Environmental Protection Agency.

Exploration costs

Growing the business is one of AngloGold Ashanti s key strategies. Accordingly, the Company has incurred increasing amounts of exploration expenditure during the years ended December 31, 2009, 2010 and 2011 in order to replenish depleting gold reserves and bring new ore bodies into pre-feasibility or feasibility. The exploration costs incurred over the last three fiscal years amounted to $150 million in 2009, $206 million in 2010 and $279 million in 2011 and have adversely impacted net income.

General and administrative costs

In order to meet AngloGold Ashanti s strategic objectives, management has incurred increasing levels of costs to build talent, capacity and expertise globally and in particular to support its Project ONE initiatives. The increase in costs over the 2009 - 2011 period had an adverse impact on net income. The costs incurred over such period amounted to $158 million in 2009, $228 million in 2010 and $287 million in 2011.

Royalties

Royalties, which are generally calculated as a percentage of revenue, more than doubled from the $84 million incurred in 2009 to $193 million incurred in 2011, due to:

- the introduction of royalties in South Africa effective March 1, 2010; and
- the higher spot gold prices resulting in increased royalties.

Royalties are likely to continue to increase in the coming years as in a number of jurisdictions host governments increasingly seek to obtain a higher share of revenue by increasing the royalty rates for gold mines.

Depreciation, depletion and amortization

Depreciation, depletion and amortization increased during the 2009 2011 period largely due to higher capital expenditure, reassessment of useful lives of assets and revisions in life of mine plans. Due to the higher capital investment expenditure required to complete new projects, depreciation, depletion and amortization is likely to continue to increase in the coming years.

Impairments

AngloGold Ashanti reviews and tests the carrying value of its assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. AngloGold Ashanti values individual mining assets at the lowest level for which cash flows are identifiable as independent of cash flows of other mining assets and liabilities.

If there are indications that impairment may have occurred, AngloGold Ashanti prepares estimates of expected future cash flows for each group of assets. Expected future cash flows are inherently uncertain, and could materially change over time. They are significantly affected by reserve and production estimates, together with economic factors such as spot and forward gold prices, discount rates, currency exchange rates, estimates of costs to produce reserves and future capital expenditures.

If any of these uncertainties occur either alone or in combination, it could require management to recognize impairments. In 2011, AngloGold Ashanti incurred an impairment charge of $17 million on long-lived assets. In 2010, AngloGold Ashanti incurred an impairment charge of $91 million on long-lived assets. See Note 5 Costs and Expenses to the consolidated financial statements for a detailed description of impairments.

Taxation

Taxation expense increased significantly over the period from a benefit of $33 million in 2009 to an expense of $705 million in 2011. The sharp increase in the tax charge is as a result of utilization of tax losses and higher spot prices resulting in higher pre-tax net income.

Similar to royalties, taxation expense is likely to continue to increase in the coming years as in a number of jurisdictions host governments increasingly seek to obtain a higher share of revenue by increasing rates for existing taxes and introducing new taxes on gold mines.

Acquisitions and dispositions

The global gold mining industry has experienced active consolidation and rationalization activities in recent years. Accordingly, AngloGold Ashanti has been, and expects to continue to be, involved in assessing a number of acquisitions and dispositions as part of this global trend and to identify value-adding business combination and acquisition opportunities.

Acquisitions and dispositions are described in note 3 to the consolidated financial statements Acquisitions and disposals of businesses and assets . See also note 29 to the consolidated financial statements Subsequent events . The consolidated financial statements reflect the operations and financial condition of AngloGold Ashanti, assuming that acquisitions and disposals took place on the effective date of these transactions.

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South African economic and other factors

AngloGold Ashanti is a company domiciled in South Africa with significant operations in South Africa. As a result, the Company is subject to various economic, fiscal and monetary factors that affect South African companies generally.

Comparison of operating performance in 2011, 2010 and 2009

The following table presents operating data for the AngloGold Ashanti group for the three year period ended December 31, 2011:

Operating data for AngloGold Ashanti	**Year ended December 31**		
	2011	**2010**	**2009**
Total attributable gold production (thousand ounces)	4,331	4,515	4,599
Total cash costs ($/oz)[(1)]	733	627	534
Total production costs ($/oz) [(1)]	948	812	683
Production costs (million US dollars) - per financial statements	2,977	2,656	2,229
Capital expenditure (million US dollars)[(2)]	1,527	1,015	1,027
- Consolidated entities	1,439	973	1,019
- Equity accounted joint ventures	88	42	8

(1) *Total cash costs and total production costs are non-GAAP measures. For further information on these non-GAAP measures, see Item 5A.: Operating results Total cash costs and total production costs .*
(2) *Including capital expenditure of Boddington in 2009.*

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Attributable gold production

Production in 2011

For the year ended December 31, 2011, AngloGold Ashanti s total attributable gold production from continuing operations at 4.33 million ounces was 184,000 ounces, or 4 percent, lower when compared to 2010 production of 4.52 million ounces.

In **South Africa**, gold production decreased by 9 percent or 161,000 ounces in 2011 of which 63,000 ounces relate to the sale of Tau Lekoa effective August 1, 2010. The balance of the production decrease occurred across most of the South African mines. The lower output was mainly due to industrial strike actions and an increased number of government imposed safety related stoppages. At TauTona, a decision was taken early in 2011, following a significant seismic event, to cease mining of the Ventersdorp Contact Reef (VCR) shaft pillar and remove it from the immediate mine plan in the interests of safety. This decision contributed to the decline in output. Great Noligwa experienced lower production due to a combination of ore pass blockages and the closure of two haulages.

Production increased by 5 percent or 78,000 ounces in 2011 in **Continental Africa** mainly due to a significant increase in production at Geita in Tanzania, where gold produced increased from 357,000 ounces in the year ended December 31, 2010 to 494,000 ounces in 2011. The increase in production was due to the mining of higher grade material in 2011. This increase was partially offset by lower production at Yatela, Siguiri and Navachab due to lower recovered grades.

Production decreased by 38 percent or 150,000 ounces in 2011 in **Australia** mainly due to the impact of unprecedented heavy rainfall and the ramp failure in the first quarter of 2011 at Sunrise Dam in Australia, which severely affected all aspects of the operation during the rest of the year.

In the **Americas** region, production increased by 6 percent or 49,000 ounces to 891,000 ounces. The increase was mainly due to better ounce recovery from the heap leach pad at Cripple Creek & Victor in North America, which benefited from better pad pH chemistry and the strategy of stacking higher grade ore closer to the pad liner. In Brazil at AngloGold Ashanti Córrego do Sítio Mineração higher tonnage and grades contributed to increased production. These increases were partially offset by lower production at Serra Grande in Brazil due to lower recovered grades.

Production in 2010

For the year ended December 31, 2010, AngloGold Ashanti s total attributable gold production from continuing operations at 4.52 million ounces was 84,000 ounces, or 2 percent, lower when compared to 2009 production of 4.6 million ounces.

In **South Africa**, gold production decreased by 1 percent or 12,000 ounces in 2010 mainly due to a 13 percent decline in volumes mined and a 9 percent decline in recovered grade at Kopanang and the sale of Tau Lekoa effective August 1, 2010. The decrease was partially offset by an increase in gold production at Moab Khotsong due to higher volumes mined and at TauTona due to the successful resumption of mining in January 2010 following the temporary closure of the shaft in October 2009.

Production decreased by 6 percent or 93,000 ounces in 2010 in **Continental Africa** mainly due to lower grades mined and processed at Siguiri, Morila, Yatela and Sadiola. Lower production at Obuasi was mainly attributable to underground tonnages declining by 8 percent as a result of reduced flexibility in developed ore reserves, in addition to stoppages to address environmental issues at the Tailings Storage Facility and elution problems at the Tailings Treatment Plant. The decrease was partially offset by an increase in gold production due to the treatment of higher tonnes and higher grade material at Geita.

Total cash costs and total production costs

Comparison of total cash costs and total production costs in 2011 with 2010

Most local currencies (South Africa, Australia and Brazil) were on average stronger against the US dollar during 2011 compared to 2010. Consequently, total cash costs in US dollar terms were negatively impacted for 2011.

Cash costs per ounce at most of the operations situated in South Africa increased in 2011 when compared to 2010. This was largely a result of increases in the cost of labor, power and stores and royalty payments which came into effect on March 1, 2010, as well as the strengthening of the rand. The lower production in 2011 also negatively impacted the cash costs per ounce.

Geita, in Tanzania, reported a 30 percent decrease in cash costs from $697 per ounce in 2010 to $488 per ounce in 2011. This was mainly as a result of higher production and inventory adjustments.

In Mali, at Morila, cash costs increased in 2011 to $818 per ounce compared to $716 per ounce in 2010 mainly due to higher reagent costs and fuel used in power generation. At Sadiola cash costs increased from $686 per ounce in 2010 to $835 per ounce in 2011. These were driven by increases in fuel prices, mining contractor costs were higher as a result of the longer haulage distance and higher maintenance costs. The cash costs at Yatela increased from $817 per ounce in 2010 to $1,483 per ounce in 2011 mainly due to the significant decrease in production of 31,000 ounces (52 percent).

In Ghana, at Obuasi, cash costs increased in 2011 to $859 per ounce compared to $760 per ounce in 2010 mainly due to the decline in production and an increase in the power tariff and inventory adjustments. At Siguiri, in Guinea, cash costs increased to $871 per ounce in 2011 from $656 per ounce in 2010 mainly due to the decline in production, higher fuel prices, an increase in inventory adjustments and increased costs related to labor and mining contractors.

In the United States, Cripple Creek reported a $69 per ounce increase in cash costs to $569 per ounce in 2011 due primarily to rising commodity prices (diesel fuel in particular) and increased labor costs. In Brazil at AngloGold Ashanti Córrego do Sítio Mineração cash costs increased to $571 per ounce in 2011 from $444 per ounce in 2010 driven largely by labor cost increases and higher energy consumption following the commissioning of the refrigeration plant in Cuiabá. Other factors were the stronger Brazilian real, lower volumes and higher unit costs from new Córrego do Sítio sulfide production. These effects were partially offset, however, by higher revenue from the sale of sulfuric acid, a by-product of the Cuiabá mining operation. At Serra Grande cash costs increased by $370 per ounce to $851 per ounce in 2011 due to reduced production as well as continued inflationary pressure on all mining-related inputs, such as power, consumables and labor in Brazil and the impact of the stronger Brazilian real.

In Australia, at Sunrise Dam, cash costs increased in 2011 to $1,362 per ounce compared to $692 per ounce in 2010 mainly due to the significant decrease in production of 150,000 ounces (38 percent). The decrease in production was due to the impact of unprecedented heavy rainfall and the ramp failure in the first quarter of 2011. The considerable remedial work and the stronger Australian Dollar negatively impacted cash costs per ounce.

Overall the Company s total cash costs increased by $106 per ounce, or 17 percent when compared to the previous year. Of this increase, inflation accounted for $47 per ounce, lower production accounted for $20 per ounce, royalties accounted for $12 per ounce and local currency strength accounted for $9 per ounce.

Comparison of total cash costs and total production costs in 2010 with 2009

Most local currencies (South Africa, Australia and Brazil) were on average stronger against the US dollar during 2010 compared to 2009. Consequently, total cash costs in US dollar terms were negatively impacted for 2010.

Cash costs at all the operations situated in South Africa increased in 2010 when compared to 2009. This was largely a result of increases in the cost of labor, power and stores and royalty payments which came into effect on March 1, 2010, as well as the strengthening of the rand. The cash cost increase at the Savuka operation was offset by an insurance claim received for normal business interruption and material damage following the seismic event which occurred in May 2009. The insurance claim was for $46 million of which payments received and credited to working costs during 2010 were $16 million. The Company utilized the proceeds to reopen the mining area and equipping of infrastructure damaged during the seismic event.

Geita, in Tanzania, reported a 29 percent decrease in cash costs from $985 per ounce in 2009 to $697 per ounce in 2010. This was mainly as a result of higher production, lower reagent costs and a reduction in general and engineering stores.

In Mali, at Morila, cash costs increased in 2010 to $716 per ounce compared to $526 per ounce in 2009 mainly due to the lower production and higher reagent costs and fuel used in power generation. At Sadiola cash costs increased from $489 per ounce in 2009 to $686 per ounce in 2010. The increase in cash costs was mainly due to the lower-grade feed supplied to the priority plant. In addition, mining contractor costs were higher as a result of the longer haulage distance, higher maintenance costs and increases in the fuel price. The cash costs at Yatela increased from $326 per ounce in 2009 to $817 per ounce in 2010 mainly due to the significant decrease in production of 29,000 ounces (33 percent) and an increase in contract mining costs.

In Ghana, at Obuasi, cash costs increased in 2010 to $760 per ounce compared to $630 per ounce in 2009 mainly due to the decline in production, an increase in the power tariff and the once-off settlement of historical wage claims. These negative factors were partially offset by a reduction in the cost of consumables, which were sourced via a focused procurement strategy. At Siguiri, in Guinea, cash costs increased to $656 per ounce in 2010 from $513 per ounce in 2009 mainly due to higher fuel prices and costs related to labor and mining contractors.

In North America, Cripple Creek reported a $129 per ounce increase in cash costs to $500 per ounce in 2010 due primarily to the higher unit cost for the new ounces placed, rising commodity prices (diesel fuel in particular), and increased royalty costs, driven by higher gold prices. In Brazil at AngloGold Ashanti Córrego do Sítio Mineração cash costs increased to $444 per ounce in 2010 from $347 per ounce in 2009 driven largely by higher maintenance costs and stronger local currencies. These effects were partially offset, however, by higher revenue from the sale of sulfuric acid, a by-product of the Cuiabá mining operation.

Overall the Company s total cash costs increased by $93 per ounce, or 17 percent when compared to the previous year. Of this increase, inflation accounted for $46 per ounce and local currency strength accounted for $45 per ounce.

Reconciliation of total cash costs and total production costs to financial statements

Total cash costs and total production costs are calculated in accordance with the guidelines of the Gold Institute industry standard and industry practice and are not US GAAP measures. The Gold Institute, which has been incorporated into the National Mining Association, is a non-profit international association of miners, refiners, bullion suppliers and manufacturers of gold products, which developed a uniform format for reporting total production costs on a per ounce basis. The guidance was first adopted in 1996 and revised in November 1999.

Total cash costs, as defined in the Gold Institute industry guidelines, are production costs as recorded in the statement of operations, less offsite (i.e. central), general and administrative expenses (including head office costs charged to the mines, central training expenses, industry association fees, refinery charges and social development costs) and rehabilitation costs, plus royalties and employee termination costs.

Total cash costs as calculated and reported by AngloGold Ashanti include costs for all mining, processing, onsite administration costs, royalties and production taxes, as well as contributions from by-products, but exclusive of depreciation, depletion and amortization, rehabilitation costs, employment severance costs, corporate administration costs, capital costs and exploration costs. Total cash costs per ounce are calculated by dividing attributable total cash costs by attributable ounces of gold produced.

Total production costs, as defined in the Gold Institute industry guidelines, are total cash costs, as calculated using the Gold Institute industry guidelines, plus amortization, depreciation and rehabilitation costs.

Total production costs as calculated and reported by AngloGold Ashanti include total cash costs, plus depreciation, depletion and amortization, employee severance costs and rehabilitation and other non-cash costs. Total production costs per ounce are calculated by dividing attributable total production costs by attributable ounces of gold produced.

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Total cash costs and total production costs should not be considered by investors in isolation or as alternatives to production costs, net income/(loss) applicable to common stockholders, income/(loss) before income tax provision, net cash provided by operating activities or any other measure of financial performance presented in accordance with US GAAP or as an indicator of the company s performance. While the Gold Institute has provided definitions for the calculation of total cash costs and total production costs, the calculation of total cash costs, total cash costs per ounce, total production costs and total production costs per ounce may vary significantly among gold mining companies, and by themselves do not necessarily provide a basis for comparison with other gold mining companies.

However, AngloGold Ashanti believes that total cash costs and total production costs in total by mine and per ounce by mine are useful indicators to investors and management as they provide:

- an indication of profitability, efficiency and cash flows;
- the change in costs as the mining operations mature over time on a consistent basis; and
- an internal benchmark of performance to allow for comparison against other mines, both within the AngloGold Ashanti group and of other gold mining companies.

A reconciliation of production costs as included in the company s audited financial statements to total cash costs and to total production costs for each of the three years in the period ended December 31, 2011 is presented below. In addition the Company has provided below detail of the attributable ounces of gold produced by mine for each of those periods.

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For the year ended December 31, 2011

Operations in South Africa

(in $ millions, except as otherwise noted)

Production costs	**109**	**201**	**174**	**-**	**248**	**40**	**188**	**110**	**24**
Plus:									
Production costs of equity accounted joint ventures [1]	-	-	-	-	-	-	-	-	-
Less:									
Rehabilitation costs & other non-cash costs	-	(2)	-	-	-	(1)	(1)	-	1
Plus:									
Inventory movement	-	-	-	-	-	-	-	-	-
Royalties	4	13	11	-	29	3	14	-	-
Related party transactions [2]	(1)	(2)	(2)	-	(3)	-	(2)	(1)	-
Adjusted for:									
Noncontrolling interests [3]	-	-	-	-	-	-	-	-	-
Non-gold producing companies and adjustments	-	-	-	-	-	-	-	-	(29)
Total cash costs	**112**	**210**	**183**	**-**	**274**	**42**	**199**	**109**	**(4)**
Plus:									
Depreciation, depletion and amortization	23	78	101	-	70	1	75	4	16
Employee severance costs	1	2	1	-	2	1	2	-	1
Rehabilitation and other non-cash costs	-	2	-	-	-	1	1	-	(1)
Adjusted for:									
Noncontrolling interests [3]	-	-	-	-	-	-	-	-	(24)
Non-gold producing companies and adjustments	-	-	-	-	-	-	-	-	(7)
Total production costs	**136**	**292**	**285**	**-**	**346**	**45**	**277**	**113**	**(19)**
Gold produced (000 ounces) [4]	**94**	**307**	**266**	**-**	**500**	**49**	**244**	**164**	**-**
Total cash costs per ounce [5]	**1,191**	**684**	**688**	**-**	**547**	**857**	**816**	**665**	**-**
Total production costs per ounce [5]	**1,447**	**951**	**1,071**	**-**	**691**	**918**	**1,135**	**689**	**-**

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For the year ended December 31, 2011

Operations in Ghana, Guinea, Mali, Namibia, Tanzania, Australia, United States of America, Argentina and Brazil

(in $ millions, except as otherwise noted)

Production costs	**176**	**324**	**252**	**-**	**-**	**-**	**59**	**220**	**325**	**135**	**53**	**220**	**119**
Plus:													
Production costs of equity accounted joint ventures [1]	-	-	-	72	92	41	-	-	-	-	-	-	-
Less:													
Rehabilitation costs & other non-cash costs	(18)	(69)	(11)	-	(2)	(1)	(1)	(10)	-	(17)	(8)	(24)	(18)
Plus:													
Inventory movement	-	(1)	(8)	-	-	(1)	1	8	1	67	13	9	6
Royalties	9	15	23	9	11	3	3	23	9	8	27	-	2
Related party transactions[2]	-	-	-	-	-	1	-	-	-	-	-	-	-
Adjusted for:													
Noncontrolling interests [3]	-	-	(39)	-	-	-	-	-	-	-	(6)	-	(52)
Total cash costs	**167**	**269**	**217**	**81**	**101**	**43**	**62**	**241**	**335**	**193**	**79**	**205**	**57**
Plus:													
Depreciation, depletion and amortization	29	65	24	4	2	1	10	82	41	38	26	76	32
Employee severance costs	1	-	-	-	-	-	1	-	-	-	1	2	-
Rehabilitation and other non-cash costs	18	69	11	-	2	1	1	10	-	17	8	24	18
Adjusted for:													
Noncontrolling interests[3]	-	-	(5)	-	-	-	-	-	-	-	(3)	-	(25)
Total production costs	**215**	**403**	**247**	**85**	**105**	**45**	**74**	**333**	**376**	**248**	**111**	**307**	**82**
Gold produced (000 ounces)[4]	**199**	**313**	**249**	**99**	**121**	**29**	**66**	**494**	**246**	**267**	**196**	**359**	**67**
Total cash costs per ounce[5]	**839**	**859**	**871**	**818**	**835**	**1,483**	**939**	**488**	**1,362**	[7] **569**	**403**	**571**	**851**
Total production costs per ounce[5]	**1,080**	**1,288**	**992**	**859**	**868**	**1,552**	**1,121**	**674**	**1,528**	**929**	**566**	**855**	**1,224**

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For the year ended December 31, 2011

AngloGold Ashanti operations - Total

(in $ millions, except as otherwise noted)

	Total
Production costs per financial statements	**2,977**
Plus:	
Production costs of equity accounted joint ventures [(1)]	205
Less:	
Rehabilitation costs & other non-cash costs	(182)
Plus/(less):	
Inventory movement	95
Royalties	216
Related party transactions [(2)]	(10)
Adjusted for:	
Noncontrolling interests [(3)]	(97)
Non-gold producing companies and adjustments	(29)
Total cash costs	**3,175**
Plus:	
Depreciation, depletion and amortization	798
Employee severance costs	15
Rehabilitation and other non-cash costs	182
Adjusted for:	
Noncontrolling interests [(3)]	(57)
Non-gold producing companies and adjustments	(7)
Total production costs	**4,106**
Gold produced (000 ounces) [(4)]	**4,329**
Total cash costs per ounce [(5)]	**733**
Total production costs per ounce [(5)]	**948**

(1) *Attributable production costs and related expenses of equity accounted joint ventures are included in the calculation of total cash costs per ounce and total production costs per ounce.*

(2) *Relates solely to production costs as included in the Company s consolidated financial statements and has, accordingly, been included in total production costs and total cash costs.*

(3) *Adjusting for noncontrolling interest of items included in calculation, to disclose the attributable portions only.*

(4) *Attributable production only.*

(5) *In addition to the operational performances of the mines, total cash costs per ounce and total production costs per ounce are affected by fluctuations in the currency exchange rate. AngloGold Ashanti reports total cash costs per ounce and total production costs per ounce calculated to the nearest US dollar amount and gold produced in ounces.*

(6) *Corporate includes non-gold producing subsidiaries.*

(7) *Total cash costs per ounce calculation includes heap-leach inventory change.*

(8) *There was no production attributable to AngloGold Ashanti in 2011. AngloGold Ashanti sold Tau Lekoa to Simmer & Jack Mines Limited (Simmers) in 2010.*

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For the year ended December 31, 2010

Operations in South Africa

(in $ millions, except as otherwise noted)

Production costs	**120**	**192**	**181**	**59**	**233**	**24**	**177**	**89**	**12**
Plus:									
Production costs of equity accounted joint ventures [1]	-	-	-	-	-	-	-	-	-
Less:									
Rehabilitation costs & other non-cash costs	(2)	(5)	(10)	-	(5)	-	(3)	-	(8)
Plus:									
Inventory movement	(1)	(1)	(1)	(1)	-	-	-	-	-
Royalties	2	4	4	-	18	1	9	-	-
Related party transactions [2]	(1)	(3)	(3)	(1)	(5)	-	(2)	(2)	-
Adjusted for:									
Noncontrolling interests [3]	-	-	-	-	-	-	-	-	-
Non-gold producing companies and adjustments	-	-	-	-	-	-	-	-	(9)
Total cash costs	**118**	**187**	**171**	**57**	**241**	**25**	**181**	**87**	**(5)**
Plus:									
Depreciation, depletion and amortization	27	73	108	1	58	5	71	6	15
Employee severance costs	5	3	2	1	5	1	3	-	-
Rehabilitation and other non-cash costs	2	5	10	-	5	-	3	-	8
Adjusted for:									
Noncontrolling interests [3]	-	-	-	-	-	-	-	-	(11)
Non-gold producing companies and adjustments	-	-	-	-	-	-	-	-	(5)
Total production costs	**152**	**268**	**291**	**59**	**309**	**31**	**258**	**93**	**2**
Gold produced (000 ounces) [4]	**132**	**305**	**292**	**63**	**532**	**22**	**259**	**179**	**-**
Total cash costs per ounce [5]	**894**	**613**	**586**	**905**	**452**	**1,136**	**699**	**486**	**-**
Total production costs per ounce [5]	**1,152**	**879**	**997**	**937**	**580**	**1,409**	**996**	**520**	**-**

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For the year ended December 31, 2010

Operations in Ghana, Guinea, Mali, Namibia, Tanzania, Australia, United States of America, Argentina and Brazil

(in $ millions, except as otherwise noted)

Production costs	**151**	**238**	**184**	**-**	**-**	**-**	**57**	**256**	**261**	**114**	**63**	**169**	**76**
Plus:													
Production costs of equity accounted joint ventures [1]	-	-	-	61	75	43	-	-	-	-	-	-	-
Less:													
Rehabilitation costs & other non-cash costs	(20)	(16)	(1)	-	(3)	(2)	3	(8)	1	(13)	(7)	(18)	-
Plus:													
Inventory movement	6	7	(1)	-	1	1	(1)	(12)	-	58	-	(1)	(2)
Royalties	7	12	29	7	9	4	3	13	12	5	21	-	1
Related party transactions[2]	-	-	-	-	(1)	3	-	-	-	-	-	-	-
Adjusted for:													
Noncontrolling interests [3]	-	-	(32)	-	-	-	-	-	-	-	(6)	-	(38)
Total cash costs	**144**	**241**	**179**	**68**	**81**	**49**	**62**	**249**	**274**	**164**	**71**	**150**	**37**
Plus:													
Depreciation, depletion and amortization	25	61	23	4	3	2	8	55	33	33	24	61	32
Employee severance costs	1	-	-	1	-	-	-	-	-	-	1	2	-
Rehabilitation and other non-cash costs	20	16	1	-	3	2	(3)	8	(1)	13	7	18	-
Adjusted for:													
Noncontrolling interests[3]	-	-	(3)	-	-	-	-	-	-	-	(2)	-	(16)
Total production costs	**190**	**318**	**200**	**73**	**87**	**53**	**67**	**312**	**306**	**210**	**101**	**231**	**53**
Gold produced (000 ounces)[4]	**185**	**317**	**273**	**95**	**118**	**60**	**86**	**357**	**396**	**233**	**194**	**338**	**77**
Total cash costs per ounce[5]	**778**	**760**	**656**	**716**	**686**	**817**	**721**	**697**	**692**	[7] **500**	**366**	**444**	**481**
Total production costs per ounce[5]	**1,027**	**1,003**	**733**	**768**	**737**	**883**	**779**	**874**	**773**	**901**	**521**	**683**	**688**

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For the year ended December 31, 2010

AngloGold Ashanti operations - Total

(in $ millions, except as otherwise noted)

	Total
Production costs per financial statements	**2,656**
Plus:	
Production costs of equity accounted joint ventures (1)	179
Plus:	
Rehabilitation costs & other non-cash costs	(117)
(Less)/plus:	
Inventory movement	52
Royalties	161
Related party transactions (2)	(15)
Adjusted for:	
Noncontrolling interests (3)	(76)
Non-gold producing companies and adjustments	(9)
Total cash costs	**2,831**
Plus/(less):	
Depreciation, depletion and amortization	728
Employee severance costs	25
Rehabilitation and other non-cash costs	117
Adjusted for:	
Noncontrolling interests (3)	(32)
Non-gold producing companies and adjustments	(5)
Total production costs	**3,664**
Gold produced (000 ounces) (4)	**4,515**
Total cash costs per ounce (5)	**627**
Total production costs per ounce (5)	**812**

(1) *Attributable production costs and related expenses of equity accounted joint ventures are included in the calculation of total cash costs per ounce and total production costs per ounce.*

(2) *Relates solely to production costs as included in the Company s consolidated financial statements and has, accordingly, been included in total production costs and total cash costs.*

(3) *Adjusting for noncontrolling interest of items included in calculation, to disclose the attributable portions only.*

(4) *Attributable production only.*

(5) *In addition to the operational performances of the mines, total cash costs per ounce and total production costs per ounce are affected by fluctuations in the currency exchange rate. AngloGold Ashanti reports total cash costs per ounce and total production costs per ounce calculated to the nearest US dollar amount and gold produced in ounces.*

(6) *Corporate includes non-gold producing subsidiaries.*

(7) *Total cash costs per ounce calculation includes heap-leach inventory change.*

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For the year ended December 31, 2009

Operations in South Africa

(in $ millions, except as otherwise noted)

Production costs	**127**	**141**	**107**	**88**	**178**	**34**	**119**	**64**	**(26)**
Plus:									
Production costs of equity accounted joint ventures (1)	-	-	-	-	-	-	-	-	-
Less:									
Rehabilitation costs & other non-cash costs	-	(1)	-	2	-	-	-	-	(15)
Plus:									
Inventory movement	-	-	-	-	(1)	-	(1)	-	-
Royalties	-	-	-	-	-	-	-	-	-
Related party transactions (2)	(2)	(3)	(3)	(1)	(5)	-	(2)	(2)	-
Adjusted for:									
Noncontrolling interests (3)	-	-	-	-	-	-	-	-	-
Non-gold producing companies and adjustments	-	-	-	-	-	-	-	-	41
Total cash costs	**125**	**137**	**104**	**89**	**172**	**34**	**116**	**62**	**-**
Plus:									
Depreciation, depletion and amortization	29	61	80	7	37	8	49	2	13
Employee severance costs	3	2	1	1	1	-	2	-	-
Rehabilitation and other non-cash costs	-	1	-	(2)	-	-	-	-	15
Adjusted for:									
Noncontrolling interests (3)	-	-	-	-	-	-	-	-	8
Non-gold producing companies and adjustments	-	-	-	-	-	-	-	-	(3)
Total production costs	**157**	**201**	**185**	**95**	**210**	**42**	**167**	**64**	**33**
Gold produced (000 ounces) (4)	**158**	**336**	**247**	**124**	**520**	**30**	**218**	**164**	**-**
Total cash costs per ounce (5)	**791**	**408**	**421**	**718**	**331**	**1,133**	**532**	**378**	**-**
Total production costs per ounce (5)	**994**	**598**	**749**	**766**	**404**	**1,400**	**766**	**390**	**-**

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For the year ended December 31, 2009

Operations in Ghana, Guinea, Mali, Namibia, Tanzania, Australia, United States of America, Argentina and Brazil

(in $ millions, except as otherwise noted)

Production costs	**122**	**240**	**160**	**-**	**-**	**-**	**42**	**261**	**-**	**250**	**83**	**62**	**112**	**65**
Plus:														
Production costs of equity accounted joint ventures (1)	-	-	-	67	61	26	-	-	-	-	-	-	-	-
Less:														
Rehabilitation costs & other non-cash costs	(2)	(5)	(7)	(2)	(1)	(3)	(1)	(3)	-	(6)	5	(2)	(4)	(1)
Plus:														
Inventory movement	-	(6)	7	(1)	(2)	(1)	1	2	-	(1)	54	(1)	6	-
Royalties	5	11	30	8	8	5	2	8	-	10	2	16	-	-
Related party transactions(2)	-	-	-	-	-	2	-	-	-	-	-	-	-	-
Adjusted for:														
Noncontrolling interests (3)	-	-	(28)	-	-	-	-	-	-	-	-	(6)	-	(31)
Total cash costs	**125**	**240**	**162**	**72**	**66**	**29**	**44**	**268**	**-**	**253**	**144**	**69**	**114**	**33**
Plus:														
Depreciation, depletion and amortization	24	76	26	5	12	5	2	53	-	37	23	24	44	20
Employee severance costs	-	2	-	-	-	-	-	-	-	-	-	2	-	-
Rehabilitation and other non-cash costs	2	5	7	2	1	3	1	3	-	6	(5)	2	4	1
Adjusted for:														
Noncontrolling interests (3)	-	-	(5)	-	-	-	-	-	-	-	-	(2)	-	(10)
Total production costs	**151**	**323**	**190**	**79**	**79**	**37**	**47**	**324**	**-**	**296**	**162**	**95**	**162**	**44**
Gold produced (000 ounces)(4)	**190**	**381**	**316**	**137**	**135**	**89**	**65**	**272**	**-**	**401**	**218**	**192**	**329**	**77**
Total cash costs per ounce(5)	**658**	**630**	**513**	**526**	**489**	**326**	**677**	**985**	**-**	**631**	(7) **371**	**359**	**347**	**429**
Total production costs per ounce (5)	**795**	**848**	**601**	**577**	**585**	**416**	**723**	**1,191**	**-**	**738**	**743**	**495**	**492**	**571**

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For the year ended December 31, 2009

AngloGold Ashanti operations - Total

(in $ millions, except as otherwise noted)

	Total
Production costs per financial statements	**2,229**
Plus:	
Production costs of equity accounted joint ventures [(1)]	154
Less:	
Rehabilitation costs & other non-cash costs	(46)
Plus/(less):	
Inventory movement	56
Royalties	105
Related party transactions [(2)]	(16)
Adjusted for:	
Noncontrolling interests [(3)]	(65)
Non-gold producing companies and adjustments	41
Total cash costs	**2,458**
Plus:	
Depreciation, depletion and amortization	637
Employee severance costs	14
Rehabilitation and other non-cash costs	46
Adjusted for:	
Noncontrolling interests [(3)]	(9)
Non-gold producing companies and adjustments	(3)
Total production costs	**3,143**
Gold produced (000 ounces) [(4)]	**4,599**
Total cash costs per ounce [(5)]	**534**
Total production costs per ounce [(5)]	**683**

(1) *Attributable production costs and related expenses of equity accounted joint ventures are included in the calculation of total cash costs per ounce and total production costs per ounce.*

(2) *Relates solely to production costs as included in the Company s consolidated financial statements and has, accordingly, been included in total production costs and total cash costs.*

(3) *Adjusting for noncontrolling interest of items included in calculation, to disclose the attributable portions only.*

(4) *Attributable production only.*

(5) *In addition to the operational performances of the mines, total cash costs per ounce and total production costs per ounce are affected by fluctuations in the currency exchange rate. AngloGold Ashanti reports total cash costs per ounce and total production costs per ounce calculated to the nearest US dollar amount and gold produced in ounces.*

(6) *Corporate includes non-gold producing subsidiaries.*

(7) *Total cash costs per ounce calculation includes heap-leach inventory change.*

(8) *There was no production attributable to AngloGold Ashanti in 2009. AngloGold Ashanti sold the 33.33 percent joint venture interest it held in Boddington Gold Mine to Newmont Mining during 2009.*

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Capital expenditure

Total capital expenditure of $1,527 million was recorded in the year ended December 31, 2011 compared to $1,015 million in the same period in 2010. This represents a $512 million, or 50 percent increase from 2010. The increased capital expenditure during 2011 relates to increased spending to sustain existing operations of $265 million and growth related projects of $247 million. Capital expenditure increased at AngloGold Ashanti Córrego do Sítio Mineração by $117 million, Tropicana by $63 million, Iduapriem by $56 million, Mponeng by $50 million, Kibali joint venture by $43 million, Cerro Vanguardia by $35 million, Navachab by $34 million, Kopanang by $31 million, Moab Khotsong by $27 million, Obuasi by $23 million and Geita by $20 million.

Total capital expenditure of $1,015 million was recorded in the year ended December 31, 2010 compared to $1,027 million in the same period in 2009. This represents a $12 million, or 1 percent, decrease from 2009. In Australia, total capital expenditure decreased from $177 million in 2009 to $40 million in 2010 as a result of the sale of Boddington during 2009. Capital expenditure increased at Obuasi by $15 million, AngloGold Ashanti Córrego do Sítio Mineração by $58 million, Geita by $19 million, Mponeng by $13 million, Moab Khotsong by $16 million and Cerro Vanguardia by $21 million.

Comparison of financial performance on a segment basis for 2011, 2010 and 2009

The Company produces gold as its primary product and does not have distinct divisional segments in terms of principal business activity, but manages its business on the basis of different geographic segments. Therefore, information regarding separate geographic segments is provided. Revenues presented below exclude allocated realized gains/losses on non-hedge derivatives to individual geographic areas.

Revenues

(in millions)	**Year ended December 31**					
	2011		**2010**		**2009**	
	$	**percent**	**$**	**percent**	**$**	**percent**
Category of activity						
Total revenues						
Product sales	6,570		5,334		3,784	
Interest, dividends and other	72		68		170	
Total revenues	**6,642**		**5,402**		**3,954**	
Geographical area data						
Total revenues						
South Africa	2,596	39	2,276	42	1,687	43
Continental Africa	2,529	38	1,871	34	1,451	36
Australasia	389	6	468	9	239	6
Americas	1,499	23	1,125	21	804	20
Other, including Corporate and Non-gold producing subsidiaries	17	-	(6)	-	129	3
	7,030		**5,734**		**4,310**	
Less : Equity method investments included above	(388)	(6)	(332)	(6)	(355)	(8)
Total revenues	**6,642**	**100**	**5,402**	**100**	**3,955**	**100**

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Assets

	As at December 31					
	2011		2010		2009	
	$	percent	$	percent	$	percent
Geographical area data						
Total segment assets						
South Africa	2,974	27	3,370	32	3,354	31
Continental Africa	4,365	39	4,093	39	4,055	38
Australasia	714	6	534	5	496	5
Americas	2,527	23	2,170	21	2,012	19
Other, including Corporate, Assets held for sale and Non-gold producing subsidiaries	605	5	221	2	745	7
Total segment assets	**11,185**	**100**	**10,388**	**100**	**10,662**	**100**

At December 31, 2011, 27 percent of AngloGold Ashanti s total assets were located in South Africa compared with 32 percent at the end of 2010, mainly due to the weakening of the rand against the US dollar (2011: $/R8.0407, 2010: $/R6.5701). The remaining operations collectively accounted for approximately 73 percent of AngloGold Ashanti s total assets at December 31, 2011 compared to 68 percent at the end of the same period in 2010.

At December 31, 2010, 32 percent of AngloGold Ashanti s total assets were located in South Africa compared with 31 percent at the end of 2009, mainly due to increased capital expenditure and the strengthening of the rand against the US dollar (2010: $/R6.5701, 2009: $/R7.435). The remaining operations collectively accounted for approximately 68 percent of AngloGold Ashanti s total assets at December 31, 2010 compared to 69 percent at the end of the same period in 2009.

Comparison of financial performance in 2011, 2010 and 2009

Financial performance of AngloGold Ashanti	**Year ended December 31**		
(in millions)	**2011**	**2010**	**2009**
Revenue	6,642	5,402	3,954
Cost and expenses	(4,521)	(5,021)	(4,852)
Taxation (expense)/benefit	(705)	(255)	33
Equity income/(loss) in associates	59	40	88
Net income attributable to noncontrolling interests	(50)	(54)	(48)
Net income/(loss)	1,425	112	(825)

Comparison of financial performance in 2011 with 2010

Revenues

Revenues from product sales and other income increased by $1,240 million from $5,402 million in 2010 to $6,642 million in 2011, representing a 23 percent increase over the period. This increase was mainly due to the increase in the average spot price of gold. The average spot price of gold was $1,572 per ounce during 2011, $345 per ounce, or 28 percent, higher than $1,227 per ounce in 2010. The year on year increase in revenue was partially offset by reduced gold production of 184,000 ounces in 2011 when compared to 2010. The majority of product sales consisted of US dollar-denominated gold sales.

Total revenues from the South African operations increased by $320 million to $2,596 million from $2,276 million in 2010, mainly as a result of the increase in the average spot price of gold. This increase was offset by the reduced gold production at the South African operations (1,624,000 ounces in 2011 compared to 1,785,000 ounces in 2010).

Total revenues from the Continental Africa operations increased by $658 million to $2,529 million from $1,871 million in 2010, mainly as a result of the increase in the average spot price of gold and the treatment of higher tonnes and higher grade material at Geita.

Total revenue from the Australian operation at Sunrise Dam decreased from $468 million in 2010 to $389 million in 2011. The decrease in revenue was mainly due to the decrease in production of 150,000 ounces in 2011.

Total revenues from the Americas operations increased from $1,125 million in 2010 to $1,499 million in 2011 mainly as a result of the increase in the average spot price of gold and an increase in gold produced from 842,000 attributable ounces in 2010 to 891,000 ounces in 2011.

Production costs

Production costs increased from $2,656 million in 2010 to $2,977 million in 2011, which represents a $321 million, or 12 percent increase. The production costs of most of the operations increased in 2011. The increase was mainly as a result of an increase in rehabilitation and operational costs including labor, consumables and power. Operational cost increases were mainly due to annual labor cost increases and increased contractor costs at Sunrise Dam, power tariff increases mainly in South Africa and at AngloGold Ashanti Córrego do Sítio Mineração in Brazil and higher rehabilitation costs that were recorded at Obuasi in Ghana and Serra Grande in Brazil.

Exploration costs

Exploration costs increased from $206 million in 2010 to $279 million in 2011 mainly due to higher prefeasibility expenditure at La Colosa in Colombia, additional exploration at Tropicana in Australia and Mongbwalu in the Democratic Republic of the Congo, as well as increased exploration activities in Guinea, the Solomon Islands and marine exploration areas. For a discussion of AngloGold Ashanti s exploration activities in 2011, see Item 4B.: Business overview Global exploration .

Royalties

Royalties paid by AngloGold Ashanti increased from $142 million in 2010 to $193 million in 2011, mainly due to payments of royalties under the South African Mineral and Petroleum Resources Act and the higher average spot price of gold. Royalties recorded by the South African mines increased from $38 million in 2010 to $73 million in 2011. Royalties in Argentina increased from $21 million in 2010 to $27 million in 2011 as a result of higher average spot prices of gold. In Argentina, royalties are payable to Fomicruz, a State owned company in the Santa Cruz Province, being the minority shareholder of the Cerro Vanguardia operation and are calculated as a percentage of revenues. Royalties paid in Tanzania amounted to $23 million in 2011 compared to $13 million in 2010. Royalties in Tanzania increased due to the higher production and the higher gold price.

Depreciation, depletion and amortization

Depreciation, depletion and amortization expense increased by $69 million or 10 percent, to $789 million in 2011 when compared to $720 million recorded in 2010. This increase was mainly due to increases in depreciation, depletion and amortization expense in Tanzania (Continental Africa) and the Americas from $55 million and $152 million, respectively, incurred in the year ended December 31, 2010 to $82 million and $173 million, respectively, for the same period of 2011 mainly as a result of higher production and changes in estimated useful life of assets which are used in the calculation of depreciation, depletion and amortization.

Impairment of assets

In 2011, AngloGold Ashanti recorded impairments amounting to $17 million compared to $91 million in 2010. This was mainly due to the impairment of Savuka, waste wash plant at Kopanang and abandoned shaft pillar development at Tau Tona in South Africa during 2011 and the write-off of assets at Obuasi in Continental Africa. Tau Tona and Savuka were impaired due to changes in the mine plan resulting in areas being abandoned and safety related concerns. See Note 5 Costs and expenses: Impairment of assets to the consolidated financial statements for additional information.

Interest expense

Interest expense increased by $27 million to $178 million in 2011, compared to $151 million recorded in 2010. The increase is mainly due to interest charges for the full year on the rated bonds and mandatory convertible bonds which were issued in April 2010 and September 2010, respectively, partially offset by lower interest paid due to the repayment of the 2009 Term Facility during 2010. Interest expense recorded in the year ended December 31, 2010 includes $8 million related to accelerated amortization of fees on debt facilities cancelled.

Accretion expense

Accretion expense of $28 million was recorded in 2011 compared with $22 million in 2010. Accretion relates to the unwinding of discounted future rehabilitation obligations to present values and increases in the reclamation obligations to its future estimated payout.

Employment severance cost

Employment severance costs decreased to $15 million in 2011 from $23 million in 2010. Employment severance costs recorded for the year ended December 31, 2011 relates to retrenchments in the South Africa region at Great Noligwa, Kopanang, TauTona and Mponeng and in Continental Africa reflecting rationalization of operations.

Profit/(loss) on sale of assets, realization of loans, indirect taxes and other

In 2011, the Company recorded a profit of $43 million compared to a profit of $3 million recorded in 2010. The profit in 2011 mainly related to royalties received from Newmont Mining Corporation (2009 Boddington Gold mine sale) and Franco Nevada Corporation (2011 sale of royalty stream in Ayanfuri mine). These profits were partially offset by the impairment of investments, the loss on disposal of land, equipment and assets, mineral rights and exploration properties, reassessment of indirect taxes payable and Black economic empowerment transaction restructuring costs.

The profit in 2010 mainly related to profit on sale of investments held in B2Gold Corporation and Red 5 Limited, an insurance claim recovery at Savuka mine and royalties received. These profits was partially offset by the mandatory convertible bond underwriting and professional fees, the loss on disposal of land, equipment and assets, mineral rights and exploration properties and reassessment of indirect taxes payable in Tanzania, Brazil, Guinea and South Africa.

Non-hedge derivative (gain)/loss and movement on bonds

Non-hedge derivative (gain)/loss

A gain on non-hedge derivatives of $83 million was recorded in 2011 compared to a loss of $703 million in 2010 (which included normal purchase and sale exempted (NPSE) contracts re-designated to non-hedging instruments in previous years) relating to the use of non-hedging instruments. These represent derivatives not designated in formal hedge accounting relationships. The change in fair value of these derivatives are recorded each period in the income statement.

The net gain recorded for the year ended December 31, 2011 relates to the fair value movements of the conversion features of convertible bonds amounting to $84 million and the revaluation of non-hedge derivatives resulting from changes in the prevailing forward gold price, exchange rates, interest rates and volatilities during the year amounting to a loss of $1 million.

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During 2010, the Company eliminated its gold hedge book. The loss on scheduled hedge book maturities during 2010 was $277 million. Loss on non-hedge derivatives included a realized loss of $2,698 million related to the final tranche of the accelerated hedge buy-back, that commenced in September 2010 and was concluded on October 7, 2010. The final phase of hedge restructuring was funded with proceeds from the equity offering and the mandatory convertible bonds in September 2010, as well as cash from internal sources and debt facilities.

The loss on non-hedge derivatives recorded for the year ended December 31, 2010 relates to the accelerated hedge book settlement, normal realized losses on non-hedge derivatives, the fair value movement of the conversion features of convertible bonds and the revaluation of non-hedge derivative that resulted from changes in the prevailing spot gold price, exchange rates, interest rates, volatilities and non-performance risk during 2010.

The hedge buy-back and re-designation of contracts (effected in 2009) resulted in an increase in current non-hedge derivative liabilities and a consequential loss recorded in (gain)/loss on non-hedge derivatives. During 2010, the opening balance of the derivative liability of $556 million further declined by $131 million in fair value, before all these contracts were settled for $687 million.

Non-hedge derivatives recorded for the years ended December 31, 2011 and 2010 included:

	Year ended December 31,	
	2011	2010
	(in US Dollars, million)	
Loss on realized non-hedge derivatives	-	2,975
Loss/(gain) on unrealized non-hedge derivatives	1	(2,273)
Fair value (gain)/loss on option component of convertible bonds	(84)	1
Net (gain)/loss	(83)	703

Movement on bonds

	Year ended December 31,	
	2011	2010
	(in US Dollars, million)	
Fair value (gain)/loss on mandatory convertible bonds	(113)	83

Fair value movements on the mandatory convertible bonds were based on to the ex interest NYSE closing price of these bonds.

Equity income in associates

Equity income in equity method investments increased from $40 million in 2010 to $59 million in 2011, mainly as a result of the increase in revenue from gold sales at Sadiola and Morila mines in Mali from $143 million and $117 million, respectively, in 2010 to $189 million and $157 million, respectively, in 2011. The increase was mainly due to the increase in the average spot price of gold for 2011.

Taxation expense/benefit

A net taxation expense of $705 million was recorded in 2011 compared to $255 million in 2010. Charges for current tax in 2011 amounted to $406 million compared to $117 million in 2010. The increase in the tax charge in 2011 is mainly due to higher income as a result of the higher gold price and losses having been fully utilized during the current year in South Africa and Tanzania. Charges for deferred tax in 2011 amounted to a net tax expense of $299 million compared to $138 million in 2010. The increase in the deferred tax charge in 2011 is mainly due to the reversal of deferred tax credits on losses utilized in South Africa, Geita and the Americas. Refer to Note 7 Taxation of the consolidated financial statements.

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Comparison of financial performance in 2010 with 2009

Revenues

Revenues from product sales and other income increased by $1,447 million from $3,955 million in 2009 to $5,402 million in 2010, representing a 37 percent increase over the period. This increase was mainly due to the increase in the average spot price of gold. The average spot price of gold was $1,227 per ounce during 2010, $253 per ounce, or 26 percent, higher than $974 per ounce in 2009. In addition, included in the 2009 gold income, were normal purchase and sale exempted (NPSE) contract losses which from July 2009 onwards were redesignated at fair value on the balance sheet and reported under the loss from non-hedge derivatives. The year on year increase in revenue was partially offset by reduced gold production of 84,000 ounces in 2010 when compared to 2009. The majority of product sales consisted of US dollar-denominated gold sales.

Total revenues from the South African operations increased by $589 million to $2,276 million from $1,687 million in 2009, mainly as a result of the increase in the average spot price of gold. This increase was offset by the reduced gold production at the South African operations (1,785,000 ounces in 2010 compared to 1,797,000 ounces in 2009).

Total revenues from the Americas operations increased from $804 million in 2009 to $1,125 million in 2010 mainly as a result of the increase in the average spot price of gold and an increase in gold produced from 816,000 attributable ounces in 2009 to 842,000 ounces in 2010.

Total revenues from the Continental Africa operations increased by $420 million to $1,871 million from $1,451 million in 2009, mainly as a result of the increase in the average spot price of gold and the treatment of higher tonnes and higher grade material at Geita.

Total revenue from the Australian operation at Sunrise Dam increased from $239 million in 2009 to $468 million in 2010 mainly due to the increase in the average spot price of gold. Average recovered grade increased from 2.87 grams per tonne in 2009 to 3.22 grams per tonne in 2010.

Production costs

Production costs increased from $2,229 million in 2009 to $2,656 million in 2010, which represents a $427 million, or 19 percent increase. The production costs of most of the operations increased in 2010. The increase was mainly as a result of an increase in operational costs including labor, consumables and power and the increase in the rehabilitation provision. The increase in production costs was partially offset by the effects of cost saving initiatives.

South Africa continued to grapple with steeply rising (31 percent) electricity tariffs, effective from July 2009. On February 24, 2010 Eskom Holdings Limited, the state-owned utility, was also granted permission by the National Energy Regulator to raise prices annually by a further average 25 percent for each of the next three years to fund the construction of new power generation capacity. This will significantly increase the cost structure of AngloGold Ashanti s South African operations which currently account for approximately 40 percent of annual production. In 2010 power costs increased by $71 million of which $51 million was in South Africa.

Production costs in Tanzania (Continental Africa) marginally decreased from $261 million in 2009 to $256 million in 2010. This was due to a decrease in consumables used and the effects of cost saving initiatives.

Exploration costs

Exploration costs increased from $150 million in 2009 to $206 million in 2010 mainly due to higher prefeasibility expenditure at La Colosa in Colombia, Tropicana in Australia and Mongbwalu in the Democratic Republic of the Congo. For a discussion of AngloGold Ashanti s exploration activities in 2010, see Item 4B.: Business overview Global exploration .

General and administrative

General and administrative expenses increased from $158 million in 2009 to $228 million in 2010, mainly due to higher labor costs, the roll out of Project ONE business improvement initiatives, the implementation of a global security framework, corporate office costs, consultancy fees and the strengthening of the rand relative to the US dollar.

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Royalties

Royalties paid by AngloGold Ashanti increased from $84 million in 2009 to $142 million paid in 2010 mainly due to the introduction of the South African Mineral and Petroleum Resources Act of royalties payable in South Africa from March 1, 2010 as well as the high spot price of gold. Royalties recorded by the South African mines were $38 million in 2010. Royalties in Argentina increased from $16 million in 2009 to $21 million in 2010 as a result of higher spot prices of gold. In Argentina, royalties are payable to Fomicruz, a State owned company in the Santa Cruz Province, being the minority shareholder of the Cerro Vanguardia operation and are calculated as a percentage of revenues. Royalties paid in Ghana and Guinea amounted to $48 million in 2010 compared to $46 million in 2009. In Ghana, royalties are payable to the government at a fixed rate of 3 percent per annum based on revenue, as agreed to under the Stability Agreement entered into with AngloGold as part of the AngloGold Ashanti business combination. In Guinea, royalties are paid to the government, Union Miniere and the International Finance Corporation and are calculated as a percentage of revenues.

Depreciation, depletion and amortization

Depreciation, depletion and amortization expense increased by $105 million or 17 percent, to $720 million in 2010 when compared to $615 million recorded in 2009. This increase was mainly due to increases in depreciation, depletion and amortization expense in South Africa, Tanzania (Continental Africa) and the Americas from $281 million, $53 million and $111 million, respectively, incurred in the year ended December 31, 2009 to $357 million, $55 million and $152 million, respectively, for the same period of 2010 mainly as a result of changes in estimated lives of assets, as well as stronger local currencies. This was partially offset by a decrease in depreciation, depletion and amortization expense in Ghana (Continental Africa) which decreased from $101 million incurred in the year ended December 31, 2009 to $87 million in the same period in 2010 as a result of a decrease in gold production.

Impairment of assets

In 2010, AngloGold Ashanti recorded impairments amounting to $91 million compared to $8 million in 2009. The increase was mainly due to the impairment of Tau Lekoa (held for sale), Tau Tona and Savuka in South Africa during 2010, the write-off of assets at Iduapriem, Geita and Serra Grande in Brazil. Tau Tona and Savuka were impaired due to changes in the mine plan resulting in areas being abandoned and safety related concerns. Total impairment recognized for Tau Tona and Savuka during 2010 was $63 million. Following the classification of Tau Lekoa as held for sale, impairment testing was performed on the held for sale asset and since the estimated fair value did not support the carrying value, an impairment of $8 million was recorded. See Note 5 Costs and expenses: Impairment of assets to the consolidated financial statements for additional information.

Interest expense

Interest expense increased by $28 million to $151 million in 2010, compared to $123 million recorded in 2009. The increase is mainly due to interest on the rated bonds and mandatory convertible bonds, which was partially offset by lower interest paid due to the repayment of the 2009 Term Facility and $1.5 billion Revolving Credit Facility during 2010. Interest expense recorded in the year ended December 31, 2010 includes $8 million related to accelerated amortization of fees on debt facilities cancelled.

Accretion expense

Accretion expense of $22 million was recorded in 2010 compared with $17 million in 2009. Accretion relates to the unwinding of discounted future reclamation obligations to present values and increases in the reclamation obligations to its future estimated payout.

Employment severance cost

Employment severance costs increased to $23 million in 2010 from $14 million in 2009. Employment severance costs recorded for the year ended December 31, 2010 relates to retrenchments in the South Africa region reflecting rationalization of operations at Great Noligwa, Kopanang, TauTona and Mponeng.

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Profit/loss on sale of assets, realization of loans, indirect taxes and other

In 2010, the Company recorded a profit of $3 million compared to a loss of $10 million recorded in 2009. The profit in 2010 mainly related to profit on sale of investments held in B2Gold Corporation and Red 5 Limited, an insurance claim recovery at Savuka mine and royalties received. These profits were partially offset by the mandatory convertible bond underwriting and professional fees, the loss on disposal of land, equipment and assets, mineral rights and exploration properties and reassessment of indirect taxes payable in Tanzania, Brazil, Guinea and South Africa.

The loss in 2009 mainly related to the impairment of Pamodzi Gold debtor in South Africa whose operations were liquidated during October 2009, a loss on consignment stock and reassessment of indirect taxes payable in Tanzania, Brazil and Guinea being offset by the profit on disposal of the indirect 33.33 percent joint venture interest in Boddington Gold mine in Australia to Newmont Mining Corporation.

Non-hedge derivative loss

A loss on non-hedge derivatives of $703 million was recorded in 2010 compared to a loss of $1,452 million in 2009 (which included normal purchase and sale exempted (NPSE) contracts re-designated to non-hedging instruments during the period) relating to the use of non-hedging instruments. These represent derivatives not designated in formal hedge accounting relationships. The change in fair value of such derivatives is recorded each period in the income statement.

During 2010, the Company eliminated its gold hedge book. The loss on scheduled hedge book maturities during 2010 was $277 million. Loss on non-hedge derivatives includes a realized loss of $2,698 million relating to the final tranche of the accelerated hedge buy-back, that commenced in September 2010 and was concluded on October 7, 2010. The final phase of hedge restructuring was funded with proceeds from the equity offering and the mandatory convertible bonds in September 2010, as well as cash from internal sources and debt facilities.

Therefore, the loss on non-hedge derivatives recorded for the year ended December 31, 2010 relates to the accelerated hedge book settlement, normal realized losses on non-hedge derivatives, the fair value movement of the conversion features of convertible bonds and the revaluation of non-hedge derivatives resulting from changes in the prevailing spot gold price, exchange rates, interest rates, volatilities and non-performance risk during 2010.

During 2009, the Company embarked on a hedge buy-back that resulted in the accelerated settlement of both non-hedge and forward gold contracts qualifying for the normal purchases and sales exemption (which permits the Company to not record such amounts in its financial statements until the maturity date of the contract) under which the Company had committed to deliver a specified quantity of gold at a future date in exchange for an agreed price. Of the total hedge buy-back cost of $797 million, the majority, being $580 million, related to contracts previously designated as NPSE, which allowed them to be accounted for off-balance sheet in prior periods. A further $217 million was also incurred in accelerating the cash settlement of existing non-hedge derivative contracts that were not previously designated as NPSE contracts. However, as a result of the accelerated cash settlement of the NPSE contracts during July 2009, the FASB ASC guidance on derivatives and hedging necessitated a review of the continuing designation of, and accounting treatment for, the remaining NPSE contracts that were not part of the accelerated settlement. As the Company continued to consider alternatives to reduce its outstanding gold derivatives position in future periods including, where appropriate, the accelerated settlement of contracts previously qualifying for the NPSE designation, management concluded, in accordance with the provisions of the FASB ASC guidance, to re-designate all remaining NPSE contracts as non-hedge derivatives and to account for such contracts at fair value on the balance sheet with changes in fair value accounted for in the income statement.

The impact in July 2009 of the related re-designation of the contracts discussed above resulted in an increase in the current non-hedge derivative liability and a consequential loss on non-hedge derivatives of $543 million. During the remainder of 2009, the contracts that were previously NPSE designated experienced a further fair value decline (recorded in loss on non-hedge derivatives) of $143 million, settlements of $130 million and thus resulted in a $556 million derivative liability balance as of December 31, 2009. During 2010, the contracts had a further fair value decline of $131 million, before all these contracts were settled for $687 million throughout the year.

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Non-hedge derivatives recorded for the years ended December 31, 2010 and 2009 included:

	Year ended December 31,	
	2010	2009
	(in US Dollars, million)	
Loss on realized non-hedge derivatives	2,975	543
Loss/(gain) on unrealized non-hedge derivatives	(2,273)	876
Fair value loss on option component of convertible bonds	1	33
Net loss	703	1,452

Movement on bonds

	Year ended December 31,	
	2010	2009
	(in US Dollars, million)	
Fair value loss on mandatory convertible bonds	83	-

Fair value movements on the mandatory convertible bonds relate to the ex interest NYSE closing price of these bonds.

Equity income in associates

Equity income in equity method investments decreased from $88 million in 2009 to $40 million in 2010, mainly as a result of a decrease in revenue from gold sales at Yatela and Morila mines in Mali from $89 million and $135 million, respectively, in 2009 to $71 million and $117 million, respectively, in 2010. The decrease was mainly due to a decrease in production in 2010 compared to 2009. The decrease in production was partially offset by the increase in the average spot price of gold for 2010.

Taxation expense/benefit

A net taxation expense of $255 million was recorded in 2010 compared to a net tax benefit of $33 million recorded in 2009. Charges for current tax in 2010 amounted to $117 million compared to $166 million in 2009. The decrease in the current tax charge in 2010 mainly related to tax benefits on losses relating to the early hedge settlement and tax benefits relating to prior year in South Africa. This decrease was partly offset by an increase in the tax charge due to higher income as a result of the higher gold price. Charges for deferred tax in 2010 amounted to a net tax expense of $138 million compared to a net tax benefit of $199 million in 2009. The increase in the deferred tax charge in 2010 is mainly related to the reversal of deferred tax on unrealized non-hedge derivative losses. Refer to Note 7 Taxation of the consolidated financial statements for deductible temporary differences expected to reverse.

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5B. LIQUIDITY AND CAPITAL RESOURCES

In the board s opinion, AngloGold Ashanti s working capital is sufficient to meet the Company s present requirements.

Operating activities

2011

Net cash provided by operating activities was $2,550 million in 2011, higher than the 2010 amount of $1,038 million. The increase in net cash provided by operations was mainly as a result of an increase in the average spot price of gold received during 2011 and the elimination of the hedge book in 2010.

Net cash outflow from operating working capital items amounted to $131 million in 2011, compared with an outflow of $314 million in 2010.

2010

Net cash provided by operating activities was $1,038 million in 2010, higher than the 2009 amount of $443 million. The increase in net cash provided by operations was mainly as a result of an increase in the gold price received during 2010.

Net cash outflow from operating working capital items amounted to $314 million in 2010, compared with an outflow of $21 million in 2009.

Investing activities

2011

Investing activities in 2011 resulted in a net cash outflow of $1,603 million, which is a decrease of $284 million from an outflow of $1,887 million in 2010. Additions to property, plant and equipment increased to $1,393 million in 2011 compared to $973 million in 2010. Investing activities for non-hedge derivatives maturing resulted in an outflow of $nil million in the year ended December 31, 2011 compared to an outflow of $984 million for the same period in 2010.

2010

Investing activities in 2010 resulted in a net cash outflow of $1,887 million, which is an increase of $1,619 million from an outflow of $268 million in 2009. Investing activities for non-hedge derivatives maturing resulted in an outflow of $984 million in the year ended December 31, 2010 compared to an outflow of $18 million for the same period in 2009. Proceeds received from the sale of assets decreased from $1,142 million in 2009 to $69 million in 2010 due to the inclusion of the sale of Boddington 2009.

Financing activities

2011

Net cash generated by financing activities in the year ended December 31, 2011 amounted to an outflow of $319 million, which is a decrease of $549 million from an inflow of $230 million in the year ended December 31, 2010. Cash inflows from proceeds from loans in 2011 amounted to $109 million and included gross proceeds of $100 million raised from the $1 billion Syndicated loan facility.

Cash outflows from repayment of debt of $268 million during the year ended December 31, 2011 included the capital repayment of $99 million towards the FirstRand Bank Limited loan facility, $150 million towards the $1.0 billion syndicated loan facility and normal scheduled loan repayments of $19 million.

Dividends paid increased from $117 million in 2010 to $169 million in 2011. Dividends are proposed and approved by the board of directors of AngloGold Ashanti, based on the Company s financial performance. During the third quarter of 2011, the Company changed the frequency of dividend payments to quarterly, rather than half-yearly.

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2010

During the second and third quarter of 2010, AngloGold Ashanti completed the following key financing transactions, namely:

- The issue of two rated US dollar bonds maturing in 10 and 30 years aggregating $1.0 billion. The net proceeds of $983 million were applied to repay and cancel amounts drawn under the $1.15 billion syndicated loan facility and the 2009 Term Facility;
- The entering of a four year unsecured Syndicated loan facility with a group of banks for $1.0 billion of which $950 million remained undrawn as at December 31, 2010;
- The entering of a ZAR1.5 billion ($222 million) short-term loan from FirstRand Bank Limited, of which $107 million was drawn as at December 31, 2010, to fund, in part, the closing of the hedge book; and
- The raising of aggregate net proceeds of $1,562 billion in equal parts of a dual tranche capital raising comprising equity and three-year mandatory convertible bonds in order to, together with cash and drawings from credit facilities, fund the elimination of the hedge book.

Net cash generated by financing activities in the year ended December 31, 2010 amounted to an inflow of $230 million, which is a decrease of $73 million from an inflow of $303 million in the year ended December 31, 2009. Cash inflows from proceeds from loans in 2010 amounted to $2,316 million and included gross proceeds of $994 million raised from the rated bonds issued during April 2010, $789 million raised from mandatory convertible bonds during September 2010, $326 million raised from the Firstrand Bank Limited loan facility raised and $170 million raised from the $1 billion Syndicated loan facility. Financing activities for non-hedge derivatives maturing resulted in an outflow of $1,065 million in the year ended December 31, 2010 compared to an inflow of $35 million for the same period in 2009. Debt issuance costs paid during the year ended December 31, 2010 included $26 million on the mandatory convertible bonds and $13 million on the rated bonds.

Cash outflows from repayment of debt of $1,642 million during the year ended December 31, 2010 included the capital repayment of $1,060 million towards the $1.15 billion syndicated loan facility during June 2010, $250 million towards the 2009 Term Facility, $200 million towards the FirstRand Bank Limited loan facility, $120 million towards the $1.0 billion syndicated loan facility and normal scheduled loan repayments of $12 million.

Dividends paid increased from $56 million in 2009 to $117 million in 2010.

Liquidity

AngloGold Ashanti s revenues are derived primarily from the sale of gold produced at its mines. Cash generated by operating activities is therefore the function of gold produced sold at a specific price. The market price of gold can fluctuate widely which impacts the profitability of the Company s operations and the cash flows generated by these operations.

AngloGold Ashanti s cash and cash equivalents increased to $1,112 million at December 31, 2011 compared with $586 million at December 31, 2010 (which includes $11 million for held for sale assets). In accordance with South African Reserve Bank regulations, cash generated by South African operations is held in rands and is therefore subject to exchange controls. At December 31, 2011, approximately 50 percent of the Company s cash and cash equivalents were held in US dollars, 36 percent were held in South African rands and 14 percent were held in other currencies.

On May 22, 2009, the Company concluded an issue of convertible bonds, in the aggregate principal amount of $732.5 million at an interest rate of 3.5 percent convertible into ADS of AngloGold Ashanti at an initial conversion price of $47.6126. The conversion price is subject to standard weighted average anti-dilution protection. The convertible bonds were issued by AngloGold Ashanti Holdings Finance plc, a finance company subsidiary wholly-owned by AngloGold Ashanti Limited. The business of AngloGold Ashanti Holdings Finance plc is to issue debt securities to finance the activities of AngloGold Ashanti Limited and its subsidiaries and associates. AngloGold Ashanti Limited has fully and unconditionally guaranteed the convertible bonds issued by AngloGold Ashanti Holdings Finance plc. There are no significant restrictions on the ability of AngloGold Ashanti Limited to obtain funds from its subsidiaries by dividend, loan or advances. The convertible bonds mature on May 22, 2014.

On April 22, 2010, the Company announced the pricing of an offering of a $700 million 10-year note and a $300 million 30-year note. The offering closed on April 28, 2010. The notes were issued by AngloGold Ashanti Holdings plc, a wholly owned subsidiary of AngloGold Ashanti Limited, and are fully and unconditionally guaranteed by AngloGold Ashanti Limited. The notes are unsecured and interest is payable semi-annually at a rate of 5.375 percent on the $700 million bond and 6.50 percent on the $300 million bond. The bonds are payable in April 2020 and April 2040, respectively.

In September 2010, the Company issued mandatory convertible bonds at a coupon rate of 6 percent due in September 2013. The conversion of the mandatory convertible bonds into ADSs was subject to shareholder approval, which was granted in October 2010. These bonds are convertible into a variable number of shares ranging from 18,140,000 at a share price equal to or lesser than $43.50, to 14,511,937 at a share price equal to or greater than $54.375, each as calculated in accordance with the formula set forth in the indenture and subject to adjustment. Concurrent with the mandatory convertible bonds offering was an equity offering which resulted in the issue of 18,140,000 shares at an issue price of R308.37 per share. Total gross proceeds of $789 million were received from each of these offerings. The mandatory convertible bonds issued during 2010 are not included in basic earnings per ordinary share as they contain features that could result in their settlement in cash and therefore do not meet the definition of an equity instrument. The principal of this bond will be settled by the issue of shares as mentioned earlier and only the interest payments will be settled in cash.

On December 22, 2011, AngloGold Ashanti Australia Limited entered into a four year revolving credit facility of A$600 million with a syndication of banks. Interest is charged at BBSY plus 2 percent per annum. AngloGold Ashanti Limited together with AngloGold Ashanti Holdings plc has each guaranteed all payments and other obligations of AngloGold Ashanti Australia Limited under the facility. Amounts may be repaid and reborrowed under the facility during its four year term. No draw down was made during 2011 under the facility. A committment fee of 50 percent of the applicable margin is payable quarterly in arrears on the undrawn portion of the facility. This facility will be used to fund working capital and development costs associated with mining operations in Australia.

During 2012, approximately $32 million of AngloGold Ashanti s debt is scheduled to mature, consisting mainly of interest payable under the Rated bonds and the Navachab Lewcor Mining contract loan.

AngloGold Ashanti intends to finance its capital expenditure and debt repayment requirements in 2012 from cash on hand, cash flow from operations, existing credit facilities and, potentially if deemed appropriate long-term debt financing, the issuance of equity and equity linked instruments.

Short-term debt

AngloGold Ashanti s short-term debt decreased to $32 million at December 31, 2011 from $135 million at December 31, 2010. Included in the short-term debt at December 31, 2011, were:

- $8 million in interest payable under the $700 million 10-year bond (interest charged at 5.375 percent per annum; the bonds are repayable in April 2020 and are US dollar-based);
- $4 million in interest payable under the $300 million 30-year bond (interest charged at 6.50 percent per annum; the bonds are repayable in April 2040 and are US dollar-based); and
- $8 million payable under the Navachab Lewcor Mining contract loan (interest charged at 8.40 percent per annum; the loan is repayable by April 2015 and is Namibian dollar-based).

Long-term debt

AngloGold Ashanti s long-term debt decreased to $2,473 million at December 31, 2011 compared with $2,602 million at December 31, 2010. As at December 31, 2011, the Company s long-term borrowings included:

Unsecured loans:

- $994 million outstanding under the $700 million 10 year and $300 million 30 year rated bonds issued April 2010 (interest charged at 5.375 percent and 6.50 percent, respectively, per annum; the bonds are repayable in April 2020 and April 2040, respectively, and are US dollar-based).

The fair value of $758 million outstanding under the Mandatory Convertible Bonds issued September 2010 (quarterly coupons are paid at 6 percent per annum; the bonds are convertible into ADS until their maturity in September 2013 and are US dollar-based). The principal of this bond will be settled by the issue of shares as mentioned earlier and only the interest payments will be settled in cash.

$659 million outstanding under the convertible bonds issued on May 22, 2009 (interest charged at 3.50 percent per annum; the bonds are convertible, at holders option, into ADS up to May 2014 and are US dollar-based).

Secured capital leases:

$29 million is repayable to Navachab Lewcor Mining Contract for equipment financed (interest charged at a rate of 8.4 percent per annum. Loans are repayable in April 2015 and are Namibian dollar-based. The equipment financed is used as security for these loans).

$33 million is repayable to Turbine Square Two (Proprietary) Limited for buildings financed (interest charged at an implied rate of 9.8 percent per annum, lease payments are payable in monthly installments terminating in March 2022, are rand-based and the buildings financed are used as security for these loans).

$10 million is repayable to Caterpillar Financial Services Corporation (Interest charged at an average rate of 5.46 percent per annum. Loans are repayable in monthly installments terminating in January 2015 and are US dollar-based. The equipment financed is used as security for these loans.)

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As at December 31, 2011, AngloGold Ashanti s total long-term debt, including the short-term portion maturing within 2011, was made up as follows:

	$ (million)
Unsecured loans	2,429
Secured capital leases	76
Total	2,505
Less: Short-term maturities	32
Long-term debt	**2,473**

Debt maturities are scheduled as follows:

	$ (million)
2012	32
2013	773
2014	673
2015	4
2016	2
Thereafter	1,021
Total	**2,505**

At December 31, 2011 the currencies in which the borrowings were denominated were as follows:

	$ (million)
United States dollars	2,437
South African rands	33
Brazilian real	6
Namibian dollars	29
Total	**2,505**

Repayments of short-term and long-term borrowings amounted to $118 million and $150 million, respectively, in 2011.

At December 31, 2011, AngloGold Ashanti had the following undrawn amounts available under its borrowing facilities:

	$ (million)
Syndicated Loan Facility ($1,0 billion) US dollar	1,000
Syndicated Loan Facility (A$600 million) Australian dollar	617
FirstRand Bank Limited US dollar	50
Absa Bank Limited US dollar	42
Nedbank Limited US Dollar	2
FirstRand Bank Limited rands	14
Standard Bank of South Africa Limited rands	23
Nedbank Limited rands	13
Absa Bank Limited rands	4
Total undrawn	**1,765**

AngloGold Ashanti had no other committed lines of credit as of December 31, 2011.

As of December 31, 2011, the Company was in compliance with all debt covenants and provisions related to potential defaults.

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AngloGold Ashanti, through its executive committee, reviews its short, medium and long-term funding, treasury and liquidity requirements and positions monthly. The Audit Committee also reviews these on a quarterly basis at its meetings.

Commitments and contingencies

For a detailed discussion of commitments and contingencies, see note 20 to the consolidated financial statements Commitments and contingencies .

As at December 31, 2011, capital commitments[1] and contingencies can be summarized over the periods shown below as follows:

Commitment		**Expiration per period**			
		Less than			
	Total amount	**1 year**	**1 3 years**	**4 5 years**	**Over 5 years**
(in millions)	**$**	**$**	**$**	**$**	**$**
Capital expenditure	1,330	1,253	77	-	-
(contracted and not yet contracted)[1]					
Guarantees	2,848	12	1,527	-	1,309
Other commercial commitments[2]	463	334	68	42	19
Total	4,641	1,599	1,672	42	1,328

[1] *Including commitments through contractual arrangements with equity accounted joint ventures of $14 million (2010: $12 million).*

[2] *Excludes commitments through contractual arrangements with equity accounted joint ventures.*

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Derivatives accounted for at fair value

In the normal course of its operations, the Company is exposed to gold and other commodity price, currency, interest rate, liquidity and non-performance risk, which includes credit risk. The Company is also exposed to certain by-product commodity price risk. In order to manage these risks, the Company may enter into transactions which make use of derivatives. The Company has developed a risk management process to facilitate, control and monitor these risks. The board approves and monitors this risk management process, inclusive of documented treasury policies, counterpart limits, controlling and reporting structures. The Company does not acquire, hold or issue derivatives for trading purposes. Until 2010 the Company had utilized a number of derivatives as part of its hedging of these risks. In order to provide financial exposure to the rising spot price of gold and the potential for enhanced cash-flow generation the Company completed its final tranche of hedge buy-back program during 2010 and settled all forward gold and foreign exchange contracts that had been used by the Company in the past to manage those risks.

The estimated fair values of financial instruments are determined at discrete points in time based on relevant market information. The following table represents the change in fair value of all derivative financial instruments:

	$ (million)
Fair value of derivatives at January 1, 2011	(175)
Option component of convertible bonds	84
Embedded derivatives	(1)
Warrants on shares	(1)
Fair value of derivatives at December 31, 2011	(93)

The fair value of the on-balance sheet derivatives at December 31, 2011 included:

	$ (million)
Derivatives non-current liabilities	(93)
Derivatives net liabilities	(93)

The maturity of the fair value of derivatives as at December 31, 2011 was as follows:

	Fair value of derivatives at December 31				
Source of fair value	**Maturity less than 1 year**	**Maturity 1 - 3 years**	**Maturity 4 - 5 years**	**Maturity excess of 5 years**	**Total Fair value**
(in millions)	**$**	**$**	**$**	**$**	**$**
Prices actively quoted	-	-	-	-	-
Prices provided by other external sources	-	-	-	-	-
Prices based on models and other valuation methods [(1)]	-	(92)	-	(1)	(93)

[(1)]*Fair value of volatility-based instruments (i.e. options) are calculated based on market prices, volatilities, credit risk and interest rates.*

Recent developments

For a detailed discussion of recent developments, see note 29 to the consolidated financial statements Subsequent events .

Related party transactions

For a detailed discussion of related party transactions, see Item 7B.: Related party transactions .

Recently adopted accounting policies and pending adoption of new accounting standards

AngloGold Ashanti s accounting policies are described in note 4 to the consolidated financial statements Significant accounting policies . Recently adopted accounting policies are described in note 2 to the consolidated financial statements Accounting changes . Recent pronouncements are described in note 4.27 to the consolidated financial statements Recent pronouncements .

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Critical accounting policies

AngloGold Ashanti s accounting policies are described in note 4 to the consolidated financial statements Significant accounting policies . The preparation of the Company s financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The following are considered to be the accounting policies that are most critical to the Company s results of operations, financial condition and cash flows.

Use of estimates and making of assumptions

The most critical accounting estimates upon which AngloGold Ashanti s financial reporting depends are those requiring estimates of Proven and Probable Reserves, recoverable ounces there from, and/or assumptions of future gold prices. Such estimates and assumptions affect the value of inventories (which are stated at the lower of average cost or net realizable value) and the potential impairment of long-lived assets and intangibles as detailed below. These estimates and assumptions also affect the rate at which depreciation and amortization are charged to earnings. On an ongoing basis, management evaluates its estimates and assumptions; however, actual amounts could differ significantly due to the ultimate conclusion of uncertainties.

Ore reserves and life-of-mines

AngloGold Ashanti estimates on an annual basis its Ore Reserves at its mining operations. There are a number of uncertainties inherent in estimating quantities of reserves, including many factors beyond the Company s control. Estimates of Ore Reserves are based upon engineering evaluations of assay values derived from samplings of drill holes and other openings. Additionally, declines in the market price of gold may render certain reserves containing relatively lower grades of mineralization uneconomic to mine. Further, availability of permits, changes in operating and capital costs, and other factors could materially and adversely affect Ore Reserves. The Company uses its estimates of Ore Reserves to determine the unit basis for mine depreciation and closure rates, and to evaluate mine asset impairments. Changes in estimates of Ore Reserves could significantly affect these items. At least annually, the Company reviews mining schedules, production levels and asset lives in the Company s life-of-mine planning for all of the Company s operating and development properties. Significant changes in the life-of-mine plans may occur as a result of mining experience, new ore discoveries, changes in mining methods and rates, process changes, investment in new equipment and technology and gold prices. Based on the life-of-mine analysis the Company reviews its accounting estimates and adjusts depreciation, amortization, reclamation costs and evaluation of each mine for impairment where necessary. Accordingly, this analysis and the estimates made therein have a significant impact on the Company s results of financial condition.

Drilling and related costs

Drilling and related costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit that contain proven and probable reserves are recorded as exploration expenditures and are expensed as incurred.

Drilling and related costs incurred to define and delineate a residual mineral deposit that has not been classified as proven and probable reserves at a development stage or production stage mine are capitalized when management determines that there is sufficient evidence that the expenditure will result in a future economic benefit to the Company in the accounting period when the expenditure is made. Management evaluates whether or not there is sufficient geologic and economic certainty of being able to convert a residual mineral deposit into a proven and probable reserve at a development stage or production stage mine, based on the known geologic and metallurgy, existing mining and processing facilities, operating permits and environmental programs. Therefore prior to capitalizing such costs, management determines that the following conditions have been met:

- There is a probable future benefit;
- AngloGold Ashanti can obtain the benefit and control access to it; and
- The transaction or event giving rise to it has already occurred.

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The Company understands that there is diversity in practice within the mining industry, in that some companies expense the drilling and related costs incurred to define and delineate residual mineral deposits that have not been classified as proven and probable reserves at a development stage or production stage mine. Had AngloGold Ashanti expensed such costs as incurred, net income, earnings per share and retained earnings would have been lower by approximately the following amounts:

	0000000000	0000000000	0000000000
	2011	**2010**	**2009**
Net income ($ millions)	10	27	16
Earnings per share (cents)[(1)]	3	7	4
Retained income January 1 ($ millions)	113	86	70
Retained income December 31 ($ millions)	123	113	86

[(1)]*Impact per basic and diluted earnings per common share.*

Contingencies

AngloGold Ashanti accounts for contingencies in accordance with the FASB ASC guidance for contingencies. It requires the recording of an estimated loss for a loss contingency when information available indicates that it is probable that an asset has been impaired or a liability has been incurred, and the amount of the loss can be reasonably estimated. Accounting for contingencies such as legal and income tax matters requires the use of judgments to determine the amount to be recorded in the financial statements. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur and typically, those events will occur a number of years into the future. The Company assesses such contingent liabilities, which inherently involves the exercise of significant management judgment and estimates of the outcome of future events. Also, see Taxation discussed below.

Impairment of long-lived assets

AngloGold Ashanti s long-lived assets include property, plant and equipment, acquired properties, goodwill and other tangible assets. In assessing the potential impairment of its long-lived assets held for use, the Company must make assumptions regarding estimated future cash flows and other factors relating to the respective assets. To the extent that the carrying value of the long-lived asset as recorded in the consolidated financial statements exceeds the undiscounted cash flows associated with these assets, an impairment charge is recognized in the consolidated financial statements based on the fair value of the asset. The Company performs impairment tests for goodwill at least annually during the fourth quarter and whenever certain indicators of impairment exist. Impairment calculation assumptions are included in notes to the consolidated financial statements Note 5 Costs and expenses .

Taxation

AngloGold Ashanti follows the liability method of accounting for deferred taxation whereby the Company recognizes the tax consequences of temporary differences by applying current statutory tax rates applicable to future years to differences between financial statement amounts and the tax bases of certain assets and liabilities. Changes in deferred tax assets and liabilities include the impact of any tax rate changes enacted during the year. Deferred tax is estimated at the future average anticipated taxation rates at which temporary differences are expected to reverse. Future average anticipated taxation rates are determined from revenue and expenditure outlined in life-of-mine business plans that are revised annually. When a deferred tax asset arises the Company reviews the asset for recoverability and establishes a valuation allowance where the Company determines it is more likely than not that such an asset will not be realized. These determinations are based on the projected realization of tax allowances and tax losses. If these tax assets are not to be realized, an adjustment to the valuation allowance would be required, which would be charged to income in the period that the determination was made.

If the Company determines that it would be able to realize tax assets in the future in excess of the recorded amount thereof, an adjustment to reduce the valuation allowance would be recorded as a credit to income in the period that the determination is made. Management classifies taxes payable based on the likelihood of the amount required to be settled within twelve months, which are then reported within current liabilities. All other taxes payable are recorded within non-current liabilities.

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Provision for environmental rehabilitation

AngloGold Ashanti s mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes management s best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision. Changes in Mineral Reserves could similarly affect the useful lives of assets depreciated on a straight-line-basis, where those lives are limited to the life of mine.

Discounted closure liabilities (excluding joint ventures) increased from $530 million in 2010 to $653 million in 2011. This change is largely attributable to a change in mine plans resulting in accelerated cash flows, change in economic assumptions and discount rates, change in design of tailings storage facilities and change in methodology following requests from the Ghana Environmental Protection Agency.

Ore on Leach Pads

The recovery of gold from certain oxide ores is achieved through the heap-leaching process. Under this method, ore is placed on leach pads where it is permeated with a chemical solution, which dissolves the gold contained in the ore. The resulting pregnant solution is further processed in a process plant where the gold is recovered. For accounting purposes, costs are added to leach pads based on current mining costs, including applicable depreciation, depletion and amortization relating to mining operations. Costs are removed from the leach pad as ounces are recovered in circuit at the leach plant based on the average cost per recoverable ounce of gold on the leach pad.

The engineering estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads (measured tons added to the leach pads), the grade of ore placed on the leach pads (based on assay data) and a recovery percentage (based on metallurgical testing and ore type). Leach pad production cycles vary from several months to multiple years dependant on the height of the heap leach pad. The increased height of the pad and the resultant associated lengthy transport time of the solution to the internal collection ponds from which the pregnant solution is pumped significantly increase the time from placement of ore to the ultimate gold recovery.

Although the quantities of recoverable gold placed on the leach pads are reconciled by comparing the grades of ore placed on pads to the quantities of gold actually recovered (metallurgical balancing), the nature of the leaching process inherently limits the ability to precisely monitor recoverability levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time. Historically, AngloGold Ashanti s operating results have not been materially impacted by variations between the estimated and actual recoverable quantities of gold on its leach pads. For operations with long-term leach production cycles, variations in recovery estimates from new metallurgical data or production variances would be accounted for as an adjustment to the recoverable ounces and the average cost per recoverable ounce of gold on the leach pad. Variations between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realizable value are accounted for on a prospective basis. The ultimate recovery of gold from a pad will not be known until the leaching process has been concluded.

The costs of materials currently contained on the leach pad are reported as a separate line item. As at December 31, 2011 and 2010, $98 million and $91 million, respectively, was classified as short-term as the Company expects the related gold to be recovered within twelve months. The short-term portion of materials on the leach pad is determined by multiplying the average cost per ounce in inventory by the expected production ounces for the next twelve months. Heap-leach pad inventory occurs in two forms: (1) gold recoverable but yet to be dissolved (i.e. gold still in the ore), and (2) gold recoverable from gold dissolved in solution within the leach pad (i.e. pore water). This estimate calculation was used in determining the short-term portion of materials on the leach pad as at December 31, 2011. As at December 31, 2011, $393 million was classified as long-term compared with $331 million as at December 31, 2010.

5C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Research and development expenditure included in the income statement amounted to $1 million, $4 million and $3 million during 2011, 2010 and 2009 respectively.

5D. TREND INFORMATION

For a discussion of trends affecting AngloGold Ashanti s business and operations, see Item 5A.: Operating Results Key factors affecting results .

5E. OFF-BALANCE SHEET ARRANGEMENTS

AngloGold Ashanti does not engage in off-balance sheet financing activities, and does not have any off-balance sheet debt obligations, special purpose entities or unconsolidated associates. The most significant off-balance sheet item is the unaccrued future rehabilitation obligations.

See note 19 to the consolidated financial statements Provision for environmental rehabilitation .

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5F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS
As at December 31, 2011 AngloGold Ashanti had the following known contractual obligations:

Contractual obligations

	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
(in millions)	**$**	**$**	**$**	**$**	**$**
Long-term debt obligations including interest[(1)]	3,631	152	1,721	126	1,632
Capital lease obligations	105	20	38	12	35
Operating lease obligations	25	23	2	-	-
Purchase obligations					
- Contracted capital expenditure[(2)]	202	202	-	-	-
- Other purchase obligations[(3)]	463	334	68	42	19
Environmental rehabilitation costs[(4)]	2,542	57	113	72	2,300
Derivatives[(5)]	(93)	-	(92)	-	(1)
Pensions and other post retirement medical obligations[(6)]	178	14	31	32	101
Uncertain taxes[(7)]	78	-	40	-	38
Total	**7,131**	**802**	**1,921**	**284**	**4,124**

(1) *Interest calculations are at the rate existing at the year end. Actual rates are set at floating rates for some of the debt (Refer Note 18 of Item 18). Certain of these obligations will be settled by the issue of equity, refer to Item 5B.: Liquity and capital resources .*

(2) *Represents contracted capital expenditure for which contractual obligations exist. Amounts stated include commitments of equity accounted joint ventures.*

(3) *Other purchase obligations represent contractual obligations for mining contract services, purchase of power, supplies, consumables, inventories, explosives and activated carbon. Amounts stated exclude purchase obligations of equity accounted joint ventures.*

(4) *Operations of gold mining companies are subject to extensive environmental regulations in the various jurisdictions in which they operate. These regulations establish certain conditions on the conduct of operations by AngloGold Ashanti. Pursuant to environmental regulations, AngloGold Ashanti is also obligated to close their operations and reclaim and rehabilitate the lands upon which it conducted its mining and gold recovery operations. The present estimated closure costs at existing operating mines and mines in various stages of closure are reflected in this table. For more information of environmental rehabilitation obligations, see "Item 4B.: Business overview - Mine site rehabilitation and closure" and "Item 4B.: Business overview - Environmental, health and safety matters . Amounts stated include a total estimated liability of $57 million in respect of equity accounted joint ventures.*

(5) *Estimated fair value of all derivatives. Also see Item 5B.: Liquidity and capital resources Derivatives accounted for at fair value . Amounts stated include derivatives of equity accounted joint ventures.*

(6) *Represents payments for unfunded plans or plans with insufficient funding.*

(7) *Certain of the uncertain tax positions will prescribe in 2013 and 2014.*

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ITEM 6: DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6A. DIRECTORS AND SENIOR MANAGEMENT

Directors

AngloGold Ashanti has a unitary board structure which comprises two executive directors and eight non-executive directors. Certain information with respect to AngloGold Ashanti s directors as at December 31, 2011 is set forth below:

Name	Age	Position	Year first appointed (1)
Mark Cutifani	53	Executive director and chief executive officer	2007
SrinivasanVenkatakrishnan	46	Executive director, and chief financial officer	2005
Tito T Mboweni(3)	52	Independent non-executive director and chairman	2010
Frank B. Arisman(2)	67	Independent non-executive director	1998
Rhidwaan Gasant(2)	52	Independent non-executive director	2010
Nozipho January-Bardill (2)	61	Independent non-executive director	2011
William (Bill) A Nairn	67	Independent non-executive director	2001
Lumkile W (Wiseman) Nkuhlu(2)	67	Independent non-executive director	2006/2009
Ferdinand Ohene-Kena	75	Independent non-executive director	2010
Sipho M Pityana	52	Independent non-executive director	2007

(1) Directors who do not have a contract of employment with the company (non-executive directors) serve for a period of three years unless re-elected. At each annual general meeting, directors appointed since the previous annual general meeting are required to retire, but are eligible for re-election. In addition, one-third of the non-executive directors (rounded down to the next whole number), must retire according to seniority or by lot but may be re-elected.
(2) Member of the Audit and Corporate Governance committee.
(3) Appointed as chairman with effect from June 1, 2010.

NON-EXECUTIVE CHAIRMAN:

Mr TT Mboweni (52)

BA, MA (Development Economics)

Chairman and independent non-executive director

Tito Mboweni was appointed to the board and as Chairman of AngloGold Ashanti on June 1, 2010. He has a long and outstanding record of public service. As Labor Minister from 1994 to 1998, Mr Mboweni was the architect of South Africa s post-apartheid labor legislation which today continues to provide the basis for the mutually respectful labor relationships central to AngloGold Ashanti s operational approach in South Africa. He was the eighth Governor of the South African Reserve Bank from 1999 to 2009, and Chancellor of the University of the North from 2002 to 2005. He is also non-executive chairman of Nampak Limited and an international adviser to Goldman Sachs. Mr Mboweni is a founder member of Mboweni Brothers Investment Holdings. He is also chairman of the fund raising committee of the Nelson Mandela Children s Hospital and a trustee and chairman of the finance committee of the Thabo Mbeki Foundation. He is chairman of AngloGold Ashanti s Nominations Committee and is a member of the Investment, Financial Analysis and Party Political Donations committees.

EXECUTIVE DIRECTORS:

Mr M Cutifani (53)

BE (Mining Engineering)

Chief Executive Officer

Mark Cutifani was appointed to the board of AngloGold Ashanti on September 17, 2007 and as Chief Executive Officer on October 1, 2007. He is chairman of the Executive Committee and a member of the Transformation and Human Resources Development; Safety, Health and Sustainable Development; Risk and Information Integrity; Party Political Donations Committee; and Investment Committees. Mark has considerable experience in gold mining, having been associated with the industry since 1976. Prior to joining AngloGold Ashanti, he was Chief Operating Officer at CVRD Inco, a Toronto-based company, where he was responsible for Inco s global nickel business.

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Mr S Venkatakrishnan (Venkat) (46)

BCom, ACA (ICAI)

Chief Financial Officer

Venkat joined AngloGold Ashanti on July 1, 2004, having been Chief Financial Officer at Ashanti Goldfields Company Limited (Ashanti) until that company s merger with AngloGold Limited in May 2004. He was appointed to the board on August 1, 2005, is a member of the Executive, Risk and Information Integrity and Investment Committees and is invited to attend meetings of the Audit and Corporate Governance Committee. Venkat has extensive financial experience, having been a director in the reorganization services division of Deloitte & Touche in London prior to joining Ashanti in 2000. Venkat is a member of the audit committee of the World Gold Council and has recently been appointed to the Financial Reporting Investigation Panel, an advisory panel of the JSE.

NON-EXECUTIVE DIRECTORS:

Mr FB Arisman (67)

BA (Finance), MSc (Finance)

Independent non-executive director

Frank Arisman joined the board of AngloGold Ashanti on April 1, 1998. He is chairman of the Financial Analysis and Investment Committees, and a member of the Safety, Health and Sustainable Development; Audit and Corporate Governance; Nominations; Risk and Information Integrity; and Remuneration Committees. Frank, who resides in the United States, has a rich background in management and finance through his experiences at JP Morgan where he held various positions prior to his retirement.

Mr R Gasant (52)

CA (SA)

Independent non-executive director

Rhidwaan Gasant was appointed to the board of AngloGold Ashanti on August 12, 2010. He is chairman of the Risk and Information Integrity Committee and a member of the Audit and Corporate Governance, Nominations and Financial Analysis Committees. He is the former Chief Executive Officer of Energy Africa Limited and sits on the board of international companies in the MTN Group.

Mrs NP January-Bardill (61)

BA (Education), MA (Applied Linguistics)

Independent non-executive director

Nozipho January-Bardill was appointed to the board of AngloGold Ashanti on October 1, 2011 and is a member of the Audit and Corporate Governance and Nominations Committees. She recently retired from the MTN Group where she served as an Executive Director and spokesperson and on the boards of a number of operations in the MTN footprint. She is former South African Ambassador to Switzerland, and former Deputy Director General, Human Capital Management and Head of the Foreign Service Institute in the then Department of Foreign Affairs (now DIRCO). She was reappointed as member of the UN Expert Committee on the Elimination of Racism, Racial Discrimination, Xenophobia and Related Intolerances for a four-year period from 2012-2015 (previously from 2000-2008). She is currently the founder and executive director of Bardill & Associates, a consulting company focusing on strategic communications, high-level government relations and stakeholder management.

Mr WA Nairn (67)

BSc (Mining Engineering)

Independent non-executive director

Bill Nairn has been a member of the board of AngloGold Ashanti since January 1, 2000 and chairs the Remuneration Committee and is a member of the Safety, Health and Sustainable Development; Transformation and Human Resources Development; Investment; Party Political Donations; Risk and Information Integrity; and Nominations Committees. Bill, a mining engineer, has considerable technical experience, having been the Group Technical Director of Anglo American plc until 2004 when he retired from the company. Having completed the three-year cooling period, Bill is now considered an Independent Non-executive Director of AngloGold Ashanti.

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Prof LW Nkuhlu (67)

BCom, CA (SA), MBA (New York University)

Independent non-executive director

Wiseman Nkuhlu was appointed to the board on August 4, 2006. He has been the chairman of the Audit and Corporate Governance Committee since May 5, 2007, having served as deputy chairman from August 4, 2006. He also serves as a member of the Financial Analysis; Risk and Information Integrity; Safety, Health and Sustainable Development; Nominations, Party Political Donations; and Remuneration Committees. Wiseman, a respected South African academic, educationist, professional and business leader, served as Economic Adviser to the former President of South Africa, Mr Thabo Mbeki, and as Chief Executive of the Secretariat of the New Partnership for Africa s Development (NEPAD) from 2000 to 2005. From 1989 to 2000, he served as a director on a number of major South African companies, including Standard Bank, South African Breweries, Old Mutual, Tongaat Hulett, BMW and JCI. Wiseman was President of the South African Institute of Chartered Accountants from 1998 to 2000 and Principal and Vice Chancellor of the University of Transkei from 1987 to 1991. He is also a member of the board of Datatec Limited. He was elected President of the Geneva-based International Organization of Employers (IOE) in May 2008 for a period of two years. He is a member of the Financial Crisis Advisory Group of the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB).

Mr F Ohene-Kena (75)

MSc (Engineering), DIC and ACSM

Independent non-executive director

Ferdinand (Fred) Ohene-Kena was appointed to the board of AngloGold Ashanti on June 1, 2010. He is the former Ghanaian Minister of Mines and Energy and is currently a member of the Ghana Judicial Council. He is the chairman of the Ghana Minerals Commission and a member of the President s Economic Advisory Council. Mr Ohene-Kena is a member of the Safety, Health and Sustainable Development; Transformation and Human Resources Development; and Nominations Committees.

Mr SM Pityana (52)

BA (Hons) (Essex), MSc (London), Dtech (Honoris) (Vaal University of Technology)

Independent non-executive director

Sipho Pityana joined the board of AngloGold Ashanti on February 13, 2007. He is the chairman of the Safety, Health and Sustainable Development Committee and is a member of the Remuneration, Party Political Donations, Investment, Nominations, Financial Analysis, Risk and Information Integrity and the Transformation and Human Resources Development Committees. Sipho has extensive experience in management and finance, and has occupied strategic roles in both the public and private sectors, including that of Director General of the national departments of both labor and foreign affairs. He was formerly a senior executive of Nedbank Limited and is currently the Executive Chairman of Izingwe Holdings (Proprietary) Limited, a local empowerment group and a significant investor in mining, engineering, infrastructure and logistics, and AngloGold Ashanti s BEE partner. He serves as a Non-executive Director on the boards of several other South African companies.

Mr RJ Ruston (61)

MBA, Business, BE (Mining)

Independent non-executive director

Rodney Ruston was appointed to the board of AngloGold Ashanti on January 1, 2012. Rodney, a mining engineer, has over 35 years of experience in the resources industry. He is currently the President and CEO of North American Energy Partners, a large Canadian mining and construction contracting company listed on the NYSE and the TSX.

Board movements during 2011

Mrs N P January-Bardill was appointed as a member of the board and as a member of the Audit and Corporate Governance Committee with effect from October 1, 2011.

In terms of the company s memorandum and articles of association, there is no mandatory retirement age for non-executive directors. Non-executive directors do not hold service contracts with the company.

In accordance with the articles of association of AngloGold Ashanti, all non-executive directors must retire at least once every three years by rotation and may be re-elected by shareholders. At the annual general meeting held on May 11, 2011, Mr W A Nairm and Mr S M Pityana who retired by rotation made themselves available for re-election and were appointed by shareholders at the annual general meeting.

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At the annual general meeting held on May 11, 2011, Mr T T Mboweni, Mr F Ohene-Kena and Mr R Gasant who were all appointed to the board since the last annual general meeting, retired from the board in terms of the company s articles of association, and having made themselves available for election to the board, were appointed by the shareholders.

Board movements subsequent to year-end

On January 1, 2012, Mr R J Ruston joined the board.

EXECUTIVE COMMITTEE

Day-to-day management of the group s affairs is vested in the Executive Committee, which is chaired by the Chief Executive Officer and comprises 12 members, four of whom head the regional operations. The committee s work is supported by country and regional management teams. During the year under review, three new members, Mike O Hare, Ria Sanz and Italia Boninelli, were appointed to the committee.

The committee met monthly to discuss operational matters and review the programs and activities being implemented to advance the achievement of the set of strategic goals on safety, asset portfolio-, financial-, people- and environmental management as well as stakeholder engagement.

In addition to Mr M Cutifani and Mr S Venkatakrishnan, the two executive directors, the following make up the Executive Committee. The business experience and functions of the executive committee members of AngloGold Ashanti, as at December 31, 2011 are as follows.

AngloGold Ashanti has determined that all members of the Executive Committee are prescribed officers within the meaning of section 66(10) and regulation 38 of the Companies Act of 2008.

Ms I Boninelli (55)

M (Psychology), post-graduate diploma in Labor Relations

Executive Vice President People and Organizational Development

Italia Boninelli joined AngloGold Ashanti on October 15, 2010 as Senior Vice President: Human Resources, Strategy and Change Management and was appointed to the Executive Committee on December 1, 2011 where she is responsible for the company s people strategy, transformation and change management initiatives. Italia has more than 25 years experience in human resources, marketing communications, customer relationship management and business transformation, in a variety of industries including mining, manufacturing, healthcare and banking. She is a registered industrial psychologist with the Health Professions Council of South Africa, holds a masters degree in psychology and a post-graduate diploma in labor relations.

Dr CE Carter (49)

BA (Hons), DPhil, EDP

Executive Vice President Business Strategy

Charles Carter has worked in the mining industry in South Africa and the United States since 1991, in a range of corporate roles with Anglo American Corporation, RFC Corporate Finance and AngloGold Ashanti. He was appointed Executive Vice President Business Strategy in December 2007 and is currently responsible for corporate strategy and business planning, risk management, investor relations and Project ONE implementation.

Mr RN Duffy (48)

BCom, MBA

Executive Vice President Continental Africa

Richard Duffy joined Anglo American in 1987 and in 1998 was appointed Executive Officer and Managing Secretary of AngloGold. In November 2000, he was appointed Head of Business Planning and in 2004 assumed responsibility for all new business opportunities globally. In April 2005, this role was expanded to include greenfields exploration. He was appointed to the Executive Committee in August 2005. Richard was appointed Executive Vice President Continental Africa in July 2008.

Mr GJ Ehm (55)

BSc Hons, MAusIMM, MAICD

Executive Vice President Australasia

Graham Ehm has, since 1979, gained diverse experience in mine operations and project management, covering the nickel, phosphate, copper, uranium and gold sectors. He was appointed General Manager of Sunrise Dam gold mine in 2000, Regional Head Australia in 2006 and Executive Vice President Australasia in December 2007. He assumed the role of Executive Vice President Tanzania on June 1, 2009 and during August 2010, resumed the position of Executive Vice President Australasia.

Mr RW Largent (51)

BSc (Mining Engineering), MBA

Executive Vice President Americas

Ron Largent has been with AngloGold Ashanti since 1994. He has served on the board of directors for the Colorado Mining Association, California Mining Association and Nevada Mining Association. In 2001, he was appointed General Manager of the Cripple Creek & Victor gold mine and took up his current role as Executive Vice President Americas in December 2007.

Mr RL Lazare (55)

BA, HED, DPLR, SMP

Executive Vice President

Robbie Lazare joined Anglo American Gold and Uranium Division in 1982, working in a variety of management posts until 1999 when he was appointed General Manager of TauTona. In December 2004, he was appointed an Executive Officer with responsibility for South African operations and in July 2008, Executive Vice President Human Resources. From November 17, 2009, Robbie was assigned to lead a strategy review of the South African operations and is now responsible for the South Africa region.

Mr MP O Hare (52)

BSc Engineering (Mining)

Executive Vice President South Africa

Mike O Hare joined Anglo American in 1977, and has held a number of positions at various gold mining operations within the group. His roles have included General Manager of Kopanang (1993), Great Noligwa (2003), Head of Mining and Mineral Resource Management Underground (2006), Vice President: Technical Support (2008), Senior Vice President: Operations and Business Planning for South Africa (2010), and in 2011, he was appointed Executive Vice President South Africa.

Mr AM O Neill (54)

BSc Engineering (Mining), MBA

Executive Vice President Business and Technical Development

Tony O Neill joined AngloGold Ashanti in July 2008 as Executive Vice President Business and Technical Development, having consulted to the company prior to this on its asset portfolio strategy. His extensive career in mining since 1978 included the roles of Executive Operations at Newcrest Mining Limited and Executive General Manager for gold at Western Mining Corporation.

Ms ME Sanz (46)

BCom LLB, H Dip Tax, Admitted Attorney

Group General Counsel

Maria (Ria) Sanz joined AGA in June 2011 having worked in a number of industries and major corporate organizations. She has held legal roles at Investec Bank, Basil Read, Afrox and Sappi. She was also Group Head of Sustainability at Sappi. She is responsible for Group legal services as well as compliance and company secretarial functions.

Ms Y Simelane (46)

BA LLB, MAP, EMPM

Senior Vice President Corporate Affairs

Yedwa Simelane joined AngloGold in November 2000 from the Mineworkers Provident Fund where she was the Senior Manager of the fund. She was appointed an Executive Officer in May 2004 and Vice President Government Relations in July 2008. In November 2009, she was appointed Senior Vice President Corporate Affairs with responsibility for government relations, corporate communication and marketing.

OFFICE OF THE COMPANY SECRETARY

Ms L Eatwell (57)

FCIS, FCIBM

Lynda Eatwell joined AngloGold Ashanti in 2000 as Assistant Company Secretary and was appointed Company Secretary in December 2006. She is responsible for ensuring statutory compliance and corporate governance requirements by AngloGold Ashanti and its subsidiaries. She also advises members of the board on their duties and responsibilities as directors.

COMPETENT PERSONS

As part of it suite of annual reports, AngloGold Ashanti produces a Mineral Resource and Ore Reserve statement and all the information in this report that relates to Exploration Results, Mineral Resources and Ore Reserve is based on information compiled by the Competent Persons.

During the past decade, the company has developed and implemented a rigorous system of internal and external reviews of Exploration Results, Mineral Resources and Ore Reserves. A documented chain of responsibility exists from the Competent Persons at the operations to the Company s Mineral Resource and Ore Reserve Steering Committee. Accordingly, the Chairman of the Mineral Resources and Ore Reserve Steering Committee, Mr V A Chamberlain, assumes responsibility for the Mineral Resource and Ore Reserve processes for AngloGold Ashanti and is satisfied that the Competent Persons have fulfilled their responsibility.

VA Chamberlain (49)

MSc (Mining Engineering), BSc (Hons) (Geology), MAusIMM

Vaughan has 26 years experience and holds a Bachelor of Science (Honors) degree in Geology from the University of Natal and a Masters degree in Mining Engineering from the University of the Witwatersrand. He started his career with Anglo American Corporation in 1987 as a geologist at Western Deep Levels East Mine (now TauTona mine). He joined AngloGold in 1998 and currently holds the position of Senior Vice President: Geology and Metallurgy and is chairman of the Mineral Resources and Ore Reserves Steering Committee.

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6B. COMPENSATION
REMUNERATION COMMITTEE

Remuneration Committee

The Remuneration Committee comprises independent non-executive directors and is responsible for evaluating the performance of executive directors and executive management, and for setting appropriate remuneration for such officers of the company.

The performance of each executive director is assessed relative to the prevailing business climate and market conditions, as well as to annual evaluations of the achievement of key predetermined targets. Bonuses paid to executive directors are a reflection of the performance of each of the directors and the company as a whole.

The members of the remuneration committee during 2011 are reflected below:

Members

WA Nairn (Chairman)

FB Arisman

TT Mboweni

Prof LW Nkuhlu

SM Pityana

All meetings of the committee are attended by the chief executive officer and executive vice president human resources, except when their own remuneration or benefits are being discussed. The services of PricewaterhouseCoopers were retained to act as independent, expert advisers on executive remuneration.

Remuneration principles

The Remuneration Committee sets and monitors executive remuneration for the company and ensures that pay practices meet all legislative and governance requirements and operates according to the following terms of reference:

- Aligning executive and management remuneration with the company s performance and shareholder interest;
- Setting remuneration standards which attract, retain and motivate a competent executive and management team;
- Linking individual pay with operational and the company s performance in relation to strategic objectives; and
- Evaluating compensation of executives including approval of salary, equity and incentive based awards.

To support them in the delivery of these objectives the remuneration policy is designed to address each of these objectives. The following principles remain in place to support this delivery:

- To align the behaviour and performance of the executives with the strategic goals, all incentive plans have performance criteria in place that align targets to shareholder interest;
- To attract, retain and motivate executives of the requisite caliber, executive remuneration is benchmarked against a comparator group of global and South African mining and multinational companies;
- A large portion of the executives pay is linked to the performance of the company and the creation of shareholder value; and
- On-going evaluation of the executive pay elements led to the introduction of a cash-based retention scheme in 2008 with a three-year settlement period. This has not been renewed for the executives but rather the decision was taken to review the LTIP allocations in line with the outcomes of the market benchmarking exercises in 2011.

Through 2011 the following changes occurred to continue with the delivery of these principles:

Executive LTIP allocations were increased following the benchmarking review as follows:

Designation	Previous maximum grant of basic salary	Increased maximum grant of basic salary
Chief executive officer	120%	160%
Executive directors	100%	140%
Executive management	80%	100%

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The Remuneration Committee approved a revised Remuneration Policy that was communicated and ratified at the May 2011 annual general meeting; and

A review was done on the existing change of control conditions and although the decision has been made to leave them in place due to the current economic environment and on-going change in the market, the Remuneration Committee requested an alignment of executive vice president notice periods to six months and change of control practices now include payment triggers and aligned terms.

The Remuneration Committee is comfortable that these principles continue to support the delivery of its objectives.

Remuneration process

How we determine remuneration

Executive remuneration is structured to be competitive in a global market where growth and a scarcity in key talent and skills are an on-going dilemma, whilst still recognizing cost and shareholder value as key drivers in policy delivery. AngloGold Ashanti executives are benchmarked against an identified global group of competitors. AngloGold Ashanti s size and complexity as well as each executive individual role and personal performance are reviewed annually against the benchmark group from a base pay, guaranteed pay and variable pay perspective. The benchmark survey for 2011 was completed by PricewaterhouseCoopers, using both benchmark data as well as data provided in remuneration reports of the identified comparator group. To ensure that the correct amount of rigour is placed on the process the Remuneration Committee went to tender for a bespoke survey for the 2012 benchmarking process and selected Global Remuneration Solutions in collaboration with Mercer for the executive pay review comparison to market.

Our salary benchmarks are targeted at the market median, however, where there is a shortage of specialist and/or key technical skills, higher than the benchmark median is paid, targeting the 75th percentile.

Annual increases for executives are effective on January 1, of each year.

Executives are remunerated on a principle of base pay plus benefits; medical coverage, retirement/pension and risk cover do however differ based on nationality, country legislation and historic offerings. All executives are members of a retirement fund.

Executive directors do not receive payment of directors fees or committee fees.

Retirement benefits/pension

Retirement benefits are granted to all executives. All new executives and employees receive retirement benefits under defined contribution plans. Legacy defined benefit plans remain in place for some executives. Contributions vary from those prescribed by the USA 401(k) defined contribution fund, to the legacy defined benefit plan.

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EXECUTIVE DIRECTORS AND EXECUTIVE MANAGEMENT REMUNERATION

2011

All figures in $000[1]

M Cutifani	Full year		1 735	1 150	317	634	3 836	-	3 836
S Venkatakrishnan	Full year		1 074	609	163	411	2 257	-	2 257
Total executive directors [6]			**2 809**	**1 759**	**480**	**1 045**	**6 093**	**-**	**6 093**
Prescribed officers									
I Boninelli	From November 1, 2011		103	323	11	1	438	-	438
CE Carter	Full year		704	332	75	201	1 312	353	1 665
RN Duffy	Full year		712	335	147	222	1 416	172	1 588
GJ Ehm[7][9]	Full year		586	279	83	326	1 274	833	2 107
RW Largent	Full year		671	313	42	259	1 285	-	1 285
RL Lazare[7][8][9]	Full year		707	634	138	567	2 046	1 001	3 047
MP O Hare	From June 1, 2011		357	287	71	534	1 249	284	1 533
AM O Neill[1]	Full year		1 608	624	132	151	2 515	-	2 515
ME Sanz	From June 13, 2011		232	197	24	106	559	-	559
TML Setiloane		To August 31, 2011	388	161	42	197	788	-	788
YZ Simelane	Full year		440	194	83	23	740	720	1 460
Total Prescribed Officers			**6 508**	**3 679**	**848**	**2 587**	**13 622**	**3 363**	**16 985**
Total top executive management remuneration 2011			**9 317**	**5 438**	**1 328**	**3 632**	**19 715**	**3 363**	**23 078**

2010

($000)

M Cutifani	Full year	1,567	1,170	286	47	3,070	-	3,070
S Venkatakrishnan	Full year	961	681	179	303	2,124	-	2,124
Total executive directors [6]		**2,528**	**1,851**	**465**	**350**	**5,194**	**-**	**5,194**
Prescribed officers								
I Boninelli	Appointed during 2011	-	-	-	-	-	-	-
CE Carter	Full year	633	351	59	182	1,225	-	1,225
RN Duffy	Full year	665	283	130	204	1,282	-	1,282
GJ Ehm[7]	Full year	391	315	65	133	904	-	904
RW Largent	Full year	529	353	40	217	1,139	-	1,139
RL Lazare[7]	Full year	626	338	109	254	1,327	409	1,736
MP O Hare	Appointed during 2011	-	-	-	-	-	-	-
AM O Neill[1]	Full year	1,209	545	269	117	2,140	-	2,140
ME Sanz	Appointed during 2011	-	-	-	-	-	-	-
TML Setiloane	Full year	548	233	58	162	1,001	456	1,457
YZ Simelane	Full year	409	199	66	4	678	389	1,067
Total Prescribed Officers		**5,010**	**2,617**	**796**	**1,273**	**9,696**	**1,254**	**10,950**
Total executive director and executive management remuneration 2010		**7,538**	**4,468**	**1,261**	**1,623**	**14,890**	**1,254**	**16,144**

(1) *Where directors compensation is paid in South African rands, for the purposes of this annual report on Form 20-F, the rand values have been converted to US dollar using the following year-to-date average rate of exchange R7.2569:$ (2010: R7.3028:$).*

(2) *Salaries are disclosed only for the period from or to which office was held.*

(3) *In order to more accurately disclose remuneration received/receivable by executive directors and executive management, the tables above include the performance related payments calculated on the year s financial results.*

(4) *Includes health care, personal travel and retention payments.*

(5) *Pursuant to AngloGold Ashanti s policy regarding the number of leave days that may be accrued, all surplus leave days accrued are compulsorily encashed.*
(6) *Pursuant to the Companies Act of 2008 (as amended), which came into effect on May 1, 2011, companies are required to identify and disclose the remuneration, including options/awards granted in terms of the share incentive scheme, for the prescribed officers of the company.*
(7) *Pursuant to King III, companies are required to disclose the remuneration of the top three earners in the company.*
(8) *Performance-related payments include cash payments in lieu of shares pending retirement.*
(9) *Other benefits and encashed leave includes an adjustment to performance bonus relating to the 2010 financial year.*

Rounding of figures may result in computational discrepancies.

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NON-EXECUTIVE DIRECTORS COMPENSATION

The fees of non-executive directors are fixed by shareholders at the annual general meeting and, other than the fees they receive for their participation on board committees and allowance for travelling internationally to attend board meetings, non-executive directors receive no further payments from the company and are precluded from participation in the company s share incentive scheme.

At the annual general meeting of shareholders held on May 11, 2011, shareholders approved an increase to the fees payable to non-executive directors.

The increases as approved by shareholders are shown below:

1.1 Non-Executive Directors fees for six board meetings per annum

1.1	**Board Meetings**	**Fees to May 31, 2011 per annum**	**Fees from June 1, 2011 per annum**
1.1.1	South African resident Chairman	R1,520,300	R1,672,330
1.1.2	South African resident Deputy Chairman	R650,000	R747,500
1.1.3	South African resident directors	R270,000	R310,500
1.1.4	Non-South African resident directors who are resident in Africa	US$33,750	US$42,188
1.1.5	Non-South African resident directors who are resident in jurisdictions other than Africa	US$60,000	US$66,000

1.2 Allowance for attendance by non-executive directors at additional board meetings

Each non-executive director will be entitled to an allowance for each board meeting attended by such director, in addition to the six scheduled board meetings per annum, as follows:

1.2	**Additional Board Meetings**	**Fees to May 31, 2011 per meeting**	**Fees from June 1, 2011 per meeting**
1.2.1	South African resident Chairman	R78,000	R85,800
1.2.2	South African resident Deputy Chairman	R32,400	R37,260
1.2.3	South African resident directors	R16,000	R18,400
1.2.4	Non-South African resident directors who are resident in Africa	US$2,000	US$2,500
1.2.5	Non-South African resident directors who are resident in jurisdictions other than Africa	US$3,000	US$3,300

1.3 Travel allowance to be paid to non-executive directors who travel from outside South Africa to attend board meetings

Each non-executive director who is not in South Africa and who travels to attend board meetings will be entitled to receive a travel allowance on the basis set out below. In addition to the travel allowance payable, the company will cover all accommodation and sundry costs. The travel allowance for directors outside South Africa who attend board meetings is as follows:

1.3	**Additional Board Meetings**	**Fees to May 31, 2011 per meeting**	**Fees from June 1, 2011 per meeting**
1.3.1	South African resident directors	Rnil	Rnil
1.3.2	Non-South African resident who are resident in Africa	US$6,000	US$7,500

1.3.3	Non-South African resident directors who are resident in jurisdictions other than Africa	US$8,000	US$8,800

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2.1 Board committee fees payable to non-executive directors

The fee paid to each non-executive director in respect of such director s membership of a committee of the board is as follows:

2.1	**Board Committee Meetings**	**Fees to May 31, 2011 per annum**	**Fees from June 1, 2011 per annum**
	Audit and Corporate Governance Committee		
2.1.1	Chairman - South African resident	R160,000	R184,000
2.1.2	Member - South African resident	R135,000	R155,250
2.1.3	Member - Non-South African resident who are resident in Africa	US$16,875	US$21,094
2.1.4	Member - Non-South African resident who are resident in jurisdictions other than Africa	US$25,315	US$27,847
	Other Committees (being Investment, Remuneration, Safety, Health and Sustainable Development, Transformation and Human Resource Development, Risk and Information Integrity and such other committees of the board as may be established from time to time)		
2.1.5	Chairman South African resident	R130,000	R149,500
2.1.6	Chairman Non-South African resident who is resident in Africa	US$16,250	US$20,313
2.1.7	Chairman Non-South African resident who are resident in jurisdictions other than Africa	US$25,000	US$27,500
2.1.8	Member South African resident	R110,000	R126,500
2.1.9	Member Non-South African resident who is resident in Africa	US$13,750	US$17,188
2.1.10	Member Non-South African resident who is resident in jurisdictions other than Africa	US$20,000	US$22,000

2.2 Fees payable to non-executive directors in respect of their attendance at meetings of committees of the board which meet on an ad hoc basis

Each non-executive director will be entitled to an allowance for each board committee meeting attended by such director in respect of those committees which meet on an ad hoc basis, including, the Financial Analysis committee, the Party Political Donations committee, the Nominations committee and any special purpose committee established by the board as follows:

2.2	**Board Committee and Special Purpose Committee**	**Fees to May 31, 2011 per meeting**	**Fees from June 1, 2011 per meeting**
2.2.1	South African resident directors	R16,200	R18,630
2.2.2	Non-South African resident who are resident in Africa	US$2,025	US$2,531
2.2.3	Non-South African resident directors who are resident in jurisdictions other than Africa	US$3,000	US$3,300

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NON-EXECUTIVE DIRECTORS REMUNERATION

All figures stated to the nearest $000[1]	Appointment From[2]	To[2]	2011 Directors fees[3]	2011 Com-mittee fees	2011 Travel	2011 Total	2010 Directors fees[3]	2010 Com-mittee fees	2010 Travel	2010 Total
T TMboweni (Chairman)	June 1, 10		245	57		302	121	14		136
RP Edey		May 7, 10					114	30	20	164
Dr TJ Motlatsi		Feb 17, 11	22	14		36	86	51		137
FB Arisman			76	132	50	258	51	86	32	169
R Gasant	Aug 12, 10		50	52		102	15	16		31
NP January-Bardill	Oct 1, 11		11	6		17				
WA Nairn			45	101		146	36	58		94
Prof LW Nkuhlu			50	85		135	36	67		103
F Ohene-Kena	June 1, 10		41	43	27	111	19	15	11	45
SM Pityana			43	95		138	36	73		109
Total non-executive directors			583	585	77	1,245	514	410	63	987

(1) Where non-executive directors compensation is paid in South African rands, for the purposes of this annual report on Form 20-F, the rand values have been converted to US dollars using the following yearly average rate of exchange: 2011: R7.2569:$1 and 2010: R7.3028:$1.

(2) Fees are disclosed only for the period from or to which, office is held.

(3) At the annual general meeting of shareholders held on May 11, 2011 shareholders approved an increase in directors fees with effect from June 1, 2011. Director s fees for committees may vary depending on the number of committees on which the non-executive director is a member and whether he/she is chairman or a member of the committee.

Rounding may result in computational differences.

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6C. BOARD PRACTICES

The Board of Directors

The strategic leadership of AngloGold Ashanti is the responsibility of a unitary board, comprising two executive directors and eight independent non-executive directors as at 31 December 2011. Post year-end, another independent non-executive director, Mr RJ Ruston, was appointed. The board has delegated some of its responsibilities to its subcommittees but reserves certain areas of responsibility solely for itself.

The following movements to the board of directors took place during the period from January 1, 2011 to December 31, 2011 and subsequent to year-end.

Executive directors

There were no changes to the executive directorate during the year under review.

Non-executive directors

Dr TJ Motlatsi retired from the board on February 17, 2011.

Ms NP January-Bardill was appointed as a member of the board with effect from October 1, 2011 and as a member of the Audit and Corporate Governance Committee with effect from November 2, 2011.

Mr RJ Ruston was appointed as a member of the board with effect from January 1, 2012.

The directors retiring by rotation at the forthcoming annual general meeting in terms of the articles of association are, Prof LW Nkuhlu and Mr WA Nairn. Both Prof Nkuhlu and Mr Nairn have made themselves available for re-election at the annual general meeting to be held on May 10, 2012.

Ms NP January-Bardill and Mr RJ Ruston, who were appointed as directors on October 1, 2011 and January 1, 2012 respectively, will retire at the annual general meeting but offer themselves for election.

In terms of the company s memorandum of incorporation, there is no mandatory retirement age for non-executive directors. Non-executive directors do not hold service contracts with the company.

Appointment of directors

The board is authorised by the company s Memorandum of Incorporation to appoint new directors based on recommendations by the Nominations Committee. Newly appointed directors are required to retire at the next annual general meeting following their appointment and stand for election by shareholders. Eligibility for appointment as a director is guided by the Director s Fit and Proper Standards Policy, requirements of the Companies Act of 2008, King III and best practice.

Non-executive directors receive fees for their services as directors which are approved by shareholders at annual general meetings. Non-executive directors do not participate in the company s share incentive scheme.

Executive directors have contracts of employment with the company.

Executive Committee

Day-to-day management of the group s affairs is vested in the Executive Committee, which is chaired by the Chief Executive Officer and comprises 12 members, four of whom head the regional operations. The committee s work is supported by country and regional management teams. During the year under review, three new members, Mike O Hare, Ria Sanz and Italia Boninelli, were appointed to the committee.

The committee met monthly to discuss operational matters and review the programs and activities being implemented to advance the achievement of the set of strategic goals on safety, asset portfolio-, financial-, people- and environmental management as well as stakeholder engagement.

Prescribed officers

In terms of Section 66(10) together with regulation 38 of the Companies Act of 2008, AngloGold Ashanti has determined that all members of the Executive Committee are prescribed officers.

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Service contracts

An annual review is done of executive director and executive management service contracts. The change of control payments and conditions are subject to the following triggers:

If AngloGold Ashanti becomes a subsidiary of another company; or substantially all of the businesses, assets and undertakings of AngloGold Ashanti become owned by any person, firm or company; or a number of shareholders holding less than 35 percent of the company s issued share capital act in concert to gain a majority of the board and force changes in the management of the company; and as a consequence of this the Executive Committee member s employment is terminated as a result of an involuntary termination or the committee member s role is significantly diminished and employment conditions are reduced.

In 2011, the notice periods and change of control clauses were aligned as per the table below:

Executive committee member	Payment in lieu of notice period	Change of control
Chief executive officer	12 months	12 months
Chief financial officer	9 months	9 months
Executive Committee members	6 months	6 months

Non-executive directors do not hold service contracts with the company. Executive directors do not receive payment of directors fees or committee fees.

Board activities in 2011

Outside of meeting on a collective basis, individual board members, especially the chairman of the board, the chairman of the Audit and Corporate Governance Committee and the chairmen of the other board committees, actively and continuously engage with management and other stakeholders on important matters, thereby enabling the board to provide the required strategic leadership.

The following are some key actions and programs undertaken and implemented by the board in 2011 in fulfilling its functions and responsibilities regarding strategic oversight:

- Discussed and approved management s budget proposals for the 2012 financial year;
- Evaluated and approved management s five-year strategic proposals;
- Examined ways of improving long-term value to shareholders;
- Discussed and approved, capital expenditure proposals submitted by management on a quarterly basis;
- Reviewed and approved an enterprise resource planning (ERP) project for the group;
- Approved the Group Information Technology Strategic Plan;
- Visited various mines and exploration sites to observe and acquire a better understanding of the operations;
- Accessed the skills set of the board which resulted in the appointment of two new independent non-executive directors;
- Reviewed composition of and restructured committees to enhance skills set and improve effectiveness of discussions;
- Reviewed the independence of each non-executive director in accordance with policy and best practice guidelines;
- Approved a formal role description for the chairman of the board;
- Approved an Alternative Dispute Resolution Policy in accordance with recommendations of King III; and
- Considered the necessary information to provide an assessment of internal controls.

Board committees

The board has established and delegated specific roles and responsibilities to ten standing committees, including the Executive Committee, to assist it in discharging its duties and responsibilities. The terms of reference of each committee are approved by the board and reviewed annually or as necessary.

All committees, except the Executive Committee, are chaired by independent non-executive directors and the following committees comprise non-executive directors only Audit and Corporate Governance, Nominations, Remuneration and Financial Analysis.

All committees meet quarterly in accordance with their terms of reference, except the Party Political Donations, Nominations and Financial Analysis committees which meet on a need-to basis. Members of the Executive Committee and other management attend meetings of the various committees as and when required. During 2011, all committees held the minimum number of meetings as required and discharged their duties as prescribed by the respective terms of reference.

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The Party Political Donations Committee did not meet during 2011.

Attendance at meetings by directors

Director	Board	Audcom	Remcom	R&II	Nomcom	SHSD	THRC	INVCOM	FACOM
TT Mboweni	8/8		4/4		4/4		3/3	4/4	1/1
Dr TJ Motlatsi+	2/2		1/1		1/1	1/1	1/1		
FB Arisman	§8/8	6/6	4/4	4/4	4/4	4/4		4/4	1/1
M Cutifani	§8/8			4/4		4/4	4/4	4/4	
R Gasant	§8/8	6/6		4/4	4/4				1/1
NP January-Bardill*	2/2	1/1			1/1				
WA Nairn	§7/8		2/3	4/4	3/4	4/4	4/4	4/4	
Prof LW Nkuhlu	§8/8	6/6	4/4	4/4	4/4	4/4			1/1
F Ohene-Kena	6/8				4/4	4/4	4/4		
SM Pityana	7/8		4/4	4/4	4/4	4/4	4/4	4/4	R
S Venkatakrishnan	§8/8			4/4				4/4	

+ Retired February 17, 2011 ** Appointed on October 1, 2011 and to Audcom on November 2, 2011* *R Recused*

§ Attended two sub-committee meetings.

Key

Audcom:	Audit and Corporate Governance Committee
Remcom:	Remuneration Committee
R&II:	Risk and Information Integrity Committee
Nomcom:	Nominations Committee
SHSD:	Safety, Health and Sustainable Development Committee
THRC:	Transformation and Human Resources Development Committee
INVCOM:	Investment Committee
FACOM:	Financial Analysis Committee

Audit and Corporate Governance Committee

In accordance with best practice recommendations of King III and the Sarbanes-Oxley Act of the United States, membership of this committee comprises four independent non-executive directors. Several members of the executive team and management, including the Chief Executive Officer, the Chief Financial Officer, the Chief Accounting Officer, the Group Internal Auditor, Financial Controllers at the regional operations as well as the external auditors attended the committee s quarterly meetings. Members of the committee regularly engage with key members of the financial management team for discussion on matters relevant to the committee s role.

Pursuant to the Companies Act of 2008, King III and best practice, the committee, amongst others:

- Reviewed and approved the external auditors fees and the integrated audit plan for the 2011 financial year;
- Reviewed the performance of the external auditors and recommended their reappointment;
- Considered, and pre-approved, on a quarterly basis, non-audit services provided by all external auditors to the group;
- Reviewed the independence of the external audit team and audit partner and concluded that they were independent for the 2011 audit year;
- Reviewed the 2010 annual reports and 2011 quarterly reports on behalf of the board.
- Received and reviewed, on a quarterly basis, the use of the company s whistle-blowing facility and advised on ways to enhance its use;
- Reviewed, on a quarterly basis, submissions by management on the state of the group s financial affairs, internal control environment and auditing and reporting thereof to the board;
- Reviewed the expertise, resources and experience of the finance function and the Chief Financial Officer;
- Monitored implementation of recommendations on audit findings;
- Monitored the activities of the group s internal audit function and also ensured that it was sufficiently resourced to discharge its duties;

Reviewed and approved a combined assurance framework and an integrated audit process;
Monitored, on behalf of the board, application of the principles of King III and compliance with the requirements of the Companies Act of 2008;

- Received a briefing from a legal firm on the requirements of the Companies Act of 2008 so as to enable it to effectively advise on and monitor implementation of the Act by management;
- Monitored developments in IFRS and US GAAP accounting standards through regular updates from management and a formal training session, with the main objective of ensuring that the company s accounting practices complied with relevant standards;
- Received quarterly briefings and updates on the roll-out of the Code of Business Principles and Ethics and matters relating to compliance;
- Received and reviewed on a quarterly basis, reports on major litigations and disputed cases so as to assess their likely outcome and their potential financial and other impact on the group; and
- Assisted and advised management to develop a legal and regulatory framework to monitor compliance with relevant laws and regulations.

Risk and Information Integrity Committee

This committee which was established in August 2010, held its first meeting in November 2010 and became fully operational during 2011. The committee was established to not only comply with the recommendations of King III but also to improve the management of risk and information technology which are important tools for the achievement of business objectives.

Below are the salient matters deliberated on by the committee during 2011.

Risk management: The board has ultimate responsibility for the group s risk management and exercised its oversight responsibilities through the Risk and Information Integrity (R&II) Committee. Major risk management oversight responsibilities that took place during 2011 included the following:

- The committee guided management in the implementation of its 2011 risk management plan. At its meeting held in November 2011, achievements under the plan were assessed against set objectives and a significant improvement in risk management as noted; and
- The Risk Management Plan for 2012, developed in line with the recommendations of King III on risk management and the terms of reference of the committee and which set out the activities of the risk management team for 2012, was reviewed and approved.

Information technology: Information technology is core to AngloGold Ashanti s strategic business planning and execution. Information Technology matters have therefore become a strategic focus for the board as a business imperative as well as an application of best practice recommendations by King III.

A major development in Information Technology Management in 2011 was the approval of an enterprise resource planning project. The main objective of the project is to remove the unacceptable high level risk from obsolete information systems, improve the group s decision-making capability through a uniform information system throughout the organization and support ongoing organizational improvement initiatives. It will create a new information systems environment that is world class to support the vision of AngloGold Ashanti to be the leading mining company. Other major information technology improvement activities that took place in 2011 included the following:

- A Chief Information Officer was employed in August 2011 to strengthen information technology management;
- An information technology plan for the AngloGold Ashanti group was considered by the committee and, based on its recommendations, was approved by the board on November 7, 2011. The plan will guide the implementation of information technology programs; and
- An international best practice information technology governance framework and the control objectives for information technology (CoBIT), which contain a comprehensive set of IT processes and a measurement framework for measuring the maturity of those processes within a company, were adopted by the group.

Business insurance: Business insurance is a critical component of risk management in AngloGold Ashanti. The R&II committee assumed oversight responsibility for insurance matters during 2011. It reviewed the group s insurance policies for 2011/2012 insurance year to ensure that adequate cover for the company s assets and employees was in place.

In order to ensure that its insurance is effectively and efficiently managed, AngloGold Ashanti established AGRe Insurance Company Limited, an in-house South African registered captive insurance company in 2002, with a branch in Switzerland.

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Safety, Health and Sustainable Development Committee

In accordance with its mandate, the Safety, Health and Sustainable Development (SHSD) committee played an active role in advising and monitoring the group s performance on safety, health, the environment, the nature and level of interactions with the communities in which the company operates and security issues around its operations, with due emphasis on practices that conform with the company s values on sustainable development.

Safety remains AngloGold Ashanti s first value and continues to form a key component of management s operational deliverables.

During 2011, the main focus of the committee s deliberations was the implementation of safety targets under the safety improvement initiative and safety transformation. The committee also reviewed strategies to improve the health and well-being of employees and their families especially in relation to HIV/AIDs and malaria. Illegal mining continued to raise concerns across the company s operations, especially in West Africa. The committee is addressing these concerns with a view to finding alternative and sustainable solutions to improve the socio-economic standards of the communities.

The issues deliberated on at the committee s meetings during 2011 are reported on in various sections of this report.

Transformation and Human Resources Development Committee

AngloGold Ashanti subscribes to the South African government s initiatives on social transformation and the labor localisation policies of other operational jurisdictions.

The Transformation and Human Resources Development (THRC) Committee has been mandated by the board to oversee compliance with these laws and to guide the development and implementation of policies to develop the skills and talents of employees groupwide, and to support the achievement of social transformation and localisation targets.

Remuneration Committee

In accordance with its mandate, the Remuneration Committee oversees matters relating to the remuneration of executive directors and the executive management and considered issues relating to competitive and equitable remuneration.

Nominations Committee

During the year under review, the Nominations Committee assessed the skills mix of the board as well as the outcomes of the 2010 annual self-performance evaluation of the board. It recommended a review of the structures of some of the board sub-committees and the appointment of two new independent non-executive directors.

Investment Committee

This committee deliberated on matters pertaining to the company s strategic plans as they relate to the management of its asset portfolio. It debated several investment proposals, made appropriate recommendations to the board and monitored the management of approved projects to ensure these complied with project specifications.

Financial Analysis Committee

In line with AngloGold Ashanti s policy of maintaining healthy stakeholder relationships at all times, the company responded to a request by the unions in South Africa to restructure the Black Economic Empowerment (BEE) transaction that was implemented in 2006 but which failed to deliver the expected value to employees. In April 2011, the Financial Analysis Committee examined the proposed restructured BEE transaction and, based on its recommendations, the board approved the transaction which was presented to, and approved by shareholders on May 11, 2011.

Organizational improvement projects

Embedding of the main organizational improvement initiative, Project ONE, which incorporates the Business Process Framework (BPF) and the Systems for People (SP), continued throughout the organization. Tangible and positive results are being recorded in several areas of the group s operations.

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6D. EMPLOYEES

The average number of attributable employees (including contractors) in the AngloGold Ashanti group over the last 3 financial years was:

	2011	2010	2009
South Africa	32,082	35,660	37,425
Continental Africa	16,539	15,761	15,267
Australasia	509	494	1,776
Americas	7,389	6,582	5,884
Other, including corporate and non-gold producing subsidiaries	4,723	3,549	3,012
Total	61,242	62,046	63,364

Labor relations and collective bargaining

AngloGold Ashanti recognizes the fundamental right of freedom of association of all employees and contractors, and adheres to collective bargaining agreements with due regard to the relevant legislation in the countries in which it operates. Relations with organized labor are founded on mutual respect, and wage negotiations are conducted in line with the company s values.

Approximately 81 percent of AngloGold Ashanti s full-time employees are either members of a union or are catered for through collective bargaining agreements. Exceptions are the United States and Australia, where employees are not members of unions, but where a high degree of employee participation in wage discussions is encouraged. Wage settlements are specific to each jurisdiction in which AngloGold Ashanti operates and the company s approach is to ensure that agreements are fair but realistic, taking into account the local economic context and the impact of any settlement on the long-term viability of the business.

High levels of unionization occur at operations in South Africa, Brazil, Argentina and areas of West Africa. In Tanzania, although employees are free to join unions and management liaises regularly with unions represented, no single union has reached the minimum number of members required to be officially recognized as representative for purposes of collective bargaining.

In South Africa, a two-year wage settlement was reached in August 2011 effective July 1, 2011.

In Ghana and Guinea, settlements were reached without the loss of production. However, the negotiation processes were protracted and several months were required to reach agreement.

In response to the industrial relations environment and the sometimes volatile economic and political context in which the company operates in West Africa, an integrated strategy for collective bargaining is being implemented, with the aim of creating a framework within which the company and organized labor can improve their relationship and, through collective bargaining, agree on conditions of employment in an efficient and mutually beneficial manner. The approach is a holistic one, where issues relating to the political, economic and social environment are considered in the development of this strategy.

A pro-active approach to labor relations, integrated with other management initiatives, has been adopted at AngloGold Ashanti s operations in Argentina, where the uncertain political and economic climate has the potential to affect relations between the various labor groups and between management and employees. Frequent dialogue with union leaders at local, provincial and national level has taken place during the year. The climate among employees is also monitored, and management communicates proactively with employees to ensure that they are well informed about their conditions of employment.

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The collective bargaining agreement that applies to the company s employees at Cerro Vanguardia in Argentina is due to expire in May 2012. The trade unions have requested significant salary increases. The company and the unions have entered into a transitional agreement that provides for an average salary increase across all wage categories of approximately 17 percent and expect to negotiate a final salary increase in connection with the new collective bargaining agreement. The company may not be able to renegotiate this agreement on satisfactory terms when it expires. In particular, the new agreement may result in significantly higher labor costs for the company s Argentine operations. The unions may also resort to industrial action in connection with the renegotiation of the agreement.

The group is committed to upholding the basic labor rights as expressed in the International Labour Organization (ILO) instruments and as implemented through specific practices in the countries where AngloGold Ashanti operates.

In support of these rights, AngloGold Ashanti concluded the Agreement on the Promotion and Implementation of Good Human and Labour Relations in AngloGold Ashanti Operations Worldwide with the International Federation of Chemical, Energy, Mine and General Worker s Unions (ICEM) in April 2009. The agreement reflects all the elements of AngloGold Ashanti s human resources and labor relations practice as well as the requirements for sound and fair labour practice in accordance with the South African Labour Relations Act. The principles of the agreement are integrated into regional human resources management policies and practices where appropriate.

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6E. SHARE OWNERSHIP
DIRECTORS AND PRESCRIBED OFFICERS INTERESTS IN ORDINARY SHARES

The interests of directors and prescribed officers in the ordinary shares of the company at December 31, 2011 which did not individually exceed 1 percent of the company s issued ordinary share capital, were:

	Beneficial Direct	Indirect	Beneficial Direct	Indirect
	December 31, 2011		December 31, 2010	
Non-executive directors				
FB Arisman	-	4,984	-	4,984
LW Nkuhlu	-	800	-	800
Total	-	5,784	-	5,784
Executive directors				
M Cutifani	10,000	-	10,000	-
S Venkatakrishnan	10,351	-	10,351	-
Total	20,351	-	20,351	-
Prescribed officers				
AM O Neill	-	7,000	-	7,000
CE Carter	7,037	-	7,000	-
	7,037	7,000	7,000	7,000
Grand total	27,388	12,784	27,351	12,784

Other than CE Carter who sold 1,231 shares during December 2011, which settled in January 2012, there has been no further change in the above interests since December 31, 2011. A register detailing directors and prescribed officers interests in contracts is available for inspection at the company s registered and corporate office.

SHARE OWNERSHIP OF EXECUTIVE OFFICERS/EXECUTIVE MANAGEMENT

Under the Listings Requirements of the JSE, AngloGold Ashanti is not required to disclose, and it does not otherwise disclose or ascertain, share ownership of individual executive officers/executive management in the share capital of AngloGold Ashanti. However, to the best of its knowledge, AngloGold Ashanti believes that AngloGold Ashanti ordinary shares held by executive officers, in aggregate, do not exceed 1 percent of the company s issued ordinary share capital.

DIRECTORS INTERESTS IN E ORDINARY SHARES

SM Pityana, an independent non-executive director of AngloGold Ashanti, has an indirect beneficial holding in the company given that he is a Trustee and beneficiary of a trust which holds a 44 percent interest in Izingwe Holdings, the company s BEE partner. SM Pityana is the Executive Chairman of Izingwe Holdings. As at December 31, 2011, Izingwe Holdings held 1,050,000 E ordinary shares in the issued capital of the company (December 31, 2010: 1,120,000 E ordinary shares). This holding is unchanged at the date of this report.

SHARE OWNERSHIP OF EMPLOYEES

At a general meeting of shareholders held on December 11, 2006, members approved the creation of 4,280,000 E ordinary shares of 25 South African cents pursuant to an employee share ownership plan for the benefit of certain AngloGold Ashanti employees, of which the majority are historically disadvantaged South Africans as defined in the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry. For details on the E ordinary share capital, see Item 7: Shareholders and related party transactions E Ordinary shares.

At a general meeting held on May 11, 2011, shareholders approved an amendment to the BEE transaction authorising an additional issue of 48,923 ordinary shares to be made to the ESOP and the reinstatement of lapsed E ordinary shares to be made. The amendment also revised changes to the vesting criteria and duration of the scheme.

On June 9, 2011, a total of 1,329,164 E ordinary shares were reinstated.

AngloGold Share Incentive Scheme

AngloGold Ashanti operates a share incentive scheme through which executive directors, executive vice presidents and management groups of the company and its subsidiaries are given the opportunity to acquire shares in the company. The objective is to incentivize such employees to identify themselves more closely with the fortunes of the group and its continued growth and to promote the retention of such employees.

Non-executive directors are not eligible for participation in the share incentive scheme.

At the annual general meeting held on May 7, 2010, shareholders authorized that 17,000,000 shares may be allocated for the purposes of the scheme. Prior to this authorization, the maximum number of shares attributable to the scheme was 2.75 percent of the total number of ordinary shares in issue from time to time. The maximum aggregate number of shares which may be acquired by any one participant in the scheme is 5 percent of the shares attributable to the scheme or 850,000 ordinary shares per employee could be issued in aggregate (2010: 850,000).

Employees participate in the share incentive scheme to the extent that they are granted options or rights to acquire shares and accept them. All options or rights which have not been exercised within ten years from the date on which they were granted, automatically expire.

The incentives offered by AngloGold Ashanti are reviewed periodically to ensure that they remain globally competitive, so as to attract, reward and retain managers of the highest caliber. As a result, several types of incentives, each with their own issue and vesting criteria have been granted to employees. These are collectively known as the AngloGold Share Incentive Scheme or share incentive scheme .

Although the Remuneration Committee has the discretion to incentivize employees through the issue of shares, only options or rights have so far been granted.

The type and vesting criteria of the options or rights granted are:

Time-related

The granting of time-related options was approved by shareholders at the general meeting held on June 4, 1998 and amended by shareholders at the annual general meeting held on April 30, 2002, when it was agreed that no further time-related options would be granted. All time-related options granted have vested and have been exercised in full.

Performance-related

The granting of performance-related options was approved by shareholders at the annual general meeting held on April 30, 2002 and amended at the annual general meeting held on April 29, 2005 when it was agreed that no further performance related options would be granted and all options granted hereunder will terminate on November 1, 2014, being the date on which the last options granted under this criteria may be exercised or they will expire.

Performance-related options granted vest in full, three years from the date of grant, provided that the conditions under which the options were granted are met. All options granted and outstanding vested in full on November 1, 2007.

Bonus Share Plan (BSP)

The granting of awards in terms of the BSP was approved by shareholders at the annual general meeting held on April 29, 2005 and amended at the general meeting held on May 6, 2008 when shareholders approved an increase in the maximum level of the bonus payable to eligible participants, as well as shortening the vesting period. Executive directors, executive vice presidents and other management groups are eligible for participation. Each award made in respect of the BSP entitles the holder to acquire one ordinary share at nil cost. In respect of all awards granted to and including 2007, these awards vest in full, three years from the date of grant, provided that the participant is still in the employ of the company at the date of vesting unless an event, such as death, occurs which may result in an earlier vesting date. In respect of awards granted in 2008 and onwards, the vesting period has been shortened to 40 percent in year one and 60 percent in year two from the date of grant or, in the event that the exercising of awards only takes place in year three, then 120 percent of awards granted will be available for exercising.

Long-Term Incentive Plan (LTIP)

The granting of awards in terms of the LTIP was approved by shareholders at the annual general meeting held on April 29, 2005. Executive directors, executive vice presidents and selected senior management are eligible for participation. Each award made in respect of the LTIP entitles the holder to acquire one ordinary share at nil cost. Awards granted vest three years from date of grant, to the extent that the stretched company performance targets, under which the rights were granted, are met and provided that the participant is still in the employ of the company, or unless an event, such as death, occurs which may result in an earlier vesting date.

PARTICIPATION BY EXECUTIVE DIRECTORS, EXECUTIVE MANAGEMENT AND OTHER MANAGERS IN THE ANGLOGOLD SHARE INCENTIVE SCHEME

Details of the options and rights to subscribe for ordinary shares in the company granted to, and exercised by, executive directors, executive management and other managers on an aggregate basis during the year to December 31, 2011 and subsequent to year-end are set out in the table below.

Number of options and awards granted

	Balance at January 1, 2011	Granted during 2011	Exercised during 2011	Pre-tax gains on share options exercised (R 000)	Lapsed during 2011	Balance as at December 31, 2011[3]
Executive Directors						
M Cutifani	177,821	86,789	-	-	6,400	258,210
S Venkatakrishnan	117,020	47,943	-	-	3,997	160,966
	294,841	**134,732**	**-**	**-**	**10,397**	**419,176**
Prescribed officers [1]						
I Boninelli	-	8,568	-	-	-	8,568
CE Carter	69,089	23,300	14,011	2,562	1,751	76,627
RN Duffy	75,595	21,950	10,400	1,246	1,751	85,394
GJ Ehm	53,616	18,702	21,989	6,042	1,484	48,845
RW Largent	67,229	22,730	-	-	1,628	88,331
RL Lazare[2]	72,894	-	29,279	7,261	2,042	41,573
MP O Hare[4]	58,268	12,852	15,617	2,060	1,222	54,281
AM O Neill	69,413	41,528	-	-	2,397	108,544
ME Sanz	-	8,406	-	-	-	8,406
TML Setiloane[5]	44,836	5,357	-	-	1,751	48,442
YZ Simelane	39,239	12,085	17,856	5,227	1,460	32,008
	550,179	**175,478**	**109,152**	**24,398**	**15,486**	**601,019**
Other management	**2,699,736**	**1,196,942**	**780,441**	**229,530**	**157,850**	**2,958,387**
Total share incentive scheme	**3,544,756**	**1,507,152**	**889,593**	**253,928**	**183,733**	**3,978,582[6]**

(1) Pursuant to the Companies Act of 2008 (as amended), which came into effect on May 1, 2011, companies are required to identify and disclose the remuneration for the prescribed officers of the company.
(2) Cash in lieu of awards pending retirement.
(3) The latest expiry date of all options/awards granted and outstanding at December 31, 2011, is February 21, 2021.
(4) Mike O Hare was appointed to the Executive Committee with effect from June 1, 2011 and as a result of this change, 58,268 options/awards, which were previously reflected in the closing balance of Other management , are now reflected in the opening balance of Prescribed officers .
(5) No longer a prescribed officer with effect from August 31, 2011.
(6) Of the 3,978,582 options/awards granted and outstanding at December 31, 2011, 1,143,194 options/awards are fully vested.

Awards granted since 2005 have been granted at nil cost to participants.

No options/awards have been exercised by executive directors and prescribed officer subsequent to year-end.

Non-executive directors are not eligible to participate in the share incentive scheme.

Awards granted in respect of the previous year s financial results:

Number of awards issued in	Total[1] 2012	Total[1] 2011	Total[1] 2010
Executive Directors			
M Cutifani	112,183	86,789	77,694
S Venkatakrishnan	52,176	47,943	40,617
Total executive directors	**164,359**	**134,732**	**118,311**
Prescribed officers			
I Boninelli	21,590	8,568	-
CE Carter	25,507	23,300	19,448
RN Duffy	27,790	21,950	20,298
GJ Ehm	22,286	18,702	16,307
RW Largent	26,083	22,730	21,685
RL Lazare	1,901	-	20,280
MP O Hare	22,809	12,852	-
AM O Neill	45,512	41,528	19,322
ME Sanz	13,387	8,406	-
TML Setiloane	1,263	5,357	16,786
YZ Simelane	13,350	12,085	8,747
Total prescribed officers	**221,478**	**175,478**	**142,873**
Total awards to executive management	**385,837**	**310,210**	**261,184**

(1) *Includes awards granted in respect of the 20 percent top-up for the 2008 and 2009 BSP awards.*

Number of time-related, performance-related, BSP and LTIP awards granted

As is required to be disclosed in terms of the AngloGold Share Incentive Scheme and stock exchange regulations, the movement in respect of options and rights granted and the ordinary shares issued as a result of the exercise of options and rights during the period January 1, 2011 to January 31, 2012 is as follows:

	Time-related	**Perfor-mance related**	**Bonus Share Plan[1]**	**Long-Term Incentive Plan[1]**	**Total Share Incentive Scheme**	**Total shares issued**
At January 1, 2011	641	391,932	1,552,493	1,599,690	3,544,756	6,923,831
Movement during year						
Granted	-	-	820,847	686,305	1,507,152	
Exercised	(641)	(220,788)	(466,849)	(201,315)	(889,593)	889,593
Lapsed terminations	-	-	(81,113)	(102,620)	(183,733)	
At December 31, 2011	**-**	**171,144**	**1,825,378**	**1,982,060**	**3,978,582**	**7,813,424**
Average exercise/issue price per share outstanding	-	R231.98	R306.43	R302.69	R301.36	
Subsequent to year-end						
Granted	-	-	-	-	-	
Exercised	-	(3,740)	(4,963)	(2,003)	(10,706)	10,706
Lapsed terminations	-	-	-	-	-	
At January 31, 2012	**-**	**167,404**	**1,820,415**	**1,980,057**	**3,967,876**	**7,824,130**

(1) *BSP and LTIP awards granted at nil cost to participants.*

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Effective October 15, 2008, the JSE amended Schedule 14 (Requirements for share incentive schemes) of the Listings Requirements. AngloGold Ashanti is required to amend the terms of its Share Incentive Scheme by obtaining shareholder approval to amend the total number of shares attributable to the share incentive scheme, from 2.75 percent of issued share capital from time to time, to a fixed number of shares that may be issued to the scheme. Although the amendment only had to be in place by January 1, 2011, AngloGold Ashanti sought and obtained shareholder approval at the annual general meeting held on May 7, 2010 authorizing the directors to issue up to 17,000,000 shares, which was management s estimate of options/awards to be granted over a three-year period, including options/awards granted and outstanding as at December 31, 2010. The total number of options/awards that may be issued in aggregate to any one participant to the scheme will remain at 5 percent of the total number of shares attributable to the scheme.

Also effective October 15, 2008, the recycling of options/awards that have vested and which have been delivered and for which AngloGold Ashanti shares have been issued, is no longer allowed. The table below reflects the total number of options/awards that are unissued in terms of the share incentive scheme, as affected by this Listings Requirements rule change:

Details	**Options/Awards**
Total number of options/awards attributable to the scheme at December 31, 2011	17,000,000
Less:	
Total number of options/awards granted and outstanding at December 31, 2011	(3,978,582)
Total number of options/awards exercised:	
During the period October 15, to December 31, 2008	(101,013)
During the period January 1 to December 31, 2009	(1,131,916)
During the period January 1 to December 31, 2010	(823,411)
During the period January 1 to December 31, 2011	(889,593)
Total options/awards available but unissued at December 31, 2011	**10,075,485**

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ITEM 7: SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

OVERVIEW

DESCRIPTION OF ANGLOGOLD ASHANTI S SHARE CAPITAL

AngloGold Ashanti s share capital consists of four classes of stock:

Ordinary shares, par value 25 South African cents each (the ordinary shares);
E-Ordinary shares, par value 25 South African cents each (the E-ordinary shares);
A redeemable preference shares, par value 50 South African cents each (the A preference shares); and
B redeemable preference shares, par value 1 South African cent each (the B preference shares).
The authorized and issued share capital of AngloGold at December 31, 2011, is set out below:

Title of class	Authorized	Issued
Ordinary shares	600,000,000	382,242,343
E-Ordinary shares	4,280,000	2,582,962
A preference shares	2,000,000	2,000,000
B preference shares	5,000,000	778,896

All the issued ordinary shares, E ordinary shares, A redeemable preference shares and B redeemable preference shares are fully paid and are not subject to further calls or assessment by AngloGold Ashanti. For a discussion of rights attaching to the ordinary shares, E ordinary shares, the A redeemable preference shares and the B redeemable preference shares, see Item 10B.: Memorandum and articles of association .

The following are the movements in the ordinary issued share capital at December 31:

Ordinary shares

	Number of Shares 2011	Rand 2011	Number of Shares 2010	Rand 2010	Number of Shares 2009	Rand 2009
At January 1	381,204,080	95,301,020	362,240,669	90,560,167	353,483,410	88,370,853
Issued during the year:						
- Equity offering to fund the initial 35 percent interest in the Kibali gold project					7,624,162	1,906,041
- Equity raising proceeds used to part fund the hedge elimination			18,140,000	4,535,000		
- Bokamoso ESOP on conversion of E ordinary shares	60,695	15,174			1,181	295
- Izingwe on conversion of E ordinary shares	39,052	9,763				
- BEE transaction (as approved by shareholders on May 11, 2011) Bokamoso ESOP	48,923	12,230				
- Exercise of options by participants in the AngloGold share Incentive Scheme	889,593	222,398	823,411	205,853	1,131,916	282,979
	382,242,343	**95,560,585**	**381,204,080**	**95,301,020**	**362,240,669**	**90,560,167**

During the period January 1, 2012 to and including April 16, 2012, 168,621 ordinary shares were issued at an average issue price of R330.84 per share, resulting in 382,410,964 ordinary shares being in issue at April 16, 2012. Of the 168,621 ordinary shares issued during the period January 1, 2012 to and including April 16, 2012, 2,269 ordinary shares were issued on conversion and cancellation of 19,190 E ordinary shares in accordance with the applicable conversion formula.

E ordinary shares

The following are the movements in the E ordinary issued share capital at December 31:

	Number of Shares 2011	Rand	Number of Shares 2010	Rand	Number of Shares 2009	Rand
At January 1	2,806,126	701,531	3,794,998	948,749	3,966,941	991,735
Reinstated	1,329,164	332,291				
Issued during the year:						
- Cancelled in exchange for ordinary shares in terms of the cancellation formula	(1,552,328)	(388,082)	(988,872)	(247,218)	(171,943)	(42,986)
	2,582,962	645,740	2,806,126	701,531	3,794,998	948,749

On December 11, 2006, shareholders in general meeting authorized the creation of a maximum of 4,280,000 E ordinary shares to be issued pursuant to an Employee Share Ownership Plan (ESOP) and a Black Economic Empowerment transaction with Izingwe Holdings (Pty) Limited (Izingwe) (collectively, the BEE transaction).

At a general meeting held on May 11, 2011, shareholders approved an amendment to the BEE transaction authorizing an additional issue of 48,923 ordinary shares to be made to the ESOP and the reinstatement of lapsed E ordinary shares to be made to the ESOP (to a maximum of 810,634 E ordinary shares) and to Izingwe (560,000 E ordinary shares). The amendment also revised the vesting criteria and duration of the scheme.

On June 9, 2011, a total of 1,329,164 E ordinary shares were reinstated, of which 769,164 E ordinary shares were reinstated in respect of the ESOP and 560,000 E ordinary shares were reinstated in respect of Izingwe.

In terms of the original authority granted by shareholders in 2006, on vesting, E ordinary shares were cancelled in exchange for ordinary shares in accordance with the cancellation formula.

E ordinary share capital amounting to R51,842,313 in respect of 688,332 vested, unconverted and cancelled E ordinary shares, was transferred to ordinary share premium during 2011. Prior to the amendment of the BEE transaction E ordinary shares did not convert to ordinary shares where the market price of an AngloGold Ashanti ordinary share was less than the strike price of the E ordinary share as calculated in accordance with the cancellation formula.

In addition to the reinstatement of cancelled E ordinary shares, shareholders approved an amendment to the cancellation formula through the resetting of the strike price. Participants to the ESOP and Izingwe are now guaranteed a minimum conversion price of R40 per E ordinary share with a maximum of R90 per E ordinary share for the ESOP and R70 per E ordinary share for Izingwe from a base price of R320 and R330 per share, respectively.

E ordinary shareholders are entitled to vote at all ordinary shareholder meetings. However, they do not hold a veto right.

Dividends are payable on E ordinary shares, in an amount equal to 50 percent of dividends payable to ordinary shareholders. The residual 50 percent of the dividend payable is taken into account in determining the cancellation formula.

E ordinary shares which vest and are exchanged for ordinary shares are cancelled and may not be re-issued. Therefore, they do not form part of the unissued share capital of the company.

Redeemable preference shares

The A and B redeemable preference shares, all of which are held by wholly owned subsidiary, Eastvaal Gold Holdings Limited, may not be transferred and are redeemable from the realization of the assets relating to the Moab lease area after the cessation of mining operations in the area. The shares carry the right to receive dividends equivalent to the profits (net of royalty, ongoing capital expenditure and taxation) from operations in the area. No further A and B redeemable preference shares will be issued.

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7A. MAJOR SHAREHOLDERS

According to information available to the directors, the following are the only shareholders holding, directly or indirectly, in excess of 5 percent of the ordinary issued share capital of the company:

Ordinary shares held at	December 31, 2011		December 31, 2010		December 31, 2009	
Shareholder*	Number of Shares	% Voting Rights	Number of Shares	% Voting Rights	Number of Shares	% Voting Rights
Paulson & Co., Inc	32,570,668	8.52	41,000,000	10.76	42,849,864	11.83
Allan Gray Unit Trust Management Limited	24,710,806	6.46	31,668,339	8.31	36,689,809	10.13
Fidelity Management & Research			28,383,749	7.45		

**Shares may not necessarily reflect the beneficial shareholder*

At December 31, 2011, a total of 164,886,294 shares (or 43.14 percent of issued ordinary share capital) were held by The Bank of New York Mellon, as Depositary for the company s American Depositary Receipt program. Each American Depositary Share (ADS) is equivalent to one ordinary share. At December 31, 2011, the number of persons who were registered holders of ADSs was reported at 3,440. AngloGold Ashanti is aware that many ADSs are held of record by brokers and other nominees, and accordingly the above numbers are not necessarily representative of the actual number of persons who are beneficial holders of ADSs or the number of ADSs beneficially held by these persons.

All shareholders have the same voting rights.

As at December 31, 2011, there were 9,411 holders of record of AngloGold Ashanti ordinary shares. Of these holders 357 had registered addresses in the United States and held a total of 69,330 ordinary shares, approximately 0.018 percent of the total outstanding ordinary shares. In addition, certain accounts of record with registered addresses outside the United States, including The Bank of New York Mellon, hold AngloGold Ashanti ordinary shares, in whole or in part, beneficially for United States persons.

At April 16, 2012, 153,612,808 ADSs or approximately 40.17 percent of total issued ordinary share capital, were issued and outstanding and held of record by approximately 3,350 registered holders .

Insofar as is known to AngloGold Ashanti, there was no person who, directly or indirectly, jointly or severally, exercised or could exercise control over AngloGold Ashanti, nor is AngloGold Ashanti aware of any arrangements which might result in a change in control of AngloGold Ashanti.

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7B. RELATED PARTY TRANSACTIONS

Related party transactions are concluded on an arm s length basis. The group had the following transactions with related parties during the years ended December 31, 2011, 2010 and 2009:

At December 31 (in millions)	2011 Purchases (by)/from related party	2011 Amounts owed to/(by) related party	2010 Purchases (by)/from related party	2010 Amounts owed to/ (by) related party	2009 Purchases (by)/from related party
	$	$	$	$	$
Purchases of goods and services (by)/from equity accounted joint ventures and associates					
Margaret Water Company	6	-	3	-	1
Société d Exploitation des Mines d Or de Sadiola S.A.	(12)	(2)	(8)	(2)	(10)
Société d Exploitation des Mines d Or de Yatela S.A.	(2)	(1)	(3)	-	(3)
Société des Mines de MorilaS.A.	(4)	-	(8)	(1)	(6)
Trans-Siberian Gold plc	-	-	1	-	-
	(12)	(3)	(15)	(3)	(18)

Amounts due by joint venture and associate related parties arising from purchases of goods and services are unsecured and non-interest bearing.

Loans due by equity accounted joint ventures and associates for the years ended December 31, 2011 and 2010:

	2011	2010
	$	$
Oro Group (Proprietary) Limited (1)	1	2
AuruMar (Proprietary) Limited (joint venture) (2)	5	5
Orpheo (Proprietary) Limited (2)	-	1
Trans-Siberian Gold plc (3)	3	-
Thani-Ashanti Alliance Limited (joint venture) (4)	20	-

(1) The loan bears interest at a rate determined by the Oro Group (Proprietary) Limited s board of directors and is repayable at their discretion.
(2) Loans are unsecured, interest free and there are no fixed terms of repayment.
(3) The loan is unsecured and bears interest at 8 percent per annum and is repayable in April 2012.
(4) The loan bears interest at a margin of 0.95 percent over the Johannesburg Interbank Agreed Rate (JIBAR) and is repayable in December 2012.

As at December 31, 2011 and 2010, there are no outstanding balances arising from loans owed to related parties.

Restructuring of the E ordinary shares:

For a discussion of the restructuring of the E ordinary shares insofar as it relates to Izingwe Holdings, see Overview Description of AngloGold Ashanti s share capital E ordinary shares .

7C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8: FINANCIAL INFORMATION

8A. CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION
See Item 18: Financial statements .

LEGAL PROCEEDINGS

There is no material proceeding in which a director, officer or affiliate of AngloGold Ashanti is either a party adverse or has a material interest adverse to the company.

In addition to the proceedings described below, the company becomes involved, from time to time, in various claims, legal proceedings and complaints incidental to the ordinary course of business.

TAX PROCEEDINGS

The State of Goiás v. Mineração Serra Grande S.A. (MSG): In **Brazil**, in 2006, MSG received two tax assessments from the State of Goiás related to payments of state sales taxes at the rate of 12 percent on gold deliveries for export from one Brazilian state to another during the period from February 2004 to the end of May 2006. AngloGold Ashanti Córrego do Sítio Mineração S.A. manages the operation and its attributable share of the first assessment is approximately US$54 million. The company s attributable share of the second assessment is approximately US$34 million. In November 2006, the administrative council s second chamber ruled in favor of MSG and fully canceled the tax liability related to the first period. In July 2011, the administrative council s second chamber ruled in favor of MSG and fully canceled the tax liability related to the second period. The State of Goiás has appealed to the full board of the State of Goiás tax administrative council. In November 2011, the administrative council s second chamber approved the suspension of proceedings and the remittance of the matter to the Department of Supervision of Foreign Trade (Comex) for review and verification. The company believes both assessments are in violation of federal legislation on sales taxes.

Departamento Nacional de Produção Mineral (DNPM) v. AngloGold Ashanti Brazil Mineração (AABM): In **Brazil**, in November 2007, the DNPM, a federal mining authority, issued a tax assessment against AABM in the amount of approximately US$21 million relating to the calculation and payment by AABM of the financial contribution on mining exploitation (CFEM) in the period from 1991 to 2006. AABM opposes the assessment.

SOUTH AFRICA

Mankayi v. AngloGold Ashanti Limited (AGA): In October 2006, a former employee, Mr Thembekile Mankayi, instituted a legal action in the Witwatersrand Local Division High Court of South Africa against AGA, claiming approximately R2.6 million (approximately US$360,000) for damages allegedly suffered as a result of silicosis. Mr. Mankayi s case was heard in the High Court of South Africa in June 2008, and an appeal was heard in the Supreme Court of Appeal in 2010. In both instances judgment was awarded in favor of AngloGold Ashanti Limited on the basis that an employer is indemnified against such a claim for damages by virtue of the provisions of section 35 of the Compensation for Occupational Injuries and Diseases Act, 1993 (COIDA). A further appeal that was lodged by Mr Mankayi was heard in the Constitutional Court in 2010. Judgment in the Constitutional Court was handed down on 3 March 2011. The Constitutional Court held that section 35 of COIDA does not indemnify the employer against such claims.

Mr Mankayi passed away subsequent to the hearing in the Supreme Court of Appeal. Following the Constitutional Court judgment, Mr Mankayi s executor may proceed with his case in the High Court. This will comprise, amongst others, providing evidence showing that Mr Mankayi contracted silicosis as a result of negligent conduct on the part of AngloGold Ashanti Limited.

The company will defend the case and any subsequent claims on their merits. Should other individuals or groups lodge similar claims, these too will be defended by the company and adjudicated by the Courts on their merits. In view of the limited information currently available, no reliable estimate for any potential liability arising from such other similar claims, if and when filed, can be made at this time.

AngloGold Ashanti Limited (AGA) v. Pamodzi Gold (Orkney) (Pty) Limited (in Provisional Liquidation) (Pamodzi): AGA is owed money for services rendered to Pamodzi. AGA sold Shafts 1-7 to another mining company in 1998 but continued to service them pursuant to the terms of a service contract. When Pamodzi later purchased the Shafts, AGA provided services to Pamodzi on the same basis that it had provided services to the previous owner, on the understanding that a new agreement would be entered into once all of the commercial terms of such an agreement were finalized. On March 10, 2009, prior to AGA and Pamodzi entering into a new services agreement, a creditor of Pamodzi applied to have Pamodzi placed under provisional liquidation. This application was granted by the North Gauteng High Court.
At the time of being placed in provisional liquidation Pamodzi owed AGA approximately R59 million (approximately US$6.5 million) for services rendered by AGA. Pamodzi also owes AGA approximately R54 million (approximately US$5.9 million) for services rendered subsequent to the liquidation application being made. This R54 million is an administrative cost and will be a first charge against the estate. The date of the final liquidation order has not yet been set.

On March 16, 2012, Pamodzi (in provisional liquidation) and four others issued summons against AGA in the North Gauteng High Court, Pretoria, demanding the return of about R89.5 million (approximately US$11.1 million) paid by Pamodzi to AGA less than six months prior to the winding-up of Pamodzi. Plaintiffs further allege that AGA took possession of some 26.9 kilograms of gold owned by Pamodzi in March 2009 and demand either that the gold be returned or that reimbursement be provided in the amount of R7.1 million (approximately US$0.9 million).

Van der Post *et al.* v. AngloGold Ashanti Limited (AGA) (WLD 07/10014): In May 2007, a group of AGA pensioners (**van der Post and others**) instituted an action against the company in the Witwatersrand Local Division of the High Court (now called the South Gauteng High Court). At issue was the introduction of an inflation-related (CPIX) cap on post-retirement health care contributions by the company. The company maintains that its action is justifiable and fair given the circumstances, precedents and the contractual nature of the undertaking. Summons was issued by the plaintiffs demanding that AGA restore the level of contributions that prevailed before the introduction of the cap. In 2011, a private arbitration hearing was postponed to April 2012 pending settlement negotiations. As the claimants have not mentioned a specific quantum, no reasonable estimate of potential loss can be made.

COLOMBIA

La Colosa class action lawsuits: The following six class action lawsuits are currently pending before different Colombian state and federal courts in relation to AngloGold Ashanti Colombia S.A. (AGAC) s La Colosa project, which is currently in its pre-feasibility phase and consists of three core concession contracts:

Ivonne Prada v. Federal Department of the Environment, Housing and Territorial Development (October 2009);

Usocoello, Cortolima, Procuraduria Regional Tolima, Universidad de Ibagué, Estudiantes de la Universidad del Rosario, Federarroz v. AGAC, Federal Department of Mines, Federal Department of the Environment, Housing and Territorial Development and Ingeominas (September 2010);

Maria del Pilar Gonzalez v. Federal Department of Mines, Ingeominas and AGAC (May 2011);

Maria del Pilar Gonzalez v. Federal Department of Mines, Ingeominas and AGAC (July 2011);

Personero de Ibagué v. Federal Department of the Environment, Housing and Territorial Development, Ingeominas, AGAC, Continental Gold Ltda., Oro Barracuda Ltda., Fernando Montoya, Alberto Murillo and Eugenio Gomez (December 2011); and

Juan Ceballos v. Federal Department of the Environment, Housing and Territorial Development, Ingeominas, Cortolima and AGAC (February 2012).

All but one of these lawsuits name AGAC as a defendant. Each lawsuit aims to stop exploration and mining in certain restricted areas affected by the La Colosa project due to environmental concerns or alleged breaches of environmental laws. Under Colombian law, restricted areas are State-protected land on which economic activities are restricted. AGAC has opposed, and has sought the dismissal of most of, the class action lawsuits that have been filed against it.

The class action lawsuit that has progressed the most was filed in the Third Administrative Court of the District of Ibagué on September 9, 2010. It named each of Ingeominas (the Colombian regulatory agency for mining activities), the Federal Department of the Environment, Housing and Territorial Development, as well as the Federal Department of Mines as defendants. AGAC was subsequently joined to the lawsuit as an additional defendant. The plaintiffs are the User Association of the Land Adequation District of Coello and Cucuana Rivers (Usocoello), which is a cooperative representing local farmers, the Autonomous Regional Corporation of Tolima (Cortolima), which is the government of the State of Tolima, the Office of the Attorney General of the State of Tolima (Procurador Judicial Ambiental y Agrario para el Tolima), the University of Ibagué, a student association of the University of El Rosario (Estudiantes de la Universidad del Rosario) and Fedearroz, which is the Colombian association of rice growers.

The plaintiffs have petitioned the court to order the defendant governmental entities not to declare the La Colosa mining project feasible on the grounds that the project threatens a healthy environment, public health and food safety for Usocoello members and local residents. Such order by the court would result in the revocation of AGAC s permit to temporarily use for its exploration activities 515.75 hectares of forest reserve that are otherwise designated as restricted areas.

In addition, as each of AGAC s three core mining concession contracts governing the La Colosa project provides that Ingeominas has the discretion to declare the underlying concession void if AGAC breaches applicable environmental laws or regulations, the plaintiffs have petitioned the court to direct Ingeominas to cancel such concession contracts on the ground that AGAC has violated the Code of Natural Resources. If plaintiffs prevail and Ingeominas is ordered to cancel AGAC s three core concession contracts, the company would be required to abandon the La Colosa project and all of AGAC s other existing mining concession contracts and pending proposals for new mining concession contracts would also be cancelled. In addition, AGAC would be banned from doing business with the Colombian government for a period of five years. As a result, AGAC would be unable to conduct any mining exploration or development activities during such period. However, this would not affect other AngloGold Ashanti subsidiaries operating in Colombia, which hold singularly or in concert with joint venture partners the majority of AngloGold Ashanti s concession contracts in Colombia.

As no settlement was reached at a special conciliation hearing (Pacto de Cumplimiento) held on April 27, 2011, the trial has continued and the court is gathering evidence from the parties in preparation for its ruling.

In addition, in connection with the class action lawsuit filed by the Ombudsman of Ibagué (Personero de Ibagué) in September 2011, the Superior Court of the District of Ibagué granted the plaintiff a preliminary injunction that resulted in the suspension of AGAC s mining concession contracts relating to certain greenfield exploration activities in the Toche Anaima Belt. These contracts do not include AGAC s core concession contracts relating to the La Colosa project. AGAC has appealed against this preliminary injunction and its appeal is still pending.

Department of the Environment, Housing and Territorial Development (DoE) v. AGAC: In Resolution No. 785 of April 29, 2009, the DoE opened an investigation against AGAC and brought a list of charges against it for carrying out exploratory activities at the La Colosa project without having obtained the applicable permit to partially or temporarily use the soil of a forest reserve that was designated as a restricted area. In particular, the DoE alleged that AGAC violated Article 210 of the Code of Natural Resources (Code), which requires a company to obtain such a permit when it plans on carrying out an economic activity that will involve the cutting down of trees. In 2010, while conducting its investigation the DoE also proceeded to update the existing mining terms of reference, which set forth the environmental studies and other environmental activities that each mining company is required to conduct in connection with the exploration phase of its respective mining project. As reflected in Article 34 of the Code, the new terms of reference specify that exploration may not be carried out in restricted areas without a permit sanctioning such exploration. The DoE then resolved that AGAC was in breach of the 2010 terms of reference and issued a fine against the company.

As the parties were unable to reach an agreement at a conciliation meeting held on May 30, 2011, on such same date AGAC filed an action against the DoE in the Administrative Superior Court of the Cundinamarca District to annul the penalties. Should the DoE s fine ultimately be upheld by the courts, Ingeominas would then have the discretion to terminate AGAC s three core mining concession contracts relating to the La Colosa project. In the event of such termination, the company would be required to abandon the La Colosa project and all of AGAC s other existing mining concession contracts and pending proposals for new mining concession contracts would also be canceled. In addition, AGAC would be banned from doing business with the Colombian government for a period of five years. As a result, AGAC would be unable to conduct any mining exploration or development activities during such period. However, this would not affect other AngloGold Ashanti subsidiaries operating in Colombia, which hold singularly or in concert with joint venture partners the majority of AngloGold Ashanti s concession contracts in Colombia.

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GHANA

Westchester/Africore Limited (WAL) v. Ashanti Goldfields Company Limited (AGCL): In December 2001, WAL instituted an action against AGCL in the High Court in Accra claiming damages for breach of an existing exploration and option agreement between the parties. Although the matter was originally referred to arbitration, WAL eventually pulled out of the arbitration proceedings and filed a notice to maintain the action in the High Court. In the notice, WAL claimed US$20 million in damages. The statement of claim was later amended to demand US$9 million in special damages.

Trial began on February 13, 2009. The court decided in WAL s favor on March 31, 2011 and awarded damages of US$17.4 million in general damages and GHS 30,000 (approximately $19,726) in costs. AGCL has appealed and has been granted a stay of execution pending appeal.

National Labour Commission & 273 Others v. AngloGold Ashanti (Ghana) Limited (AAGL): In December 2006, Appiah Agyei Boateng and 272 others claiming to be the employees of AAGL petitioned the National Labour Commission (NLC) to compel AAGL to pay their gratuities. Plaintiffs claim that they were transferred to Mining and Building Contractors Limited (MBC), an independent construction firm, without their consent and allege that, as a result of their transferral, they suffered a diminution in their terms and conditions of service. Plaintiffs therefore seek redundancy payments from AAGL.

On August 20, 2009, the NLC found in favor of the petitioners and ordered AAGL to make redundancy payments totalling US$4.7 million. AAGL applied to the High Court to have the NLC s decision set aside. On April 7, 2011, the High Court found against AAGL. A stay of execution was granted on January 13, 2012, on condition that an appeal be heard within three months. AAGL is working closely with the Registrar to have the records expedited and transmitted to the Court of Appeal.

National Labour Commission v. AngloGold Ashanti (Ghana) Limited (AAGL) (in re early retirees): In March 2008, complainants alleged to the NLC that AAGL had misrepresented to them that they could opt for an early retirement and receive enhanced benefits by way of their unpaid salaries and social security contributions. They claimed that, but for AAGL s misrepresentation, they would have elected to exit by way of redundancy. They demanded that AAGL pay them the difference between what would have been their redundancy packages and the actual payments made to them under the retirement package. The total amount of the claim is the cedi equivalent of US$1.8 million.

On April 3, 2009, the NLC ordered AAGL to pay each petitioner the difference between the redundancy package and the early retirement benefit. The High Court upheld the order, but the Court of Appeal reversed the order on March 14, 2011 and allowed AAGL s application for a stay of execution pending appeal. A hearing date is expected to be fixed once the records have been transmitted to the Court of Appeal.

TANZANIA

Jackson Manyelo & others vs. Geita Gold Mining Limited (GGM) (Civil case no. 27/2007): In January 2007, the claimants filed a suit against GGM in the Mwanza High Court alleging that they were affected by blasting activities in the Katoma area carried out by GGM and had suffered damages in the amount of Tshs9.6 billion (approximately US$6 million). The parties are waiting to receive notice of a mediation hearing from the Mwanza High Court.

GUINEA

Government of Guinea (National Claim Commission) v. Société AngloGold Ashanti Goldfields de Guinée SA (SAG): A national claim recovery commission put in place by the government has demanded that SAG pay US$43 million in dividends and penalties that would allegedly have been owed to the government for the accounting years 2004 2007. SAG opposes the claim. The two parties have decided to submit their dispute to an independent audit firm to be appointed by a common accord.

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DIVIDENDS

Dividends are proposed and approved by the board of directors of AngloGold Ashanti, based on the company s financial performance. Dividends are recognized when declared by the board of directors of AngloGold Ashanti. During the third quarter of 2011, the Company changed its timing of dividend payments to quarterly, rather than half-yearly.

Dividends may be declared in any currency at the discretion of the AngloGold Ashanti board or AngloGold Ashanti shareholders at a general meeting. Currently, dividends are declared in South African rands and paid in Australian dollars, South African rands, British pounds and Ghanaian cedis. Dividends paid to registered holders of AngloGold Ashanti ADSs are paid in US dollars converted from South African rands by The Bank of New York Mellon, as depositary, in accordance with the deposit agreement. Exchange rate fluctuations may therefore affect the value of the dividends received by registered shareholders and distributions paid by the relevant depositary to investors holding AngloGold Ashanti securities. Moreover, fluctuations in the exchange rates of the US dollar may affect the US dollar price of the ADSs on the NYSE. For details on taxation and exchange controls applicable to holders of ordinary shares or ADSs, see Item 10D.: Exchange controls and Item 10E.: Taxation Taxation of dividends .

Dividends declared to foreign shareholders are not subject to the approval by the South African Reserve Bank (SARB) in terms of South African foreign exchange control regulations. Dividends are freely transferable to foreign shareholders from both trading and non-trading profits earned in South Africa by publicly listed companies.

AngloGold Ashanti expects to continue to pay dividends, although there can be no assurance that dividends will be paid in the future or as to the particular amounts that will be paid from year to year. The payment of future dividends will be dependent upon the board s ongoing assessment of AngloGold Ashanti s earnings, after providing for long term growth, cash/debt resources, compliance with the solvency and liquidity requirements the Companies Act of 2008, the amount of reserves available for a dividend based on the going concern assessment, and restrictions placed by the conditions of the convertible bond, other debt facilities, protection of the investment grade credit rating and other factors. AngloGold Ashanti will continue to manage capital expenditure in line with profitability and cash flow, and its approach to the dividend on the basis of prudent financial management.

Under South African law, the company may declare and pay dividends from any reserves included in total shareholder s equity (including share capital and share premium) calculated in accordance with International Financial Reporting Standards (IFRS), subject to the solvency and liquidity test.

Dividends are payable to shareholders registered at a record date that is after the date of declaration. Dematerialized shareholders on the South African share register will receive payment of their dividends electronically, as provided for by STRATE. Certificated shareholders, who have elected to receive their dividends electronically, will be paid via the company s electronic funds transmission service. Certificated shareholders who have not yet elected to receive dividend payments electronically are encouraged to mandate this method of payment for all future dividends.

Withholding tax

In the budget speech on February 22, 2012, the South African Minister of Finance announced that the withholding tax on dividends and other distributions payable to shareholders is 15 percent on all dividends declared after April 1, 2012.

This withholding tax replaces the Secondary Tax on Companies and although this may reduce the tax payable by AngloGold Ashanti s South African operations, thereby potentially increasing distributable earnings, the withholding tax on dividends and other distributions will generally reduce the amount of dividends or other distributions received by AngloGold Ashanti shareholders.

8B. SIGNIFICANT CHANGES

None.

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ITEM 9: THE OFFER AND LISTING

9A. OFFER AND LISTING DETAILS

The following table sets out, for the periods indicated, the reported high and low market quotations for AngloGold Ashanti s ordinary shares on the JSE and for its sponsored ADSs on the NYSE:

Year ended December 31	JSE High	Low	NYSE[1] High	Low
	(South African cents per ordinary share)		(US dollars per ADS)	
Annual information				
2007	35,899	25,400	49.42	33.80
2008	34,900	15,011	51.35	13.37
2009	34,679	28,630	47.52	36.05
2010	36,631	26,640	52.86	34.11
2011	39,182	27,333	51.69	38.97
2010				
First quarter	33,000	26,640	44.68	34.11
Second quarter	34,150	27,649	45.25	37,52
Third quarter	33,946	28,650	47.75	38.55
Fourth quarter	36,631	31,165	52.86	44.22
2011				
First quarter	35,240	30,226	49.99	42.47
Second quarter	34,096	27,333	51.69	39.70
Third quarter	38,250	27,600	48.85	40.58
Fourth quarter	39,182	32,000	49.14	38.97
2012				
First quarter	36,500	28,001	47.17	36.06
September 2011	38,250	31,300	48.85	40.63
October 2011	36,710	32,000	47.55	38.97
November 2011	38,795	35,600	49.14	42.93
December 2011	39,182	33,567	48.88	40.59
January 2012	36,382	34,016	46.66	42.02
February 2012	36,500	32,348	47.17	41.41
March 2012	31,995	28,001	42.96	36.06
April 2012[2]	28,540	26,030	37.25	32.44

(1) Each ADS represents one ordinary share.
(2) Through April 16, 2012.

See Item 7A.: Major shareholders for the number of ADSs outstanding at December 31, 2011.

9B. PLAN OF DISTRIBUTION

Not applicable.

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9C. MARKETS
NATURE OF TRADING MARKET

The principal trading markets for AngloGold Ashanti s ordinary shares are the New York Stock Exchange, in the form of ADSs, under the symbol AU and the JSE Limited, in the form of ordinary shares, under the symbol ANG .

AngloGold Ashanti s ordinary shares are also listed on the London Stock Exchange under the symbol AGD and the Ghana Stock Exchange under the symbol AGA . Its ordinary shares are also listed on the Australian Stock Exchange, in the form of Chess Depositary Interests (each representing one-fifth of an ordinary share) under the symbol AGG and on the Ghana Stock Exchange, in the form of Ghanaian Depositary Shares or GhDSs (each representing one one-hundredth of an ordinary share) under the symbol AADS .

AngloGold Ashanti delisted from Euronext Paris on December 23, 2011 and from Euronext Brussels on December 30, 2011.

9D. SELLING SHAREHOLDERS
Not applicable.

9E. DILUTION
Not applicable.

9F. EXPENSES OF THE ISSUE
Not applicable.

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ITEM 10: ADDITIONAL INFORMATION

10A. SHARE CAPITAL
ANGLOGOLD ASHANTI S ORDINARY SHARES AND PREFERENCE SHARES

At the annual general meeting of shareholders held on May 15, 2009, shareholders approved an increase in the company s authorized ordinary share capital. AngloGold Ashanti s authorized and issued share capital as of December 31, 2011 and April 16, 2012 (being the latest practicable date prior to the publication of this document) is set out below:

Title of Class	Authorized	Issued April 16, 2012(1)	December 31, 2011
Ordinary shares at par value of R0.25 each	600,000,000	382,410,964	382,242,343
E ordinary shares at par value of R0.25 each	4,280,000	2,563,772	2,582,962
A redeemable preference shares at par value of R0.50 each	2,000,000	2,000,000	2,000,000
B redeemable preference shares at par value of R0.01 each	5,000,000	778,896	778,896

(1) Does not include additional shares to be issued in respect of the BEE Transaction approved by shareholders on May 11, 2011 of 48,923 ordinary shares and 1,370,634 E ordinary shares.

All of the issued ordinary shares, E ordinary shares, A redeemable preference shares and B redeemable preference shares are fully paid and are not subject to further calls or assessment by AngloGold Ashanti.

All of the A redeemable preference shares and B redeemable preference shares are held by Eastvaal Gold Holdings Limited, AngloGold Ashanti s wholly-owned subsidiary. AngloGold Ashanti s Articles of Association provide that the A redeemable preference shares and B redeemable preference shares are not transferable.

The table below details changes in the ordinary issued share capital of AngloGold since December 31, 2008 through December 31, 2011.

Period to	Description	Number of Shares
December 31, 2008		353,483,410
Ordinary shares issued during 2009	AngloGold Share Incentive Scheme	1,131,916
	Employee Share ownership program on conversion of E ordinary shares	1,181
	Equity offering to fund the initial effective 35 percent interest in the Kibali gold project	7,624,162
December 31, 2009		362,240,669
Ordinary shares issued during 2010	AngloGold Share Incentive Scheme	823,411
	Employee Share ownership program on conversion of E ordinary shares	
	Equity raising proceeds used to part fund the hedge elimination	18,140,000

December 31, 2010		381,204,080
Ordinary shares issued during 2011	AngloGold Share Incentive Scheme	889,593
	Employee Share ownership program on conversion of E ordinary shares	99,747
	BEE transaction Bokamoso ESOP	48,923
December 31, 2011		382,242,343

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The table below details changes in the E-ordinary issued share capital of AngloGold Ashanti since December 31, 2008 through December 31, 2011.

Period to	Description	Number of Shares
December 31, 2008		3,966,941
2009 E-ordinary shares movement	Cancelled and exchanged for ordinary shares in accordance with the cancellation formula	(171,943)
December 31, 2009		3,794,998
2010 E-ordinary shares movement	Cancelled and exchanged for ordinary shares in accordance with the cancellation formula	(988,872)
December 31, 2010		2,806,126
2011 E-ordinary shares movement	Re-instated	1,329,164
	Cancelled and exchanged for ordinary shares in accordance with the cancellation formula	(1,552,328)
December 31, 2011		**2,582,962**

E ordinary shares

On December 11, 2006, shareholders in general meeting authorised the creation of a maximum of 4,280,000 E ordinary shares to be issued pursuant to an Employee Share Ownership Plan (ESOP) and a black economic empowerment transaction with Izingwe Holdings (Pty) Limited (Izingwe) (collectively, the BEE transaction).

At a general meeting held on May 11, 2011, shareholders approved an amendment to the BEE transaction authorizing an additional issue of 48,923 ordinary shares to be made to the ESOP and the reinstatement of lapsed E ordinary shares to be made to the ESOP (to a maximum of 810,634 E ordinary shares) and to Izingwe (560,000 E ordinary shares). The amendment also took cognizance of changes to the vesting criteria and duration of the scheme.

On June 9, 2011, a total of 1,329,164 E ordinary shares were reinstated, of which 769,164 E ordinary shares were reinstated in respect of the ESOP and 560,000 E ordinary shares were reinstated in respect of Izingwe.

In terms of the original authority granted by shareholders in 2006, on vesting, E ordinary shares were cancelled in exchange for ordinary shares in accordance with the cancellation formula.

E ordinary share capital amounting to R51,842,313 in respect of 688,332 vested, unconverted and cancelled E ordinary shares, was transferred to ordinary share premium during 2011. Prior to the amendment of the BEE transaction, E ordinary shares did not convert into ordinary shares where the market price of an AngloGold Ashanti ordinary share was less than the strike price of the E ordinary share as calculated in accordance with the cancellation formula.

In addition to the reinstatement of cancelled E ordinary shares, shareholders approved an amendment to the cancellation formula through the resetting of the strike price. Participants to the ESOP and Izingwe are now guaranteed a minimum conversion price of R40 per E ordinary share with a maximum of R90 per E ordinary share for the ESOP and R70 per E ordinary share for Izingwe from a base price of R320 and R330 per share, respectively.

E ordinary shareholders are entitled to vote at all ordinary shareholder meetings. However, they do not hold a veto right.

Dividends are payable on E ordinary shares, in an amount equal to 50 percent of dividends payable to ordinary shareholders. The residual 50 percent of the dividend payable is taken into account in determining the cancellation formula.

E ordinary shares which vest and are exchanged for ordinary shares are cancelled and may not be re-issued. Therefore, they do not form part of the unissued share capital of the company.

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Unissued shares

The directors of the Company are authorized to allot and issue, for such purposes and on such terms as they may, in their discretion, determine, ordinary shares of 25 SA cents each (shares) in the authorized but unissued share capital of the Company up to a maximum of 5 percent of the number of shares in issue from time to time.

Shares under the control of the directors 5 percent of issued shares from time to time	19,112,707
Shares attributable to the share incentive scheme (17,000,000 of issued issued less shares issued from 15 October 2008)	14,054,067
Shares under specific authority for the convertible bonds (approved at the general meeting 30 July 2009)	15,384,615
Shares under specific authority for the mandatory convertible bonds (approved at the general meeting 26 October 2010)	18,140,000

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10B. MEMORANDUM AND ARTICLES OF ASSOCIATION

With effect from May 1, 2011, the South African Companies Act 71 of 2008 (as amended) (the Act) came into effect. In terms of the Act, companies have two years to amend their constitutional documents (previously referred to as the Memorandum and Articles of Association, but known under the Act as Memorandum of Incorporation (MoI)) or adopt a new (MoI) to comply with the Act. Until such time as the MoI of a company is amended or a new MoI is adopted by shareholders in general meeting, companies may rely on their current MoIs, to the extent that the Act does not apply. AngloGold Ashanti will be putting before its shareholders, a new MoI in compliance with the Act prior to the expiry of the two year period. A summary of the current MoI of AngloGold Ashanti under which the company currently operates is detailed below.

REGISTRATION

AngloGold Ashanti is incorporated under the laws of the Republic of South Africa and registered with the Companies and Intellectual Property Commission under registration number 1944/017354/06. AngloGold Ashanti s MoI provides that the company s main business is to carry on gold exploration, the mining and production of gold, the manufacturing, marketing and selling of gold products and the development of markets for gold.

AngloGold Ashanti is governed by its MoI which document is available for inspection as set out in Item 10H.: Documents on Display and a summary of pertinent provisions, including rights of the holders of shares in AngloGold Ashanti, are set out below.

This summary does not contain all the information concerning the rights of holders of AngloGold Ashanti s ordinary shares and is qualified in its entirety by reference to the law of South Africa and AngloGold Ashanti s governing corporate documents. As well as being governed by the provisions of the MoI, the rights of holders of AngloGold Ashanti s ordinary shares are governed by the Act , the Companies Regulations, 2011, promulgated under the Act (the Regulations), which include the Takeover Regulations, and the JSE Listings Requirements. Further, the rights of holders of AngloGold Ashanti ADSs are governed by the Deposit Agreement between AngloGold Ashanti and The Bank of New York Mellon. See Share Rights, Preferences and Restrictions The Deposit Agreement .

The Act provides that shares will no longer have a par or nominal value. However any shares which have a nominal or par value issued prior to the effective date continue to have that nominal or par value and can be issued as such for so long there are par value shares in the company s authorized share capital.

DIRECTORS

The management and control of any business of AngloGold Ashanti is vested in the directors who, in addition to their powers under the articles of association, may exercise all powers and do all such acts and things as may be exercised or done by AngloGold Ashanti which are not expressly required to be exercised or done by AngloGold Ashanti s shareholders in a general meeting.

Appointment, Retirement and Removal of Directors

The board of directors may appoint any person to be a director and any director so appointed will hold office only until the following annual general meeting and will then be eligible for re-election. The directors who retire at the annual general meeting in this manner will not be taken into account in determining the directors who are to retire by rotation at such meeting.

At every annual general meeting one-third of the directors, not subject to employment contract, will retire by rotation, or if their number is not a multiple of three, then the number will be rounded down to the nearest whole number. Directors retiring by rotation are eligible for re-election. The directors so to retire at such annual general meeting will, unless otherwise determined by the board, be those who have been the longest in office since their last election, but as between persons who become or were last elected directors on the same day, those to retire will (unless they otherwise agree amongst themselves) be determined by lot. Retiring directors are eligible for re-election.

A director will no longer act as a director of the company if he becomes insolvent or subject to insolvency procedures, is found to be of unsound mind, is requested to resign by at least three-quarters of the directors in writing, is removed by a board resolution of AngloGold Ashanti, is prohibited from acting as director by law or order of court, or is absent from board meetings without leave of the directors for six consecutive months. A director can resign with one month s written notice unless he obtains the permission of the directors to shorten his notice period.

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The MoI contains no provision for directors to hold qualification shares, nor stipulate an age limit requirement for the retirement or non-retirement of directors.

Under the Act, the MoI of a profit company must provide the company s shareholders the right to elect a minimum of 50 percent of the company s directors. The remaining directors may be appointed in accordance with the MoI of the company which may provide for a director to be elected *ex officio* (as a consequence of that person holding some other office, title, designation or similar status), by a person specified in the MoI or as an alternate director. In addition, a director may be removed by an ordinary resolution at a shareholders meeting. The director concerned must be given notice of the meeting and be afforded a reasonable opportunity to make a presentation on the matter either personally or by representative before a vote is taken by the shareholders.

The Act provides that the authority of the board and its actions are not limited, negated or invalidated if the number of directors of a company falls below the minimum required by the Act or the MoI of such company. Instead, the board is obliged, within 40 business days, to convene a shareholders meeting to elect additional directors to bring the number of directors into compliance with the Act and the MoI of such company. The MoI of AngloGold Ashanti provides that where the number of directors on the board is less than the minimum required by the MoI (being 4 directors), the remaining directors may only act for the purposes of filling vacancies on the board or for calling a general meeting.

Board Meetings

The directors may regulate board meetings and determine the quorum necessary for the transaction of business as they deem fit. Unless otherwise determined by the directors, two directors form a quorum. Issues arising at meetings are decided by majority vote with the chairman having a second or casting vote where there are more than two directors present at the meeting.

Under the Act, to the extent that the MoI does not provide otherwise, decisions can be adopted by the written consent of a majority of directors given in person or by electronic communication, provided that each director has received notice of the matter to be decided. The MoI of AngloGold Ashanti provides that resolutions may be adopted by the written consent of at least three quarters of the directors entitled to vote thereon.

Borrowing Powers

AngloGold Ashanti may create and issue secured or unsecured debentures and the directors may borrow or secure the payment of such sums as they deem fit (but subject to any regulations made by shareholders in general meeting) and may secure the repayment of any indebtedness by bond, mortgage or charge provided that no special privileges as to allotment of shares, attending and voting at meetings, appointment of directors or otherwise will be given to the holders of AngloGold Ashanti s debentures without the sanction of AngloGold Ashanti shareholders in a general meeting.

AngloGold Ashanti s borrowing powers are unlimited. These borrowing powers may be varied by AngloGold Ashanti shareholders by way of a special resolution in a general meeting.

Remuneration

The directors are entitled to such remuneration as AngloGold Ashanti shareholders may approve by special resolution in a general meeting. If a director performs services that, in the opinion of the board of directors, are outside the scope of the ordinary duties of a director, he may be paid such extra remuneration as the directors determine.

Under the Act, directors remuneration for their service as directors is required to be approved, by a special resolution of shareholders within the previous two years of the date of such remuneration.

Interests of Directors and Restriction on Voting

A director who is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with AngloGold Ashanti or any of AngloGold Ashanti s subsidiaries must declare the nature of his interest to AngloGold Ashanti in accordance with the Act.

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A director will not vote nor be counted in the quorum and if he will do so his vote will not be counted on any resolution for his own appointment to any other office or position under AngloGold Ashanti, or in respect of any contract or arrangement in which he is interested. This prohibition will not apply to:

(i) any arrangement for giving to any director any security or indemnity in respect of money lent by him to, or obligations undertaken by him for the benefit of, AngloGold Ashanti;

(ii) any arrangement for the giving by AngloGold Ashanti of any security to a third party in respect of a debt or obligation of AngloGold Ashanti which the director has himself guaranteed or secured;

(iii) any contract by a director to subscribe for or underwrite securities; or

(iv) any contract or arrangement with a company in which he is interested by reason only of being a director, officer, creditor or member of such company (and note that these prohibitions may at any time be suspended or relaxed to any extent either generally, or in respect of any particular contract or arrangement, by AngloGold Ashanti in general meeting).

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to offices or employments with AngloGold Ashanti or any company in which AngloGold Ashanti is interested, such proposals may be divided and considered in relation to each director separately and in such cases each of the directors concerned will be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

If any question arises at any meeting as to the entitlement of any directors to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question must be referred to the chairman of the meeting and his ruling in relation to any other director must be final and conclusive except in a case where the nature or extent of the interests of the director concerned have not been fairly disclosed.

The directors may exercise the voting powers conferred by the shares in any other company held or owned by AngloGold Ashanti in such manner and in all respects as they deem fit, including the exercise thereof in favor of any resolution appointing themselves or any of them to be directors or officers of such other company or voting or providing for the payment of remuneration to the directors or officers of such other company.

Under the Act, the procedures to deal with the personal financial interests of directors also apply to prescribed officers (persons who exercise general executive control over and management of the whole, or a significant portion, of the business and activities of the company or regularly participate to a material degree in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of the company, irrespective of the office held or function performed by such persons) and any person who is a member of a committee of the board of the company, whether or not that person is also a member of the company s board. The Act provides that a director or prescribed officer with a personal financial interest must disclose this to the board and cannot vote at, and must leave, the meeting.

Share Rights, Preferences and Restrictions

Allotment and Issue of Ordinary Shares

Any unissued ordinary shares can be disposed of or dealt with in such manner as AngloGold Ashanti shareholders may direct in a general meeting. AngloGold Ashanti shareholders may resolve that all or any of such ordinary shares are at the disposal of the directors who may allot, grant options over or otherwise deal with or dispose of the ordinary shares to such persons at such times and on such terms and conditions and for such consideration as the directors may determine.

Any shares may be issued with such rights or restrictions as AngloGold Ashanti shareholders in a general meeting may from time to time determine, or the directors, if shareholders delegate this power to the board.

No ordinary shares may be issued at a discount except in accordance with the Act. The 1973 Companies Act dealt with the issue shares at a discount to the par value shares of such shares if such shares are of a class already in issue; and provided that such issue had to be authorized by a special resolution. If shares are issued at a discount, every prospectus issued by the company thereafter relating to the issue of any shares, will contain particulars of the discount allowed on the issue of those shares, or so much of the discount as has not been written off at the date of the issue of such prospectus.

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Under the Act, although directors may generally issue shares without shareholder approval, shareholder approval by way of a special resolution will, subject to certain exceptions, be required for the issue of shares (including ordinary shares), convertible securities (including share options) to directors, prescribed officers or persons related or inter-related to the company or to a director or prescribed officer, or if there is an issue of shares (including ordinary shares), or convertible securities, including share options, with voting power on an as-converted basis equal to or exceeding 30 percent of the voting power of all shares of that class held by shareholders immediately prior to the transaction or series of transactions.

Under the Act, directors may only issue shares for adequate consideration as determined by the board. The board s determination of adequate consideration may not be challenged unless the directors have breached their standards of conduct as specified in the Act. In some cases, it may not be possible to indemnify the directors for their conduct and the company may have a claim against the directors for breach of their duties as set out in the Act. When a company has received the consideration for the issuance of shares (including in AngloGold Ashanti s case, its ordinary shares) as approved by the board, such shares will be fully paid and the company will be obliged to issue the shares and cause the name of the holder to be entered into the company s securities registers.

The Act also provides that shares can be issued for a consideration of future services, future benefits or future payment. Shares issued for such a consideration must be immediately issued and held in trust until the consideration is received in full by the company, thereafter they must be transferred to the subscriber.

Dividends, Rights and Distributions

The ordinary shares participate fully in all dividends, other distributions and entitlements as and when declared by AngloGold Ashanti in respect of fully paid ordinary shares. Under South African law, AngloGold Ashanti may declare and pay dividends from any reserves included in total shareholders equity calculated in accordance with International Financial Reporting Standards, subject to its solvency and liquidity. No larger dividend will be declared by shareholders in general meeting than is recommended by the directors. Dividends are payable to shareholders registered at a record date that is after the date of declaration.

Dividends may be declared in any currency at the discretion of the board of directors or AGA shareholders in general meeting. Currently, dividends are declared in South African rands and paid in Australian dollars, South African rands, Ghanaian cedis or United Kingdom pounds. Dividends paid to registered holders of AngloGold Ashanti ADSs are paid in US dollars converted from South African rands by The Bank of New York Mellon, as depositary, in accordance with the Deposit Agreement. See The Deposit Agreement .

As approved by shareholders in general meeting on December 11, 2006, the company s authorized share capital was increased through the creation of a maximum of 4,280,000 E ordinary shares, to be issued for cash, pursuant to an employee share ownership plan and black economic empowerment transaction. The E ordinary shares will not be listed. Holders of E ordinary shares are entitled to receive a dividend, equal to one-half of the dividend per ordinary share declared by AngloGold Ashanti from time to time. In addition 50 percent of the dividend declared by AngloGold Ashanti from time to time is offset against the loan value of the E ordinary shares.

The holder of B preference shares is entitled to an annual dividend amounting to the lesser of five percent of the issue price of the B preference shares, or an amount equivalent to the balance of the after-tax profits from income from mining the Moab Lease Area (which is part of the Vaal River operations in South Africa) as determined by the directors in each financial year. This annual dividend is a first charge on any profit available for distribution from the Moab Lease Area. The annual dividend is not payable from any of AngloGold Ashanti s other profits.

The holder of A preference shares is entitled to an annual dividend equivalent to the balance of the after-tax profits from income from mining the Moab Lease Area as determined by AngloGold Ashanti s directors in each financial year, only once the annual dividend on the B preference shares has been paid in full.

Any dividend may be paid and satisfied, either wholly or in part, by the distribution of specific assets, or in paid-up securities of AngloGold Ashanti or of any other company, or in cash, or in any one or more of such ways as the directors or AngloGold Ashanti in general meeting may at the time of declaring the dividend determine and direct.

All dividends remaining unclaimed for a period of not less than three years from the date on which they became payable, may be forfeited by resolution of the directors for the benefit of the company.

All of the issued ordinary shares, A redeemable preference shares and B redeemable preference shares are fully paid and are not subject to further calls or assessment by AngloGold Ashanti.

Under the Act, any dividend distributions must be approved by the board and satisfy certain solvency and liquidity tests as provided by the Act.

Voting Rights

Each ordinary share confers the right to vote at all general meetings. Each holder present in person or, in the case of a corporate entity, represented, has one vote on a show of hands. If a poll is held, holders present or any duly appointed proxy will have one vote for each ordinary share held. A holder of ordinary shares is entitled to appoint a proxy to attend, speak and vote at any meeting on his or her behalf and the proxy need not be a shareholder. Holders of ADSs are not entitled to vote in person at meetings, but may vote by way of proxy through The Bank of New York Mellon as the ADS issuer. Holders of CDIs are not entitled to vote in person at meetings, but may vote by way of proxy.

There are no limitations on the right of non-South African shareholders to hold or exercise voting rights attaching to any of the ordinary shares.

Holders of E ordinary shares have the right to vote at all general meetings and are entitled to appoint a proxy to attend, speak and vote at any meeting on his or her behalf and the proxy need not be a shareholder, to the extent that holders of E ordinary shares will not be entitled to veto any resolution that would otherwise have been capable of being passed, or not, by the required majority of votes of holders of ordinary shares and subject to the Listings Requirements of the JSE, holders of E ordinary shares will not be counted for categorization purposes in terms of section 9 of the Listings Requirements. These limitations on the E ordinary shares are a function of shareholder approval and the JSE Listings Requirements.

The A redeemable preference shares have voting rights that are similar to those of ordinary shares. The B redeemable preference shares have limited voting rights, except in the event that a dividend on this class of share has not been paid and remains unpaid for six months, or in connection with issues directly affecting these preference shares or AngloGold Ashanti as a whole, such as disposal of substantially all of the company s assets, winding up AngloGold Ashanti or reducing the company s share capital.

At any meeting of AngloGold Ashanti at which the holders of the ordinary shares, A redeemable preference shares, and B redeemable preference shares are present and entitled to vote, on a poll, each holder of the A redeemable preference shares shall be entitled to 50 votes for every A redeemable preference share held, each holder of the ordinary shares is entitled to 50 votes for every ordinary share held and each holder of the B redeemable preference shares is entitled to one vote for every B redeemable preference share held.

The MoI specifies that if new classes of ordinary or preference shares are issued, the rights relating to any class of shares may be modified or abrogated either with the consent in writing of the holders of at least three-fourths of the issued shares of that class, or with the sanction of a resolution passed as if it were a special resolution of the company at a separate general meeting of the holders of the shares of that class.

Transfer of Ordinary Shares

Dematerialized shares which have been traded on the JSE are transferred on the STRATE (Share Transactions Totally Electronic) settlement system and delivered within five business days after each trade.

The dematerialization of shares is not mandatory and holders of ordinary shares in AngloGold Ashanti may elect to retain their certificated securities. Subject to any statutory restrictions on transfers, any shareholder may transfer all or part of his certificated securities, to the extent it is not prevented by the Act. Every transfer must be in writing in the usual common form or in such other form as the directors may approve and must be left at the transfer office where the register of transfers is kept or at such other place as the directors prescribe and must be accompanied by the share certificate and such other evidence as the directors or registrar may require to prove title and capacity of the intending transferor or transferee.

The directors may refuse to register any transfer of certificated securities unless the instrument of transfer, duly stamped, is lodged with AngloGold Ashanti accompanied by the share certificate, the transfer is in respect of only one class of securities or the transfer is permitted within any of AngloGold Ashanti s incentive schemes.

Conversion of Ordinary Shares into Stock

In terms of the MoI AngloGold Ashanti may, by special resolution, convert any paid-up shares into stock and may reconvert any stock into paid-up shares of any denomination. The holders of stock may transfer their respective interests but the directors may fix the minimum amount of stock transferable. The holders of stock have the same rights, privileges and advantages as regards participation in profits and voting at general meetings of AngloGold Ashanti as if they held the shares from which the stock arose. All of the provisions of the MoI apply equally to stock as to shares.

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Increase and Reduction of Capital

In terms of the MoI AngloGold Ashanti shareholders may by way of special resolution in a general meeting and in accordance with the provisions of the Companies Act resolve to:

- increase its capital by any sum divided into shares of any amount;
- consolidate and divide all or any part of its share capital into shares of larger amounts or consolidate and reduce the number of any issued no par value shares;
- increase the number of any issued no par value shares without increasing its stated capital;
- cancel any shares which have not been subscribed for;
- sub-divide its shares or any of them into shares of smaller amounts than fixed by the memorandum of association;
- vary, modify or amend any rights attached to any shares whether issued or not, including the conversion of any shares into preference shares; and
- convert any of its shares whether issued or not into shares of another class.

In addition, AngloGold Ashanti shareholders may by ordinary resolution in a general meeting and subject to the requirements of the Act and the rules and requirements of the stock exchange on which the securities are listed, reduce, dispose of, distribute or otherwise deal with in any manner its share capital, share premium, stated capital, reserves and capital redemption reserve fund.

Under the Act, the authorization and classification of shares, the numbers of authorized shares of each class, and the preference, rights, limitations and other terms associated with each class of shares, as set out in a company s MoI, may be changed by amending the company s MoI by special resolution of shareholders or, unless the MoI provides otherwise, the directors of the company may increase or decrease the number of authorized shares of any class of shares, reclassify any classified shares that have been authorized but not issued, classify any unclassified shares that have been authorized but not issued, or determine the preferences, rights, limitations or other terms of shares which are subject to the directors determination.

Share Premium Account and Capital Redemption Reserve Fund

AngloGold Ashanti shareholders may by ordinary resolution in a general meeting authorize the directors to distribute or deal with, in any way recommended by the directors, all or any part of the amount outstanding to the credit of any share premium account or capital redemption reserve fund of AngloGold Ashanti.

Rights Upon Liquidation

In the event of the winding up of AngloGold Ashanti:

- the B redeemable preference shares confer the right, in priority to any payment in respect of the ordinary shares or the A preference shares in the capital of AngloGold Ashanti, to receive only so much of the net proceeds from the disposal of the assets relating to the Moab Lease Area as is available for distribution, but not exceeding a return for each B redeemable preference share of the capital paid up on that share and any share premium paid on the issue of the B redeemable preference shares outstanding at that time;
- the A redeemable preference shares confer the right, in priority to any payment in respect of the ordinary shares but after any payment in respect of the B preference shares, to receive only so much of the net proceeds from the disposal of the assets relating to the Moab Lease Area as is then available for distribution. The A redeemable preference and B redeemable preference shares do not confer the right to participation in the surplus funds of AngloGold Ashanti arising in any other manner; and
- the ordinary shares and E ordinary shares confer the equal rights to any surplus arising from the liquidation of all other assets of AngloGold Ashanti.

Redemption Provisions

The A redeemable preference shares may be redeemed for their nominal value, plus a premium per share of an amount equal to the net proceeds available from the disposal of the assets relating to the Moab Lease Area, after redemption in full of the B preference shares and payment of the nominal value of the A preference shares, divided by 2,000,000.

The B redeemable preference shares may be redeemed for their nominal value, plus a premium of up to R249.99 per share, but limited to an amount equal to the net proceeds available from the disposal of the assets relating to the Moab Lease Area after payment of the nominal value of the B preference shares.

The ordinary shares are not redeemable.

Description of AngloGold Ashanti ADSs

The Bank of New York Mellon issues AngloGold Ashanti s American Depositary Shares, or ADSs. One ADS represents the ownership interest of one ordinary share of AngloGold Ashanti.

The Deposit Agreement

This section provides a summary description of AngloGold Ashanti s ADSs.

AngloGold Ashanti has entered into an Amended and Restated Deposit Agreement dated as of June 3, 2008 with The Bank of New York Mellon as depositary and the owners and beneficial owners of American Depositary Receipts (the Deposit Agreement).

The following is a summary of the material provisions of the Deposit Agreement. For more complete information, read the entire Deposit Agreement and the form of American Depositary Receipt, which AngloGold Ashanti has filed with the SEC as an exhibit to AngloGold Ashanti s registration statement on Form F-6/A (File No. 333-133049) on May 27, 2008. See Item 10.H.: Documents On Display . Copies of the Deposit Agreement are also available for inspection at the Corporate Trust Office of The Bank of New York Mellon currently located at 101 Barclay Street, New York, New York, 10286.

Description of the ADSs

The Bank of New York Mellon, as depositary, will register and deliver ADSs. Each ADS will represent one ordinary share (or a right to receive one share) deposited with The Standard Bank of South Africa Limited, Société Générale South Africa Limited, FirstRand Bank Limited, National Australia Bank Limited of Australia and New Zealand Banking Group Limited, each as a custodian for The Bank of New York Mellon, and all of which are referred to collectively as the custodian. Each ADS will also represent any other securities, cash or other property which may be held by The Bank of New York Mellon. The Bank of New York Mellon s Corporate Trust Office at which the ADSs will be administered is located at 101 Barclay Street, New York, New York 10286. The Bank of New York Mellon s principal executive office is located at One Wall Street, New York, New York 10286.

ADSs may be held either (A) directly (i) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in the holder s name, or (ii) by having ADSs registered in a holder s name in the Direct Registration System, or (B) indirectly by holding a security entitlement in ADSs through a broker or other financial institution. If ADSs are held directly, such holders are ADS holders. This description applies to ADS holders. If ADSs are held indirectly, such holders must rely on the procedures of their broker or other financial institution to assert the rights of ADS registered holders described in this section. Such holders should consult with their broker or financial institution to find out what those procedures are.

The Direct Registration System, or DRS, is a system administered by DTC pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership will be evidenced by periodic statements sent by the depositary to the registered holders of uncertificated ADSs.

AngloGold Ashanti will not treat ADS holders as its shareholders and ADS holders do not have shareholder rights. South African law governs shareholder rights. The Bank of New York Mellon is the holder of the shares underlying the ADSs. Registered holders of ADSs have ADS holder rights. The Deposit Agreement sets out ADS holder rights as well as the rights and obligations of The Bank of New York Mellon. New York law governs the Deposit Agreement and the ADSs.

Dividends and Other Distributions

The Bank of New York Mellon has agreed to pay to holders of ADSs the cash dividends or other distributions it or a custodian receives on AngloGold Ashanti ordinary shares or other deposited securities after deducting any fees and expenses and any applicable withholding taxes. Holders of ADSs will receive these distributions in proportion to the number of AngloGold Ashanti s ordinary shares that their ADSs represent.

Cash

The Bank of New York Mellon will convert any cash dividend or other cash distribution AngloGold Ashanti pays on AngloGold Ashanti s ordinary shares into US dollars (unless AngloGold Ashanti pays it in US dollars), if it can do so on a reasonable basis and can transfer the US dollars to the United States. Currently, AngloGold Ashanti pays dividends on ordinary shares in South African rand. AngloGold Ashanti may declare dividends and distributions on ordinary shares in any currency that the board of directors or shareholders at a general meeting approve.

The Bank of New York Mellon will convert the South African rand it receives from AngloGold Ashanti to US dollars and distribute dividends in US dollars to registered holders of ADSs. If that is no longer possible or if any approval from any government is needed and cannot be obtained, The Bank of New York Mellon may distribute non-US currency only to those ADS holders to whom it is possible to make this type of distribution.

The Bank of New York Mellon may hold the non-US currency it cannot convert for the account of holders of ADSs who have not been paid. It will not invest the non-US currency, and it will not be liable for the interest. Before making a distribution, any withholding taxes that must be paid will be deducted. See Payment of Taxes below. The Bank of New York Mellon will distribute only whole US dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when The Bank of New York Mellon cannot convert the non-US currency, holders of ADSs may lose some or all of the value of the distribution.

Ordinary Shares

The Bank of New York Mellon may distribute to holders of ADSs additional ADSs representing ordinary shares that AngloGold Ashanti distributes as a dividend or free distribution, if AngloGold Ashanti provides it promptly with satisfactory evidence that it is legal to do so. If The Bank of New York Mellon does not distribute additional ADSs, the outstanding ADSs will also represent the newly distributed AngloGold Ashanti ordinary shares. The Bank of New York Mellon will only distribute whole ADSs. It will sell AngloGold Ashanti ordinary shares that would require it to deliver a fraction of an ADS and distribute the net proceeds in the same way as it distributes cash. The Bank of New York Mellon may sell a portion of the distributed shares sufficient to pay its fees and expenses in connection with that distribution.

Rights to Subscribe for Additional Ordinary Shares

If AngloGold Ashanti offers holders of its ordinary shares any rights to subscribe for additional AngloGold Ashanti ordinary shares or any other rights, The Bank of New York Mellon, after consultation with AngloGold Ashanti, may make these rights available to holders of ADSs or sell the rights and distribute the proceeds in the same way as it distributes cash. If The Bank of New York Mellon cannot do either of these things for any reason, it may allow these rights to lapse. In that case, holders of ADSs will receive no value for them.

If The Bank of New York Mellon makes these types of subscription rights available to holders of ADSs, upon instruction from holders of ADSs, it will exercise the rights and purchase AngloGold Ashanti s ordinary shares on their behalf. The Bank of New York Mellon will then deposit the AngloGold Ashanti ordinary shares and deliver ADSs to the holders of ADSs. It will only exercise these rights if holders of ADSs pay it the exercise price and any other charges the rights require them to pay.

US securities laws may restrict the sale, deposit, cancellation and transfer of the ADSs issued after the exercise of rights. For example, holders of ADSs may not be able to trade the ADSs freely in the United States. In this case, The Bank of New York Mellon may deliver ADSs which are restricted securities within the meaning of Rule 144 which will have the same provisions as the ADSs described here, except for the changes needed to put the restrictions in place.

Other Distributions

The Bank of New York Mellon will send to holders of ADSs any other distributions that AngloGold Ashanti makes on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, The Bank of New York Mellon may decide to sell what AngloGold Ashanti distributes, and then distribute the net proceeds in the same way as it distributes cash, or it may decide to hold what AngloGold Ashanti distributes, in which case the outstanding ADSs will also represent the newly distributed property. However, The Bank of New York Mellon is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from AngloGold Ashanti that it is legal to make that distribution. The Bank of New York Mellon may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

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The Bank of New York Mellon is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. AngloGold Ashanti has no obligation to register ADSs, AngloGold Ashanti ordinary shares, rights or other securities under the US Securities Act of 1933. AngloGold Ashanti also has no obligation to take any other action to permit the distribution of ADSs, AngloGold Ashanti ordinary shares, rights or anything else to ADS holders. This means that the holders of ADSs may not receive the distribution AngloGold Ashanti makes on its ordinary shares or any value for them if it is illegal or impractical for AngloGold Ashanti to make them available to the holders of ADSs.

Deposit, Withdrawal and Cancellation

The Bank of New York Mellon will deliver ADSs if a holder of AngloGold Ashanti s ordinary shares or their broker deposits AngloGold Ashanti s ordinary shares or evidence of rights to receive ordinary shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, The Bank of New York Mellon will register the appropriate number of ADSs in the names such holder of AngloGold Ashanti ordinary shares requests and will deliver the ADSs at its Corporate Trust office to the persons such holders request.

Holders of ADSs may turn in their ADSs at The Bank of New York Mellon s Corporate Trust Office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, The Bank of New York Mellon will deliver (1) the underlying ordinary shares to an account designated by the relevant holder of ADSs and (2) any other deposited securities underlying the ADSs at the office of the Custodian. Or, at the request, risk and expense of ADS holders, The Bank of New York Mellon will deliver the deposited securities at its Corporate Trust Office.

Interchange Between Certificated ADSs and Uncertificated ADSs

ADS registered holders may surrender their ADR to The Bank of New York Mellon for the purpose of exchanging such ADR for uncertificated ADSs. The Bank of New York Mellon will cancel that ADR and will send to the ADS registered holder a statement confirming that the ADS registered holder is the registered holder of uncertificated ADSs. Alternatively, upon receipt by The Bank of New York Mellon of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, The Bank of New York Mellon will execute and deliver to the ADS registered holder an ADR evidencing those ADSs.

Voting Rights

ADS registered holders may instruct The Bank of New York Mellon to vote the number of deposited shares their ADSs represent. The Bank of New York Mellon will notify ADS registered holders of shareholders meetings and arrange to deliver AngloGold Ashanti s voting materials to them if AngloGold Ashanti asks it to. Those materials will describe the matters to be voted on and explain how ADS registered holders may instruct The Bank of New York Mellon how to vote. For instructions to be valid, they must reach The Bank of New York Mellon by a date set by The Bank of New York Mellon.

Otherwise, ADS registered holders will not be able to exercise their right to vote unless they withdraw the shares. However, ADS registered holders may not know about the meeting sufficiently in advance to withdraw the shares.

The Bank of New York Mellon will try, as far as practical, to vote or to have its agents vote the ordinary shares or other deposited securities as holders of ADSs instruct, but this is subject to South African law, the provisions of AngloGold Ashanti s Memorandum and Articles of Association and of the deposited securities and any applicable rule of the JSE. The Bank of New York Mellon will only vote or attempt to vote as such holders of ADSs instruct.

AngloGold Ashanti cannot assure the holders of ADSs that they will receive the voting materials in time for them to instruct The Bank of New York Mellon to vote their ordinary shares. In addition, The Bank of New York Mellon and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that holders of ADSs may not be able to exercise their right to vote and there may be nothing they can do if their ordinary shares are not voted as they requested.

Fees and expenses ADS holders must pay:	***For:***
\$5.00 (or less) per 100 ADSs	Each issuance of an ADS, including as a result of a distribution of AngloGold Ashanti ordinary shares or rights or other property
	Each cancellation of an ADS, including if the Deposit Agreement terminates
\$0.02 (or less) per ADS	Any cash payment
Registration or transfer fees	Transfer and registration of AngloGold Ashanti ordinary shares on the AngloGold Ashanti share register to or from the name of The Bank of New York Mellon or its agent when AngloGold Ashanti ordinary shares are deposited or withdrawn
\$0.02 (or less) per ADS per year	Depositary services
Expenses of The Bank of New York Mellon	Conversion of non-US currency to US dollars
	Cable, telex and facsimile transmission expenses
	Servicing the deposited securities
Taxes and other governmental charges that The Bank of New York Mellon or any custodian has to pay on any ADS or AngloGold Ashanti ordinary share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary
A fee equivalent to the fee that would have been payable if the securities distributed had been ordinary shares deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities that are distributed by The Bank of New York Mellon to ADS holders

Payment of Taxes

Holders of ADSs will be responsible for any taxes or other governmental charges payable on their ADSs or on the deposited securities underlying their ADSs. The Bank of New York Mellon may refuse to transfer their ADSs or allow them to withdraw the deposited securities underlying their ADSs until such taxes or other charges are paid. It may apply payments owed to holders of ADSs or sell deposited securities underlying their ADSs to pay any taxes they owe, and they will remain liable for any deficiency. If it sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to holders of ADSs any proceeds, or send to them any property, remaining after it has paid the taxes.

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Reclassifications

***If AngloGold Ashanti*:**	***Then*:**
Changes the nominal or par value of the ordinary shares;	The cash, ordinary shares or other securities received by The Bank of New York Mellon will become deposited securities. Each ADS will automatically represent its equal share of the new deposited securities.
Reclassifies, splits up or consolidates any of the deposited securities;	
Distributes securities on the ordinary shares that are not distributed to holders of ADSs; or	The Bank of New York Mellon may, and will if AngloGold Ashanti asks it to, distribute some or all of the cash, AngloGold Ashanti ordinary shares or other securities it receives. It may also issue new ADSs or ask holders of ADSs to surrender their outstanding ADSs in exchange for new ADSs identifying the new deposited securities.
Recapitalizes, reorganizes, merges, liquidates, sells all or substantially all of AngloGold Ashanti s assets, or takes any similar action.	

Amendment and Termination

AngloGold Ashanti may agree with The Bank of New York Mellon to amend the Deposit Agreement and the ADSs without the consent of holders for any reason. If the amendment adds or increases fees or charges (except for taxes and other governmental charges or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses) or if the amendment prejudices an important right of ADS holders, it will only become effective 30 days after The Bank of New York Mellon notifies holders of ADSs of the amendment. At the time an amendment becomes effective, holders of ADSs are considered, by continuing to hold their ADSs, to agree to the amendment and to be bound by the ADSs and the agreement as amended.

The Bank of New York Mellon may terminate the Deposit Agreement by mailing notice of termination to ADS holders at least 30 days prior to the date fixed in the notice if AngloGold Ashanti asks it to do so. The Bank of New York Mellon may also terminate the Deposit Agreement if The Bank of New York Mellon has told AngloGold Ashanti that it would like to resign and AngloGold Ashanti has not appointed a new depositary bank within 90 days. In both cases, The Bank of New York Mellon must notify holders of AngloGold Ashanti ADSs at least 30 days before termination.

After termination, The Bank of New York Mellon and its agents will be required to do only the following under the Deposit Agreement: collect distributions on the deposited securities, sell rights, and, upon surrender of ADSs, deliver AngloGold Ashanti ordinary shares and other deposited securities. Four months after the date of termination or later, The Bank of New York Mellon may sell any remaining deposited securities by public or private sale and will hold the proceeds of the sale, as well as any other cash it is holding under the Deposit Agreement, for the pro rata benefit of the ADS holders who have not surrendered their ADSs. It will not invest the money and will have no liability for interest. The Bank of New York Mellon s only obligations will be to account for the proceeds of the sale and other cash. After termination, AngloGold Ashanti s only obligations will be with respect to indemnification of, and payment of certain amounts to, The Bank of New York Mellon.

Limitations on Obligations and Liability to ADS Holders

The Deposit Agreement expressly limits AngloGold Ashanti s obligations and the obligations of The Bank of New York Mellon, and limits AngloGold Ashanti s liability and the liability of The Bank of New York Mellon. AngloGold Ashanti and The Bank of New York Mellon:

- are only obligated to take the actions specifically set forth in the Deposit Agreement without negligence or bad faith;
- are not liable if either of AngloGold Ashanti or The Bank of New York Mellon is prevented or delayed by law or circumstances beyond their control from performing their obligations under the Deposit Agreement;
- are not liable if either of AngloGold Ashanti or The Bank of New York Mellon exercises discretion permitted under the Deposit Agreement;

are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the Deposit Agreement, or for any special, consequential or punitive damages for any breach of the terms of the Deposit Agreement;

have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the Deposit Agreement on behalf of the holders of ADSs or on behalf of any other party;

may rely on advice of or information from legal counsel, accountants, and any persons presenting AngloGold Ashanti s ordinary shares for deposit, any registered holder or any other person believed by AngloGold Ashanti in good faith to be competent to give such advice or information; and

pursuant to the Deposit Agreement, AngloGold Ashanti and The Bank of New York Mellon agree to indemnify each other under certain circumstances.

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Requirements for Depositary Action

Before The Bank of New York Mellon will issue, transfer or register the transfer of an ADS, make a distribution on an ADS, or allow withdrawal of AngloGold Ashanti ordinary shares, The Bank of New York Mellon may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any ordinary shares or other deposited securities;
- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the Deposit Agreement, including presentation of transfer documents.

The Bank of New York Mellon may refuse to deliver, transfer or register transfers of ADSs generally when the books of The Bank of New York Mellon or AngloGold Ashanti s books are closed, or at any time if either AngloGold Ashanti or The Bank of New York Mellon thinks it advisable to do so.

Holders of ADSs have the right to cancel their ADSs and withdraw the underlying ordinary shares at any time except:

- when temporary delays arise because: (1) either AngloGold Ashanti or The Bank of New York Mellon have closed AngloGold Ashanti s transfer books; (2) the transfer of the ordinary shares is blocked in connection with voting at a general meeting of shareholders; or (3) AngloGold Ashanti is paying a dividend on the ordinary shares;
- when ADS holders seeking to withdraw the ordinary shares owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of the ordinary shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the Deposit Agreement.

Pre-release of ADSs

In certain circumstances, subject to the provisions of the Deposit Agreement, The Bank of New York Mellon may deliver ADSs before deposit of the underlying ordinary shares. This is called a pre-release of the ADS.

The Bank of New York Mellon may also deliver AngloGold Ashanti ordinary shares upon cancellation of pre-released ADSs (even if the ADSs are cancelled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying AngloGold Ashanti ordinary shares are delivered to The Bank of New York Mellon. The Bank of New York Mellon may receive ADSs instead of ordinary shares to close out a pre-release.

The Bank of New York Mellon may pre-release ADSs only under the following conditions:

- before or at the time of the pre-release, the person to whom the pre-release is being made must represent to The Bank of New York Mellon in writing that it or its customer: (a) owns the ordinary shares or ADSs to be remitted, (b) assigns all beneficial rights, title and interest in such ADSs or ordinary shares, as the case may be, to The Bank of New York Mellon in its capacity as the depositary and for the benefit of the ADS holders, and (c) will not take any action with respect to such ADSs or ordinary shares, as the case may be, that is consistent with the transfer of beneficial ownership (including, without the consent of The Bank of New York Mellon, disposing of such ADSs or ordinary shares, as the case may be) other than satisfaction of such pre-release;
- the pre-release must be fully collateralized with cash, US government securities, or other collateral that The Bank of New York Mellon considers appropriate; and
- the Bank of New York Mellon must be able to close out the pre-release on not more than five business days notice. Each pre-release will be subject to any further indemnities and credit regulations that The Bank of New York Mellon deems appropriate. The Bank of New York Mellon will normally limit the number of AngloGold Ashanti ordinary shares not deposited but represented by ADSs outstanding at any time as a result of pre-release so that they do not exceed 30 percent of the ordinary shares deposited, although The Bank of New York Mellon may disregard this limit from time to time, if it thinks it is appropriate to do so.

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Direct Registration System

In the Deposit Agreement, all parties to the Deposit Agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by The Depository Trust Company, also referred to as DTC. DRS is the system administered by DTC pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership will be evidenced by periodic statements sent by the depositary to the registered holders of uncertificated ADSs. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of a registered holder of ADSs, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS registered holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the Deposit Agreement understand that The Bank of New York Mellon will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the Deposit Agreement, the parties agree that The Bank of New York Mellon s reliance on and compliance with instructions received by The Bank of New York Mellon through the DRS/Profile System and in accordance with the Deposit Agreement will not constitute negligence or bad faith on the part of The Bank of New York Mellon.

Shareholder Communications: Inspection of Register of Holders of ADSs

The Bank of New York Mellon will make available for inspection at its office all communications that it receives from AngloGold Ashanti as a holder of deposited securities that AngloGold Ashanti makes generally available to holders of deposited securities. The Bank of New York Mellon sends copies of those communications if requested by AngloGold Ashanti. ADS holders have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to AngloGold Ashanti s business or the ADSs.

Shareholders meetings

The directors may convene general meetings of AngloGold Ashanti shareholders. Subject to the provisions of the Companies Act, the shareholders may requisition for the convening of a general meeting.

An AngloGold Ashanti annual general meeting and a meeting of AngloGold Ashanti shareholders for the purpose of passing a special resolution may be called by giving 21 clear days notice in writing of that shareholders meeting. For any other meeting of AngloGold Ashanti shareholders, 14 clear days notice must be given. Clear days means calendar days excluding the day on which the notice is given and the date of the meeting. All shareholders are entitled to attend.

AngloGold Ashanti s MoI provides that a quorum for a general meeting (other than a meeting at which a special resolution will be passed) consists of three shareholders present personally, or if the shareholders are a corporate entity, represented and entitled to vote. If a general meeting is not quorate, the meeting is dissolved and a new meeting will have to be called following the relevant notice provision.

The quorum of a shareholders meeting is sufficient persons present at the meeting to exercise, in aggregate, at least 25 percent of all of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting. In addition at least three shareholders must be present at the meeting. If the meeting is not quorate, it will be adjourned to a date between seven and 21 days after the adjourned meeting, and the shareholders present at the second meeting will constitute a quorum as long as there are at least three of them at the second meeting. For an ordinary resolution to be approved by shareholders, it must be supported by more than 50 percent of the voting rights exercised on the resolution. For a special resolution to be approved by shareholders, it must be supported by at least 75 percent of the voting rights exercised on the resolution.

If the meeting is not quorate and is convened upon the requisition of shareholders, the meeting is dissolved.

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Disclosure of Interest in Shares

Under South African law, a person must notify AngloGold Ashanti within three business days after that person acquires a beneficial interest in sufficient securities of a class issued by AngloGold Ashanti such that, as a result of the acquisition, the person holds a beneficial interest in securities amounting to 5 percent, 10 percent, 15 percent or any further multiple of 5 percent of the issued securities of that class or disposes of any beneficial interest in sufficient securities of a class issued by AngloGold Ashanti such that the result of the disposition the person no longer holds a beneficial interest in securities amounting to a particular multiple of 5 percent of issued securities of that class. When AngloGold Ashanti has received the notice referred to above it must file a copy with the Takeover Regulation Panel and report the information to holders of the relevant class of security unless the notice concerned a disposition of less than 1 percent of the class of securities.

If the securities of AngloGold Ashanti is registered in the name of a person who is not the holder of the beneficial interest then all of the securities in AngloGold Ashanti held by that person, that registered holder of the securities must disclose the identity of the person on whose behalf that security is held and the identity of each person with a beneficial interest in securities so held, the number and the class of securities held for each such person with a beneficial interest and the extent of each such beneficial interest. This information must be disclosed in writing to the company within five business days after the end of every month during which a change has occurred in the information or more promptly or frequently to the extent so provided by the requirements of a Central Securities Depository. A company that knows or has reasonable cause to believe that any of its securities are held by one person for the beneficial interest of another may by notice in writing require either of those persons to confirm or deny that fact, provide particulars of the extent of the beneficial interest held during the three years preceding the date of the notice and disclose the identity of each person with a beneficial interest in the securities held by that person.

AngloGold Ashanti is obligated to establish and maintain a register of the disclosures described above and to publish in its annual financial statements a list of the persons who hold beneficial interest equal to or in excess of 5 percent of the total number of ordinary shares issued by AngloGold Ashanti together with the extent of those beneficial interests.

Rights of Minority Shareholders

Majority shareholders of South African companies have no fiduciary obligations under South African common law to minority shareholders. However, under the Companies Act, a shareholder may, under certain circumstances, seek relief from the court if he has been unfairly prejudiced by the company. There may also be common law personal actions available to a shareholder of a company.

Pursuant to the Act, a shareholder may petition a South African court for relief from the actions or omissions or, business conduct of the company or the actions of the company s directors or officers that is oppressive or unfairly prejudicial to, or unfairly disregards the interest of the shareholder. In addition, a shareholder who voted against a resolution to amend the company s MoI, or to approve a fundamental transaction, (and complied with other requirements set out in the Act) may exercise its appraisal right to demand that the company pay to it the fair value for all the shares of the company held by that shareholder.

Golden Share

Under the Stability Agreement, the Government of Ghana (Government) has confirmed and agreed that the Government s rights with respect to the Golden Share apply only in respect of AngloGold Ashanti s assets and operations in Ghana. The rights do not extend to any other assets or operations of AngloGold Ashanti outside Ghana, nor to any assets or operations of AngloGold Ashanti.

The Government has also agreed to waive any right it may have under Section 60(I) of the Minerals and Mining Law, 1986, as amended to acquire a special share in AngloGold Ashanti or any of its direct or indirect subsidiaries or joint ventures.

The Golden Share may only be held by or transferred to a Minister of the Government or any person acting on behalf of such Government and authorized in writing by such Minister.

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The following matters require, and will not be effective without, the written consent of the holder of the Golden Share:

(i) any amendment to or removal of the relevant provisions of the AngloGold Ashanti (Ghana) Limited Regulations setting out the rights and restrictions attaching to the Golden Share;
(ii) the voluntary winding-up or voluntary liquidation of AngloGold Ashanti (Ghana) Limited;
(iii) the redemption of or purchase by AngloGold Ashanti of the Golden Share;
(iv) the disposal of any mining lease held by AngloGold Ashanti (Ghana) Limited or any subsidiary of AngloGold Ashanti (Ghana) Limited;
(v) any disposal by AngloGold Ashanti (Ghana) Limited (other than any disposal in the ordinary course of business of AngloGold Ashanti) which, alone or when aggregated with any disposal or disposals forming part of, or connected with, the same or a connected transaction, constitutes a disposal of the whole or a material part of the assets of the AngloGold Ashanti group taken as a whole. For this purpose, a part of the AngloGold Ashanti group s assets will be considered material if either (a) its book value (calculated by reference to the then latest audited consolidated accounts), or the total consideration to be received on its disposal, is not less than 25 percent of the book value of the net assets of the AngloGold Ashanti group or (b) the average profits attributable to it represent at least 25 percent of the average profits of the AngloGold Ashanti group for the last three years for which audited accounts are available (before deducting all charges, except taxation and extraordinary items).

Upon a return of assets in a winding-up or liquidation of AngloGold Ashanti (Ghana) Limited, the holder of the Golden Share is entitled to the sum of 0.10 cedis (approximately 7 US cents) in priority to any payment to other members, but the Golden Share confers no further right to participate in the profits or assets of AngloGold Ashanti. The Golden Share carries no right to any dividend or any right to participate in any offer of securities to existing shareholders or in any capitalization issue.

The holder of the Golden Share may require AngloGold Ashanti (Ghana) Limited to redeem the Golden Share at any time in consideration of the payment to such holder of 0.10 cedis (approximately 7 US cents).

10C. MATERIAL CONTRACTS

Not applicable.

10D. EXCHANGE CONTROLS

Exchange controls and other limitations affecting security holders

The following is a general outline of South African exchange controls and such outline may not apply to former residents of South Africa. Investors should consult a professional advisor as to the exchange control implications of their particular investments.

South African law provides for exchange control regulations, which restrict the export of capital from the Common Monetary Area, which comprises South Africa, the Kingdoms of Lesotho and Swaziland and the Republic of Namibia. The exchange control regulations, which are administered by the Exchange Control Department of the South African Reserve Bank (SARB), are applied throughout the Common Monetary Area and regulate transactions involving South African residents, including natural persons and legal entities. Government officials have from time to time stated their intentions to relax South Africa s exchange control regulations when economic conditions permit such action. In his budget speech in March 1998, the then Minister of Finance announced that restrictions relating to offshore investments by South African companies and individuals subject to South African exchange control would, to a limited extent, be lifted.

Since then, the government has incrementally relaxed aspects of exchange control for financial institutions and individuals. However, it is impossible to predict with any certainty if and when the government will remove exchange controls in their entirety.

The comments below relate to exchange controls in place at the date of this annual report.

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Investments in South African companies

A foreign investor may invest freely in ordinary shares in a South African company. Any foreign investor may also sell shares in a South African company and transfer the proceeds out of South Africa without restriction. Acquisitions of shares or assets of South African companies by non-South African purchasers are not generally subject to review by the SARB when the consideration is in cash, but may require SARB review in certain circumstances, including when the consideration is equity in a non-South African company or when the acquisition is financed by a loan from a South African lender.

Dividends

Dividends declared to foreign stockholders are not subject to the approval by the (SARB). Dividends are freely transferable to foreign stockholders from both trading and non-trading profits earned in South Africa by publicly listed companies.

Interest

Interest on foreign loans is freely remittable abroad, provided that the loans have received prior SARB approval.

Voting rights

There are no limitations imposed by South African law or by the memorandum and articles of association of AngloGold Ashanti on the rights of non-South African shareholders to vote the ordinary shares.

Overseas financing and investments

AngloGold Ashanti and its South African subsidiaries require SARB approval to raise debt from and repay debt to non-residents of the Common Monetary Area, mainly in respect of the interest rate and terms of repayment applicable to the loan.

Debt raised outside the Common Monetary Area by AngloGold Ashanti s non-South African subsidiaries is not restricted under South African exchange control regulations and can be used for overseas investment, subject to any conditions imposed by the SARB in connection with establishing such a subsidiary. AngloGold Ashanti and its South African subsidiaries would, however, require SARB approval in order to provide guarantees for the obligations of any of its subsidiaries with regard to funds obtained from non-residents of the Common Monetary Area.

Debt raised outside the Common Monetary Area by AngloGold Ashanti s non-South African subsidiaries must be repaid or serviced by AngloGold Ashanti s foreign subsidiaries.

A listing by a South African company on any stock exchange other than the JSE in connection with raising capital requires permission from the SARB.

Under current exchange control regulations, offshore investments by AngloGold Ashanti and its South African subsidiaries require the approval of the SARB. Subject to approval, there is no limit on the amount of capital that may be invested offshore.

10E. TAXATION
SOUTH AFRICAN TAXATION

The following discussion summarizes South African tax consequences of the ownership and disposition of shares or ADSs by a US holder (as defined below). This summary is based upon current South African tax law and South African Revenue Service (SARS) practice, the Convention Between the Government of the United States of America and the Republic of South Africa for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital Gains, signed February 17, 1997 (the Treaty), and in part upon representations of the depositary, and assumes that each obligation provided for in, or otherwise contemplated by, a Deposit Agreement and any related agreement will be performed in accordance with its respective terms.

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The following summary of South African tax considerations does not address the tax consequences to a US holder that is resident in South Africa for South African tax purposes, whose holding of shares or ADSs is effectively connected with a permanent establishment in South Africa through which such US holder carries on business activities or, in the case of an individual who performs independent personal services, with a fixed base situated therein, or who is otherwise not entitled to full benefits under the Treaty.

The statements of law set forth below are subject to any changes (which may be applied retroactively) in South African law or in the interpretation thereof by SARS, or in the Treaty, occurring after the date hereof. It should be expressly noted that South African tax law does not specifically address the treatment of ADSs. However, it is reasonable to assume (although no assurance can be made) that the tax treatment of US holders of shares is also applicable to US holders of ADSs.

Holders are strongly urged to consult their own tax advisors as to the consequences under South African, US federal, state and local, and other applicable laws, of the ownership and disposition of shares or ADSs.

Taxation of dividends

South Africa currently imposes Secondary Tax on Companies (STC) at a rate of 10 percent on the net amount of the dividend declared by a resident company, other than a headquarter company. Under the terms of an option granted to gold mining corporations (Gold Mining Election), AngloGold Ashanti has elected not to be subject to the payment of STC on dividends it declares. This election results in AngloGold Ashanti paying corporate income tax at a slightly higher corporate income tax rate than would otherwise have been the case. However, this election resulted in the overall effective tax paid by AngloGold Ashanti being lower than the tax payable using the standard corporate tax rate together with STC.

Effective April 1, 2012, South Africa will replace its current STC regime with a dividends tax. The dividends tax was originally set to be introduced at 10 percent, but the South African Minister of Finance announced in his 2012/13 Budget Speech on February 22, 2012, that the dividends tax will increase to 15 percent. Other than STC, the dividends tax is generally imposed on the beneficial owner. The dividends tax could be reduced to a lower rate under an applicable double tax treaty, if all requirements are met. In the case of dividends paid to a US holder with respect to shares, the Treaty would generally limit the dividends tax rate to 5 percent of the gross amount of the dividends if a US holder (it must be a corporate) holds directly at least 10 percent of the voting stock of AngloGold Ashanti. In all other cases, the maximum tax rate under the Treaty is 15 percent of the gross amount of the dividend. There are different rules to consider if the beneficial owner of the dividends is a US resident who carries on business in South Africa through a permanent establishment situated in South Africa, or performs in South Africa independent personal services from a fixed base situated in South Africa, and the dividends are attributable to such permanent establishment or fixed base. Moreover, if the dividends tax rate is reduced under the auspices of an applicable double tax treaty, there are certain South African compliance requirements that must be met in order to access the double tax treaty relief.

The abolishment of STC will also result in the deletion of the option to elect the Gold Mining Exemption. This means that the taxable income derived by any company from mining for gold on any gold mine will be determined using the remaining formula. The new change will be applicable in respect of any year of assessment ending during the period of 12 months ending on March 31, 2013 reducing the tax rate applicable to AngloGold Ashanti s South African operations, thereby increasing distributable earnings, but the effect of the withholding tax will, over a period of time, generally reduce the amount of dividends or other distributions received by AngloGold Ashanti shareholders.

Taxation of capital gains on sale or other disposition

South African residents are (subject to certain exemptions) taxed on their worldwide income, while non-residents are only taxed on South African sourced income (subject to the provisions of any relevant double taxation agreement).

Capital gains tax is not a separate tax to income tax; instead, a percentile of the taxpayer s net capital gain (that is the taxable capital gain) is included in its taxable income on which it is taxed at the income tax rate.

Non-residents are only subject to the South African capital gains tax provisions in respect of the disposal of any immovable property (such as land or mining rights) or any interest or right of whatever nature to or in immovable property situated in South Africa, or any asset of a permanent establishment through which that non-resident is carrying on a trade in South Africa. In the instance of a shareholder holding shares in a South African company, the interest in immovable property requirements are met if 80 percent or more of the market value of is directly or indirectly attributable to South African immovable property held on capital account, and that shareholder (whether alone or together with any connected person in relation to that person), directly or indirectly, holds at least 20 percent of the equity shares of that South African company.

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If South Africa has such a right to taxation under its domestic law, the provisions of the Treaty must be analyzed when determining the right of taxation of the source state (South Africa) compared to the country of residence (the US).

UNITED STATES TAXATION

The following is a general summary of the material US federal income tax consequences of the ownership and disposition of shares or ADSs to a US holder (as defined below) that holds its shares or ADSs as a capital asset. This summary is based on US tax laws including the Internal Revenue Code of 1986, as amended (the Code), Treasury regulations promulgated thereunder, rulings, judicial decisions, administrative pronouncements, and the Treaty, all as currently in effect as of the date of this annual report, and all of which are subject to change or changes in interpretation, possibly with retroactive effect. In addition, this summary is based in part upon the representations of the depositary and the assumption that each obligation in the Deposit Agreement relating to the ADSs and any related agreement will be performed in accordance with its terms.

This summary does not address all aspects of US federal income taxation that may apply to holders that are subject to special tax rules, including US expatriates, insurance companies, tax-exempt entities, banks, certain financial institutions, persons subject to the alternative minimum tax, regulated investment companies, securities broker-dealers, traders in securities who elect to apply a mark-to-market method of accounting, investors that own (directly, indirectly or by attribution) 10 percent or more of the outstanding share capital or voting stock of AngloGold Ashanti, partnerships, persons holding their shares or ADSs as part of a straddle, hedging or conversion transaction, persons who acquired their shares or ADSs pursuant to the exercise of employee stock options or otherwise as compensation, or persons whose functional currency is not the US dollar. Such holders may be subject to US federal income tax consequences different from those set forth below.

As used herein, the term US holder means a beneficial owner of shares or ADSs that is (a) a citizen or individual resident of the United States for US federal income tax purposes; (b) a corporation (or other entity taxable as a corporation for US federal income tax purposes) created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (c) an estate the income of which is subject to US federal income taxation regardless of its source; or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more US persons are authorized to control all substantial decisions of the trust. If a partnership (including for this purpose any entity treated as a partnership for US federal income tax purposes) holds shares or ADSs, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. If a US holder is a partner in a partnership that holds shares or ADSs, the holder is urged to consult its own tax advisor regarding the specific tax consequences of the ownership and disposition of the shares or ADSs.

US holders should consult their own tax advisors regarding the specific South African and US federal, state and local tax consequences of owning and disposing of shares or ADSs in light of their particular circumstances as well as any consequences arising under the laws of any other taxing jurisdiction. In particular, US holders are urged to consult their own tax advisors regarding whether they are eligible for benefits under the Treaty.

For South African and US federal income tax purposes, a US holder of ADSs should be treated as owning the underlying shares represented by those ADSs. Therefore, deposits or withdrawals by a US holder of shares for ADSs or of ADSs for shares will not be subject to US federal income tax. The following discussion (except where otherwise expressly noted) applies equally to US holders of shares and US holders of ADSs.

Taxation of dividends

The gross amount of any distribution (including the amount of any South African withholding tax thereon) paid to a US holder by AngloGold Ashanti generally will be taxable as dividend income to the US holder for US federal income tax purposes on the date the distribution is actually or constructively received by the US holder, in the case of shares, or by the depositary, in the case of ADSs. Corporate US holders will not be eligible for the dividends received deduction in respect of dividends paid by AngloGold Ashanti. For foreign tax credit limitation purposes, dividends paid by AngloGold Ashanti will be income from sources outside the United States. At present, South Africa does not impose a withholding tax or any other form of tax on dividends paid to US holders with respect to shares. The South African government, however, has recently announced its intent to enact a dividend withholding tax, which and the necessary government notice has now been issued and it will be implemented on April 1, 2012. See Taxation South African Taxation Taxation of dividends. Once the dividend withholding tax becomes effective, US holders who are eligible for benefits under the current Treaty will be subject to a maximum withholding tax of 15 percent on the gross amount of dividend distributions paid by AngloGold Ashanti.

The amount of any distribution paid in foreign currency (including the amount of any South African withholding tax thereon) generally will be includible in the gross income of a US holder of shares in an amount equal to the US dollar value of the foreign currency calculated by reference to the spot rate in effect on the date of receipt by the US holder, in the case of shares, or by the depositary, in the case of ADSs, regardless of whether the foreign currency is converted into US dollars on such date. If the foreign currency is converted into US dollars on the date of receipt, a US holder of shares generally should not be required to recognize foreign currency gain or loss in respect of the dividend. If the foreign currency received in the distribution is not converted into US dollars on the date of receipt, a US holder of shares generally will have a tax basis in the foreign currency equal to its US dollar value on the date of receipt. Any gain or loss recognized upon a subsequent conversion or other disposition of the foreign currency generally will be treated as US source ordinary income or loss. In the case of a US holder of ADSs, the amount of any distribution paid in a foreign currency generally will be converted into US dollars by the depositary upon its receipt. Accordingly, a US holder of ADSs generally will not be required to recognize foreign currency gain or loss in respect of the distribution. Special rules govern and specific elections are available to accrual method taxpayers to determine the US dollar amount includible in income in the case of taxes withheld in a foreign currency. Accrual basis taxpayers are therefore urged to consult their own tax advisors regarding the requirements and elections applicable in this regard.

Subject to certain limitations, South African withholding taxes will be treated as foreign taxes eligible for credit against a US holder s US federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. Dividend income generally will constitute passive category income, or in the case of certain US holders, general category income. The use of foreign tax credits is subject to complex conditions and limitations. In lieu of a credit, a US holder who itemizes deductions may elect to deduct all of such holder s foreign taxes in the taxable year. A deduction does not reduce US tax on a dollar-for-dollar basis like a tax credit, but the deduction for foreign taxes is not subject to the same limitations applicable to foreign tax credits. US holders are urged to consult their own tax advisors regarding the availability of foreign tax credits.

Certain US holders (including individuals) are eligible for reduced rates of US federal income tax (currently at a maximum rate of 15 percent) in respect of qualified dividend income received in taxable years beginning before January 1, 2013. For this purpose, qualified dividend income generally includes dividends paid by a non-US corporation if, among other things, the US holders meet a certain minimum holding period and other requirements and the non-US corporation satisfies certain requirements, including that either (i) the ordinary shares (or ADSs) with respect to which the dividend has been paid are readily tradable on an established securities market in the United States, or (ii) the non-US corporation is eligible for the benefits of a comprehensive US income tax treaty (such as the Treaty) which provides for the exchange of information. AngloGold Ashanti currently believes that dividends paid with respect to its shares and ADSs should constitute qualified dividend income for US federal income tax purposes. AngloGold Ashanti anticipates that its dividends will be reported as qualified dividends on Forms 1099-DIV delivered to US holders. Each individual US holder of AngloGold Ashanti shares or ADSs is urged to consult his own tax advisor regarding the availability to him of the reduced dividend tax rate in light of his own particular situation.

The US Treasury has expressed concern that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming of foreign tax credits for US holders of ADSs. Such actions would also be inconsistent with the claiming of the reduced rate of tax described above, applicable to dividends received by certain non-corporate holders. Accordingly, the analysis of the creditability of South African withholding taxes or the availability of qualified dividend treatment could be affected by future actions that may be taken by the US Treasury with respect to ADSs.

Taxation of capital gains

If a US holder is a resident of the United States for purposes of the Treaty, such holder will not be subject to South African tax on any capital gain if it sells or disposes of its shares or ADSs. Special rules apply to individuals who are residents of more than one country.

In general, upon a sale, exchange or other disposition of shares or ADSs, a US holder will recognize capital gain or loss for US federal income tax purposes in an amount equal to the difference between the US dollar value of the amount realized on the disposition and the holder s tax basis, determined in US dollars, in the shares or ADSs. Such gain or loss generally will be US source gain or loss, and will be treated as a long-term capital gain or loss if the holder s holding period in the shares exceeds one year at the time of disposition. If the US holder is an individual, any capital gain generally will be subject to US federal income tax at preferential rates if specified minimum holding periods are met. The deductibility of capital losses is subject to significant limitations.

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A US holder s tax basis in a share will generally be its US dollar cost. The US dollar cost of a share purchased with foreign currency will generally be the US dollar value of the purchase price on the date of purchase, or the settlement date for the purchase in the case of shares traded on an established securities market that are purchased by a cash basis US holder or an electing accrual basis US holder. The amount realized on a sale or other disposition of shares for an amount in foreign currency will be the US dollar value of this amount on the date of sale or disposition. On the settlement date, the US holder will recognize US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of shares traded on an established securities market that are sold by a cash US holder (or an accrual basis US holder that so elects), the amount realized will be based on the exchange rate in effect between the settlement date for the sale, and no exchange gain or loss will be recognized at that time. If an accrual basis US holder makes either of the elections described above, it must be applied consistently from year to year and cannot be revoked without the consideration of the IRS.

Foreign currency received on the sale or other disposition of a share will have a tax basis equal to its US dollar value on the settlement date. Any gain or loss recognized on a sale or other disposition of foreign currency (including its use to purchase shares or upon exchange for US dollars) will be US source ordinary income or loss.

Passive foreign investment company considerations

A non-US corporation will be classified a Passive Foreign Investment Company (a PFIC) for any taxable year if at least 75 percent of its gross income consists of passive income (such as dividends, interest, rents or royalties (other than rents or royalties derived in the active conduct of a trade or business and received from an unrelated person), or gains on the disposition of certain minority interests), or at least 50 percent of the average value of its assets consists of assets that produce, or are held for the production of, passive income. AngloGold Ashanti believes that it was not treated as a PFIC for the taxable year ended December 31, 2011 and does not expect to become a PFIC in the foreseeable future. If AngloGold Ashanti were characterized as a PFIC for any taxable year, a US holder would suffer adverse tax consequences.

These consequences may include having gains realized on the disposition of shares treated as ordinary income rather than capital gains and being subject to punitive interest charges on the receipt of certain dividends and on the proceeds of the sale or other disposition of the shares. Furthermore, dividends paid by AngloGold Ashanti would not be qualified dividend income and would be taxed at the higher rates applicable to other items of ordinary income. US holders should consult their own tax advisors regarding the potential application of the PFIC rules to their ownership of the shares.

US information reporting and backup withholding

Dividend payments made to a holder and proceeds paid from the sale, exchange, or other disposition of shares may be subject to information reporting to the Internal Revenue Service (the IRS). US federal backup withholding generally is imposed at a current rate of 28 percent on specified payments to persons who fail to furnish required information. Backup withholding will not apply to a holder who furnishes a correct taxpayer identification number or certificate of foreign status and makes any other required certification, or who is otherwise exempt from backup withholding. US persons who are required to establish their exempt status generally must provide IRS Form W-9 (Request for Taxpayer Identification Number and Certification). Non-US holders generally will not be subject to US information reporting or backup withholding. However, these holders may be required to provide certification of non-US status (generally on IRS Form W-8BEN) in connection with payments received in the United States or through certain US-related financial intermediaries. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder s US federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS and furnishing any required information.

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Information with respect to foreign financial assets

Individuals that own specified foreign financial assets with an aggregate value in excess of $50,000 are generally required to file information reports with respect to such assets with their U.S. federal income tax returns. Depending on the individual s circumstances, higher threshold amounts may apply. Specified foreign financial assets include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non United States persons, (ii) financial instruments and contracts held for investment that have non-United States issuers or counterparties and (iii) interests in non-United States entities. The shares may be treated as specified foreign financial assets. You may be subject to this information reporting regime and be required to file IRS form 8938 listing these assets with your U.S. federal income tax return. Failure to file information reports may subject you to penalties. You are urged to consult your own tax advisor regarding your obligations to file information reports with respect to the shares.

10F. DIVIDENDS AND PAYING AGENTS

Not applicable.

10G. STATEMENT BY EXPERTS

Not applicable.

10H. DOCUMENTS ON DISPLAY

AngloGold Ashanti files annual reports on Form 20-F and reports on Form 6-K with the SEC. You may read and copy this information at the SEC s Public Reference Room at 100F Street, N.E., Room 1580, Washington D.C. 20549 or by accessing the SEC s home page (http://www.sec.gov). You can also request copies of documents, upon payment of a duplicating fee, by writing to the Public Reference Section of the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. In addition, AngloGold Ashanti s reports and other information may be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. Copies of the documents referred to herein may also be inspected at AngloGold Ashanti s offices by contacting AngloGold Ashanti at 76 Jeppe Street, Newtown, Johannesburg, 2001 (P.O. Box 62117, Marshalltown, 2107) South Africa, Attention: Company Secretary, telephone number: +27 11 637 6000.

10I. SUBSIDIARY INFORMATION

Not applicable.

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ITEM 11: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

TREASURY POLICY

Risk management activities within the group are the ultimate responsibility of the board of directors. The chief executive officer is responsible to the board of directors for the design, implementation and monitoring of the risk management plan. The Risk and Information Integrity Committee is responsible for overseeing risk management plans and systems, and the Audit and Corporate Governance Committee oversees financial risks which include a review of treasury activities and exposure to the group s counterparties.

Under the treasury and risk management policy, hedges may be put in place using approved instruments over the group s planned gold production and resultant gold sales currency exposures. The tenor of the hedges may extend out to ten years. The treasury and risk management policy sets limits on the extent to which the hedge position may change for the various levels of treasury management from dealer, through treasurer, executive management and board.

The financial risk management activities objectives of the group are as follows:

- Safeguarding the group s core earnings stream through the effective control and management of gold and other commodity price risk, foreign exchange risk and interest rate risk;
- Effective and efficient usage of credit facilities through the adoption of reliable liquidity planning and procedures;
- Ensuring that investment and hedging transactions are undertaken with creditworthy counterparts; and
- Ensuring that all contracts and agreements related to financial risk management activities are co-ordinated and consistent throughout the group and comply where necessary with all relevant regulatory and statutory requirements.

Under the treasury and risk management policy, treasury reports that are produced at the following minimum intervals for review by management and the board of directors.

Daily	Treasurer
Monthly	Executive Committee
Quarterly	Audit and Corporate Governance Committee, Board of Directors and shareholder reports

The Treasury Risk Analyst is responsible for monitoring all reports for completeness and accuracy which are reviewed by the Treasurer.

At AngloGold Ashanti, all front office (dealing), middle office (risk reporting), back office (deal confirmations) and payment (treasury settlements) activities are segregated. All treasury transactions are captured on a third party developed treasury and risk management system that is widely used in corporate treasuries. The group internal audit function conducts regular and ad-hoc reviews of the activities of treasury and the group s treasury system.

GOLD PRICE RISK MANAGEMENT ACTIVITIES

In the normal course of its operations, the group is exposed to gold price, other commodity price, foreign exchange, interest rate, liquidity, equity price and credit risks. The Company is also exposed to certain by-product commodity price risk. In order to manage these risks, the Company may enter into transactions which make use of derivatives. AngloGold Ashanti does not acquire, hold or issue derivative instruments for economic trading purposes. The group has developed a comprehensive risk management process to facilitate, control and monitor these risks.

Gold price risk arises from the risk of an adverse effect of current or future earnings resulting from fluctuations in the price of gold. The Company historically utilized derivatives as part of its hedging of the risk. In order to provide financial exposure to the rising spot price of gold and the potential for enhanced cash-flow generation the Company completed its final tranche of the hedge buy-back program during 2010 and settled all forward gold and foreign exchange contracts that had been used by the Company in the past to manage those risks. At year end there were no net forward sales contracts (2010: nil kg; 2009: 571kg), net call options sold (2010: nil kg; 2009: 120,594kg) and net put options sold (2010: nil kg; 2009: 27,071kg).

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FASB ASC guidance on derivatives and hedging requires that derivative instruments be accounted for as follows:

Contracts that meet the criteria for hedge accounting are designated as the hedging instruments hedging the variability of forecasted cash flows from the sale of production into the spot market and from capital expenditure denominated in a foreign currency and are classified as cash flow hedges under the FASB ASC guidance. The ineffective portion of matured and existing cash flow hedges recognized in loss on non-hedge derivatives in the income statement during the year was $nil million (2010: $nil million; 2009: $5 million). The Company does not have any open cash flow hedge contracts relating to product sales or forecasted capital expenditure as at December 31, 2011 (2010: $nil million; 2009: $37 million). Cash flow hedge losses pertaining to capital expenditure of $3 million as at December 31, 2011 (2010: $3 million; 2009: $4 million) are expected to be reclassified from accumulated other comprehensive income and recognized as an adjustment to depreciation expense until 2017.

All other derivatives are measured at their estimated fair value, with the changes in estimated fair value at each reporting date reported as gains or losses on derivatives in earnings in the period in which they occur.

Cash flows from derivative instruments accounted for as cash flow hedges are included in net cash provided by operating activities in the statements of consolidated cash flows. All current and future cash flows associated with such instruments are classified within the investing activities of the consolidated cash flow statement.

As at December 31, 2011 and 2010 the Company had no outstanding commitments against future production as a result of the elimination of the hedge book during 2010.

Foreign exchange price risk protection agreements

The Company, from time to time, may enter into currency forward exchange and currency option contracts to hedge certain anticipated transactions denominated in foreign currencies. The objective of the Company s foreign currency hedging activities is to protect the Company from the risk that the eventual cash flows resulting from transactions denominated in US dollars will be adversely affected by changes in exchange rates.

As at December 31, 2011 and 2010, the Company had no open forward exchange or currency option contracts in its currency hedge position.

Interest rate and liquidity risk

Fluctuations in interest rates impacts interest paid and received on the short-term cash investments and financing activities, giving rise to interest rate risk.

In the ordinary course of business, the Company receives cash from the proceeds of its gold sales and is required to fund working capital requirements. This cash is managed to ensure surplus funds are invested in a manner to achieve market related returns while minimizing risks.

The Company is able to actively source financing at competitive rates. The counterparts are financial and banking institutions and their credit ratings are regularly monitored by the Company.

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Cash and loans advanced maturity profile

		2011				2010			
Maturity date	**Currency**	**Fixed rate investment amount (million)**	**Effective rate %**	**Floating rate investment amount (million)**	**Effective rate %**	**Fixed rate investment amount (million)**	**Effective rate %**	**Floating rate investment amount (million)**	**Effective rate %**
All less than one year	USD	10	0.48	467	0.20	13	0.20	171	0.19
	ZAR	3,030	5.50	164	3.55	969	5.58	57	4.64
	AUD	81	4.65	23	4.45	42	4.45	25	4.44
	EUR	-	-	-	-	-	-	3	1.00
	CAD	-	-	-	-	-	-	2	0.20
	BRL	-	-	27	6.61	-	-	30	8.90
	ARS	-	-	1	10.23	-	-	2	9.00
	NAD	-	-	119	4.08	102	5.00	207	5.00

Borrowings maturity profile

	Within one year		Between one and two years		Between two and five years		After five years		Total
Currency	**Borrowings amount (million)**	**Effective rate %**	**Borrowings amount (million)**	**Effective rate %**	**Borrowings amount (million)**	**Effective rate %**	**Borrowings amount (million)**	**Effective rate %**	**Borrowings amount (million)**
$	22	5.4	761	6.0	660	3.5	994	5.7	2,437
ZAR	-	-	8	9.8	40	9.8	217	9.8	265
BRL	4	5.8	3	5.2	4	4.0	-	-	11
NAD	64	8.4	72	8.4	97	8.4	-	-	233

Interest rate risk

	Fixed for less than one year		Fixed for between one and three years		Fixed for greater than three years		Total
Currency	**Borrowings amount (million)**	**Effective rate %**	**Borrowings amount (million)**	**Effective rate %**	**Borrowings amount (million)**	**Effective rate %**	**Borrowings amount (million)**
$	22	5.4	1,420	4.8	995	5.7	2,437
ZAR	-	-	24	9.8	241	9.8	265
BRL	4	5.8	5	4.6	2	4.5	11
NAD	64	8.4	161	8.4	8	8.4	233

Non-performance risk

Realization of contracts is dependent upon counterparts performance. The Company has not obtained collateral or other security to support the financial instruments subject to non-performance risk, but the credit standing of counterparts was monitored on a regular basis throughout the year. The Company spreads its business over a number of financial and banking institutions to minimize the risk of potential non-performance risk. Furthermore, the approval process of counterparts and the limits applied to each counterpart were monitored by the board of directors. Where possible, ISDA netting agreements were put into place by management.

The combined maximum credit risk exposure at balance sheet date amounts to $198 million (2010: $177 million). Credit risk exposure netted by open derivative positions with counterparts was $nil million (2010: $1 million). No set-off is applied to balance sheet amounts due to the different maturity profiles of assets and liabilities.

The fair value of derivative assets and liabilities reflects non-performance risk relating to the counterparts and the Company, respectively, as at December 31, 2011 and 2010.

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Fair value of financial instruments

The estimated fair values of financial instruments are determined at discrete points in time based on relevant market information. The estimated fair values of the Company s financial instruments, as measured at December 31, 2011 and 2010, are as follows (assets (liabilities)):

	December 31, 2011		December 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Cash and cash equivalents	1,112	1,112	575	575
Restricted cash	58	58	43	43
Short-term debt	(30)	(30)	(133)	(133)
Short-term debt at fair value	(2)	(2)	(2)	(2)
Long-term debt	(1,715)	(1,857)	(1,730)	(2,059)
Long-term debt at fair value	(758)	(758)	(872)	(872)
Derivatives	(93)	(93)	(175)	(175)
Marketable equity securities - available for sale	82	82	124	124
Marketable debt securities - held to maturity	8	11	13	14
Non-marketable assets - held to maturity	2	2	2	2
Non-marketable debt securities - held to maturity	85	85	89	89

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash restricted for use, cash and cash equivalents and short-term debt

The carrying amounts approximate fair value because of the short-term duration of these instruments.

Long-term debt

The mandatory convertible bonds are carried at fair value. The fair value of the convertible and rated bonds are shown at their quoted market value. Other long-term debt re-prices on a short-term floating rate basis, and accordingly the carrying amount approximates fair value.

Derivatives

The fair value of volatility-based instruments (i.e. options) are estimated based on market prices, volatilities, credit risk and interest rates for the periods under review.

Investments

Marketable equity securities classified as available-for-sale are carried at fair value. Marketable debt securities classified as held to maturity are measured at amortized cost. Non-marketable assets classified as held to maturity are measured at amortized cost. The fair value of marketable debt securities and non-marketable assets has been calculated using market interest rates. Investments in non-marketable debt securities classified as held to maturity are measured at amortized cost. The cost method investment is carried at cost. There is no active market for the investment and the fair value cannot be reliably measured.

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The following is the fair value of the derivative (liabilities)/assets split by accounting designation:

	December 31, 2011 Assets		
	Balance Sheet location	**Non-hedge accounted**	**Total**
		$	**$**
Warrants on shares	Current assets - derivatives	-	-
Total derivatives		-	-

	December 31, 2011 Liabilities		
	Balance Sheet location	**Non-hedge accounted**	**Total**
		$	**$**
Option component of convertible bonds	Non-current liabilities - derivatives	(92)	(92)
Embedded derivatives	Non-current liabilities - derivatives	(1)	(1)
Total derivatives		(93)	(93)

	December 31, 2010 Assets		
	Balance Sheet location	**Non-hedge accounted**	**Total**
		$	**$**
Warrants on shares	Current assets - derivatives	1	1
Total derivatives		1	1

	December 31, 2010		
	Liabilities		
	Balance Sheet location	Non-hedge accounted $	Total $
Option component of convertible bonds	Non-current liabilities - derivatives	(176)	(176)
Total derivatives		(176)	(176)

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Non-hedge derivative (gain)/loss recognized

	000,000,000,00	000,000,000,00	000,000,000,00
		Year ended December 31,	
	2011	**2010**	**2009**
	$	**$**	**$**
Realized [1]			
Forward sales type agreements - commodity	-	377	535
Option contracts - commodity	-	2,573	144
Forward sales agreements - currency	-	13	(107)
Option contracts - currency	-	(3)	(12)
Interest rate swaps - Gold	-	15	(16)
	-	2,975 [2]	544 [3]
Unrealized [1]			
Forward sales type agreements - commodity	-	(265)	188
Option contracts - commodity	-	(1,999)	648
Forward sales agreements - currency	-	-	15
Option contracts - currency	-	-	3
Interest rate swaps - Gold	-	(13)	25
Option component of convertible bonds	(84)	1	33
Embedded derivatives	1	(1)	1
Warrants on shares	-	5	(5)
	(83)	(2,272)	908
Non-hedge derivatives (gain)/loss	(83)	703	1,452

(1) Realized and unrealized gains and losses on non-hedge derivatives are included in Non-hedge derivative (gain)/loss and movement on bonds in the income statement.
(2) Includes $2,698 million loss related to the final tranche of the accelerated hedge buy-back executed during 2010.
(3) Includes $797 million loss related to the accelerated hedge buy-back in 2009.

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Other comprehensive income

	Year ended December 31, 2011				
	Cash flow hedges, before taxation $	Cash flow hedges removed from equity, before taxation	$	Hedge ineffectiveness, before taxation	$
	Gain/(loss) recognized in accumulated other comprehensive income (effective portion)	Location of (gain)/loss reclassified from accumulated other comprehensive income into income (effective portion)	Amount of (gain)/loss reclassified from accumulated other comprehensive income into income (effective portion)	Location of (gain)/loss recognized in income (ineffective portion)	Amount of (gain)/loss recognized in income (ineffective portion)
Forward sales type agreements - commodity	-	Product sales	-	Non-hedge derivatives (gain)/loss and movement on bonds	-
	-		-		-

Other comprehensive income

	Year ended December 31, 2010				
	Cash flow hedges, before taxation $	Cash flow hedges removed from equity, before taxation	$	Hedge ineffectiveness, before taxation	$
	Gain/(loss) recognized in accumulated other	Location of (gain)/loss reclassified from accumulated other	Amount of (gain)/loss reclassified from	Location of (gain)/loss recognized in income (ineffective portion)	Amount of (gain)/loss recognized

	comprehensive income (effective portion)	comprehensive income into income (effective portion)	accumulated other comprehensive income into income (effective portion)		in income (ineffective portion)
Forward sales type agreements - commodity	-	Product sales	52	Non-hedge derivatives (gain)/loss and movement on bonds	-
	-		52		-

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Other comprehensive income

	Accumulated other comprehensive income as of January 1, 2011	Changes in fair value recognized in 2011	Reclassification adjustments	Accumulated other comprehensive income as of December 31, 2011
	$	$	$	$
Derivatives designated as				
Capital expenditure	(3)	-	-	(3)
Before tax totals	(3)	-	-	(3)
After tax totals	(2)	-	-	(2)

	Accumulated other comprehensive income as of January 1, 2010	Changes in fair value recognized in 2010	Reclassification adjustments	Accumulated other comprehensive income as of December 31, 2010
	$	$	$	$
Derivatives designated as				
Gold sales	(52)	-	52	-
Capital expenditure	(3)	-	-	(3)
Before tax totals	(55)	-	52	(3)
After tax totals	(22)	-	20	(2)

Maturity profile of derivatives, at carrying value

	000,000,000	000,000,000	000,000,000
		2011	
	Total	**Assets**	**Liabilities**
	$	**$**	**$**
Amounts to mature within twelve months of balance sheet date	-	-	-
Amounts maturing between one and two years	-	-	-
Amounts maturing between two and five years	(92)	-	(92)
Amounts to mature thereafter	(1)	-	(1)
Total	(93)	-	(93)

		2010	
	Total	**Assets**	**Liabilities**
	$	**$**	**$**
Amounts to mature within twelve months of balance sheet date	1	1	-
Amounts maturing between one and two years	-	-	-
Amounts maturing between two and five years	(176)	-	(176)
Amounts to mature thereafter	-	-	-
Total	(175)	1	(176)

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Sensitivity analysis

Derivatives

The Company monitors the sensitivity of the convertible bonds to changes in its share price.

The following table discloses the approximate sensitivity, in US dollars, of the convertible bonds to the Company s share price at December 31, 2011 (actual changes in the timing and amount of the following variables may differ from the assumed changes below).

	000,000,000	000,000,000	000,000,000
		2011	
	Change in underlying factor (+)	**Non-hedge accounted $**	**Total change in fair value $**
Convertible bonds			
AngloGold Ashanti Limited share price	Spot (+$3)	(23)	(23)

		2011	
	Change in underlying factor (-)	**Non-hedge accounted $**	**Total change in fair value $**
Convertible bonds			
AngloGold Ashanti Limited share price	Spot (-$3)	21	21

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Mandatory convertible bonds

The mandatory convertible bond valuation is primarily linked to the AngloGold Ashanti Limited share price traded on the New York Stock Exchange (NYSE) and fluctuates with reference to the NYSE share price and market interest rates. An increase or decrease of $3 in the AngloGold Ashanti Limited share price will generally impact the value of the mandatory convertible bond liability in a stable interest environment by approximately $39 million.

Foreign exchange risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency.

The following table discloses the approximate foreign exchange risk sensitivities of debt at December 31, 2011 (actual changes in the timing and amount of the following variables may differ from the assumed changes below).

	2011	
	Change in exchange rate	Change in borrowings total $
Debt		
ZAR denominated (R/$)	Spot (+R1)	(4)
BRL denominated (BRL/$)	Spot (+BRL0.25)	(1)
NAD denominated (NAD/$)	Spot (+NAD1)	(3)

	2011	
	Change in exchange rate	Change in borrowings total $
Debt		
ZAR denominated (R/$)	Spot (-R1)	5
BRL denominated (BRL/$)	Spot (-BRL0.25)	1
NAD denominated (NAD/$)	Spot (-NAD1)	4

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ITEM 12: DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

12A. Debt Securities

Not applicable

12B. Warrants and Rights

Not applicable

12C. Other Securities

Not applicable

12D. American Depositary Shares
12D.3 Depositary Fees and Charges

AngloGold Ashanti s American Depositary Shares, or ADSs, each representing one of AngloGold Ashanti s ordinary shares, are traded on the New York Stock Exchange under the symbol AU. The ADSs are evidenced by American Depositary Receipts, or ADRs, issued by The Bank of New York Mellon, as Depositary under the Amended and Restated Deposit Agreement dated as of June 3, 2008, among AngloGold Ashanti Limited, The Bank of New York Mellon and owners and beneficial owners of from time to time of ADRs. ADS holders may have to pay the following service fees to the Depositary:

Service	Fees (USD)
Issuance of ADSs	Up to 5 cents per ADS(1)
Cancellation of ADSs	Up to 5 cents per ADS(1)
Distribution of cash dividends or other cash distributions	Up to 2 cents per ADS(2)
Distribution of securities pursuant to	
(i) stock dividends, free stock distributions or	
(ii) exercises of rights to purchase additional ADSs	Up to 5 cents per ADS(2)
ADR Depositary Services fee	Up to 2 cents per year(2)

(1) These fees are typically paid to the Depositary by the brokers on behalf of their clients receiving the newly-issued ADSs from the Depositary and by the brokers on behalf of their clients delivering the ADSs to the Depositary for cancellation. The brokers in turn charge these transaction fees to their clients.

(2) In practice, the Depositary has not collected these fees. If collected, such fees are offset against the related distribution made to the ADR holder.

In addition, ADS holders are responsible for certain fees and expenses incurred by the Depositary on their behalf including (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of ordinary shares generally on the share register and applicable to transfers of ordinary shares to the name of the Depositary or its nominee or the Custodian or its nominee on the making of deposits or withdrawals, and (3) such cable, telex and facsimile transmission expenses as are expressly incurred by the Depositary in the conversion of foreign currency.

Fees and other charges payable by the Depositary, any of the Depositary s agents, including the Custodian, or the agents of the Depositary s agents in connection with the servicing of Shares or other Deposited Securities, shall be collected at the sole discretion of the Depositary by billing such owners for such charge or by deducting such charge from one or more cash dividends or other cash distributions.

For further information, refer to Item 10B.: Memorandum and articles of association The deposit agreement .

12D.4 Depositary Payments for 2011

For the year ended December 31, 2011, The Bank of New York Mellon, as Depositary, reimbursed AngloGold Ashanti an amount of $725,780 (2010: $798,343) mainly for contributions towards the company s investor relations activities (including investor meetings, conferences and fees of investor relations service vendors).

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PART II

ITEM 13: DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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ITEM 14: MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

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ITEM 15: CONTROLS AND PROCEDURES

(a) *Disclosure Controls and Procedures:* As of December 31, 2011 (the Evaluation Date), the company, under the supervision and with the participation of its management, including the chief executive officer and chief financial officer has evaluated the effectiveness of the company s disclosure controls and procedures (as defined in Rules 13(a) 15(e) and 15(d) 15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on such evaluation, the chief executive officer and chief financial officer have concluded that, as of the Evaluation Date, the company s disclosure controls and procedures are effective, and are reasonably designed to ensure that information required to be disclosed by the company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. These disclosure controls and procedures include without limitation, controls and procedures designed to ensure that information required to be disclosed by the company in reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding disclosure.

(b) *Management s Annual Report on Internal Control over Financial Reporting:* Management is responsible for establishing and maintaining adequate internal control over financial reporting for the company, as defined in the Exchange Act Rule 13(a) 15(f) and 15(d) -15(f). The company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the company s financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

The company s internal control over financial reporting includes those policies and procedures that:

Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of the assets of the company;

Provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and the Directors of the company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

The company s management assessed the effectiveness of the company s internal control over financial reporting as of the Evaluation Date. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework. Based on this assessment, and using those criteria, management concluded that the company s internal control over financial reporting was effective as of the Evaluation Date.

(c) *Changes in Internal Control over Financial Reporting:* There have been no changes in the company s internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rule 13(a) 15 during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the company s internal control over financial reporting.

(d) *Attestation Report of the Registered Public Accounting Firm:* The company s independent registered accounting firm, Ernst & Young Inc., has issued an audit report on the effectiveness of the company s internal control over financial reporting. This report appears below.

/s/ M Cutifani	/s/ S Venkatakrishnan
Mark Cutifani	**SrinivasanVenkatakrishnan**
Chief Executive Officer	**Chief Financial Officer**

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REPORT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The board of directors and stockholders of AngloGold Ashanti Limited

We have audited AngloGold Ashanti Limited s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). AngloGold Ashanti Limited s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Annual Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, AngloGold Ashanti Limited maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2011 consolidated financial statements of AngloGold Ashanti Limited and our report dated April 23, 2012 expressed an unqualified opinion thereon.

Ernst & Young Inc.

Registered Auditor

Johannesburg, Republic of South Africa

April 23, 2012

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ITEM 16A: AUDIT COMMITTEE FINANCIAL EXPERT

Membership of the audit and corporate governance committee, including its chairman, comprises only independent non-executive directors, in compliance with the Sarbanes-Oxley Act. This also fulfils the guidelines of King III, which became effective in March 2010, and the requirements of the Companies Act of 2008, which became effective on May 1, 2011. The Sarbanes-Oxley Act requires the board to identify a financial expert from within its ranks. The board has resolved that the committee s chairman, Prof Wiseman Nkuhlu is the Audit and Corporate Governance committee s financial expert. Three of the four members of the committee have considerable financial knowledge and experience to help oversee and guide the board and the company in respect of the audit and corporate governance disciplines.

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ITEM 16B: CODE OF ETHICS AND WHISTLE BLOWING POLICIES

In order to comply with the company s obligation in terms of the Sarbanes-Oxley Act and King III, and in the interests of good governance, the company has systems and procedures to introduce, monitor and enforce its ethical codes and has adopted a code of business principles and ethics for employees and directors, a code of ethics for the chief executive officer, principal financial officer and senior financial officers, and a whistle-blowing policy that encourages employees and other stakeholders to confidentially and anonymously report acts of an unethical or illegal nature that affect the company s interests. The code of business principles and ethics expresses the company s commitment to the conduct of its business in line with ethical standards and is designed to enable employees and directors perform their roles and duties with integrity and responsibility.

The whistle-blowing policy applies to all companies in the AngloGold Ashanti group and provides a channel for shareholders, employees and the general public to report acts and practices that are in conflict with the company s business principles, unlawful, financial malpractice or dangers to the public or the environment. Reports are made through several mediums including the intranet, internet, telephone, short messaging system (sms), fax and post. All reports made in terms of the whistle-blowing policy are administered by a third party, Tip-Offs Anonymous, to ensure confidentiality and independence of the process. Reported cases are relayed to management through internal audit. A report is provided to the Executive Committee and the Audit and Corporate Governance Committee on a quarterly basis. Reporters have the option to request feedback on reported cases. The process encourages reports to be made in good faith in a responsible and ethical manner. Employees are encouraged to first seek resolution of alleged malpractices through discussion with their direct managers, if appropriate, or, if unresolved, they should then report these through the whistle-blowing line or directly to internal audit or the legal department.

In addition, the company has adopted a disclosures policy, the objective of which is to ensure compliance with the rules of the various exchanges on which it is listed and provide timely, accurate and reliable information fairly to all stakeholders, including investors (and potential investors), regulators and analysts.

Each code of ethics, whistle blowing and disclosure policy is available on the company s website http://www.anglogoldashanti.co.za/About+our+business/Gov+Policies.htm.

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ITEM 16C: PRINCIPAL ACCOUNTANT FEES AND SERVICES

Ernst & Young Inc. has served as AngloGold Ashanti s independent public accountants for each of the financial years in the three-year period ended December 31, 2011 for which audited financial statements appear in this annual report on Form 20-F.

The following table presents the aggregate fees for professional services and other services rendered by Ernst & Young Inc. to AngloGold Ashanti in 2011 and 2010.

(in millions)	**2011** **$**	**2010** **$**
Audit fees[(1)]	6.97	7.76
Audit-related fees[(2)]	6.76	1.98
Tax fees[(3)]	0.39	0.17
Total	**14.12**	**9.91**

Rounding may result in computational differences.

(1) The Audit fees consist of fees billed for the annual audit services engagement and other audit services, which are those services that only the external auditor reasonably can provide, and include the Company audit; statutory audits; attest services; and assistance with and review of documents filed with the SEC. Included in the Audit Fees for 2011 and 2010 are fees paid to the external auditors in respect of SOX, which was implemented in 2006.

(2) Audit-related fees consist of fees billed for assurance and related services and include consultations concerning financial accounting and reporting standard, comfort letters and consents.

(3) Tax fees include fees billed for tax advice and tax compliance services.

Audit and Corporate Governance Committee Pre-approval Policies and Procedures

It is the policy of AngloGold Ashanti to maintain compliance with the requirements of the various applicable legislation and good governance practices when appointing or assigning work to the Company s external auditor. Non-audit services may not be undertaken without an employee of AngloGold Ashanti obtaining the pre-approval of the Audit and Corporate Governance Committee as is laid out in the procedures relating to the pre-approval process.

The Audit and Corporate Governance Committee has delegated the approval authority to the chairman of the committee, Prof Wiseman Nkuhlu or his designated official. The approval may take the form of a written or oral instruction, and in the case of an oral instruction this would be ratified at the next Audit and Corporate Governance Committee meeting. On a quarterly basis a summary of all approvals and work to date is tabled at the Audit and Corporate Governance Committee meeting.

All non-audit services provided to AngloGold Ashanti by the principal independent registered public accounting firm during 2011 were reviewed and approved according to the procedures above. None of the services provided during 2011 were approved under the *de minimis* exception allowed under the Exchange Act.

No work was performed by persons other than the principal accountant s employees in respect of the audit of AngloGold Ashanti s financial statements for 2011.

ITEM 16D: EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E: PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Neither the issuer nor any affiliate of the issuer purchased any of the company s shares during 2011.

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ITEM 16F: CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G: CORPORATE GOVERNANCE

The following is a summary of the significant ways in which AngloGold Ashanti s corporate governance practices differ from those followed by US domestic companies under the New York Stock Exchange s corporate governance listing standards (the NYSE listing standards).

The NYSE listing standards require the appointment of a Nominations Committee to oversee the appointment of new directors to the board, and that such committee be comprised solely of independent directors. The JSE Listing Requirements also require the appointment of such a committee, but require that it be comprised solely of non-executive directors, the majority of whom must be independent.

The company has appointed a Nominations Committee of the board. The nominations committee s membership comprises only non-executive board members, all of whom are independent, as defined in the JSE Listing Requirements, and is chaired by the independent chairman of the board.

ITEM 16H: MINE SAFETY DISCLOSURE

The information concerning certain mine safety violations or other regulatory matters required pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and this Item 16H is included in Exhibit 19.16 to this annual report on Form 20-F.

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PART III

ITEM 17: FINANCIAL STATEMENTS

Not applicable.

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ITEM 18: FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

The board of directors and stockholders of AngloGold Ashanti Limited

We have audited the accompanying consolidated balance sheets of AngloGold Ashanti Limited (the Company) as of December 31, 2011 and 2010 and the related consolidated statements of income, stockholders equity and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

The financial statements of Société d Exploitation des Mines d Or de Sadiola S.A. (Sadiola), a corporation in which the Company has a 41 percent interest at December 31, 2010, have been audited by other auditors as at December 31, 2010 and for the period then ended, whose report has been furnished to us, and our opinion on the consolidated financial statements, insofar as it relates to the amounts included for Sadiola, is based solely on the report of the other auditors. In the consolidated financial statements, the Company s investment in Sadiola is stated at $99 million at December 31, 2010, the Company s equity in net income is stated at $35 million for the period then ended.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AngloGold Ashanti Limited at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011 in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of AngloGold Ashanti Limited s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 23, 2012 expressed an unqualified opinion thereon.

Ernst & Young Inc.

Registered Auditor

Johannesburg, Republic of South Africa

April 23, 2012

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Report of Independent Registered Public Accounting Firm

The Board of Directors and stockholders of Societe d Exploitation des Mines d Or de Sadiola S.A.

We have audited the balance sheet of Societe d Exploitation des Mines d Or de Sadiola S.A. (the company) as of December 31, 2010, and the related statements of income, changes in stockholders equity and cash flows for the year then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

ln our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Societe d Exploitation des Mines d Or de Sadiola SA as of December 31, 2010, and the results of its operations and its cash flows for the year ended December 31, 2010 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG Inc. Registered Auditor

Bloemfontein, South Africa

May 26, 2011

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ANGLOGOLD ASHANTI LIMITED

Consolidated statements of income

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 and 2009

(In millions, except share and per share information)

	Notes	2011 $	2010 $	2009 $
Sales and other income		6,642	5,402	3,954
Product sales		6,570	5,334	3,784
Interest, dividends and other		72	68	170
Costs and expenses		4,521	5,021	4,852
Production costs		2,977	2,656	2,229
Exploration costs		279	206	150
Related party transactions	6	(12)	(15)	(18)
General and administrative		287	228	158
Royalties		193	142	84
Market development costs		9	14	10
Depreciation, depletion and amortization		789	720	615
Impairment of assets	5	17	91	8
Interest expense	5	178	151	123
Accretion expense	5	28	22	17
Employment severance costs	5	15	23	14
(Profit)/loss on sale of assets, realization of loans, indirect taxes and other	5	(43)	(3)	10
Non-hedge derivative (gain)/loss and movement on bonds	5	(196)	786	1,452
Income/(loss) from continuing operations before income tax and equity income in associates		2,121	381	(898)
Taxation (expense)/benefit	7	(705)	(255)	33
Equity income in associates		59	40	88
Net income/(loss) from continuing operations		1,475	166	(777)
Net income/(loss)		1,475	166	(777)
Less: Net income attributable to noncontrolling interests		(50)	(54)	(48)
Net income/(loss) - attributable to AngloGold Ashanti		1,425	112	(825)
Earnings/(loss) per share attributable to AngloGold Ashanti common stockholders: (cents)				
Net income/(loss)	8			
Ordinary shares		371	30	(230)
E Ordinary shares		185	15	(115)
Ordinary shares - diluted		317	30	(230)
E Ordinary shares - diluted		171	15	(115)
Weighted average number of shares used in computation	8			
Ordinary shares		383,010,809	368,688,159	357,355,126
Ordinary shares - diluted		418,107,439	370,257,765	357,355,126
E Ordinary shares - basic and diluted		2,950,804	3,182,662	3,873,169
Dividend paid per ordinary share (cents)		34	18	13
Dividend paid per E ordinary share (cents)		17	9	7

The accompanying notes are an integral part of these Consolidated Financial Statements.

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ANGLOGOLD ASHANTI LIMITED

Consolidated balance sheets

AT DECEMBER 31, 2011 and 2010

(In millions, except share information)

	Notes	2011 $	2010 $
ASSETS			
Current Assets		2,631	1,997
Cash and cash equivalents		1,112	575
Restricted cash	9	35	10
Receivables		351	298
Trade	10	46	53
Recoverable taxes, rebates, levies and duties		170	156
Other	10	135	89
Inventories	11	959	792
Materials on the leach pad	11	98	91
Derivatives	23	-	1
Deferred taxation assets	7	75	214
Assets held for sale	16	1	16
Property, plant and equipment, net	12	6,123	5,926
Acquired properties, net	13	779	836
Goodwill	14	182	180
Other intangibles, net	14	31	17
Other long-term inventory	11	31	27
Materials on the leach pad	11	393	331
Other long-term assets	15	1,001	1,073
Deferred taxation assets	7	14	1
Total assets		11,185	10,388
LIABILITIES AND EQUITY			
Current liabilities		919	1,004
Trade accounts payable		473	404
Payroll and related benefits		186	175
Other current liabilities	17	120	153
Short-term debt	18	30	133
Short-term debt at fair value	18	2	2
Tax payable		108	134
Liabilities held for sale	16	-	3
Other non-current liabilities	17	63	69
Long-term debt	18	1,715	1,730
Long-term debt at fair value	18	758	872
Derivatives	23	93	176
Deferred taxation liabilities	7	1,242	1,200
Provision for environmental rehabilitation	5 / 19	653	530
Provision for labor, civil, compensation claims and settlements		35	38
Provision for pension and other post-retirement medical benefits	25	185	180
Commitments and contingencies	20	-	-
Equity		5,522	4,589
Common stock			
Share capital - 600,000,000 (2010 - 600,000,000) authorized common stock of 25 ZAR cents each. Share capital - 4,280,000 (2010 - 4,280,000) authorized E ordinary shares of 25 ZAR cents each. Ordinary shares issued 2011 - 381,915,437 (2010 - 380,769,139). E ordinary shares issued 2011 - 1,050,000 (2010 - 1,120,000)		13	13
Additional paid in capital		8,740	8,670
Accumulated deficit		(2,575)	(3,869)
Accumulated other comprehensive income		(832)	(385)
Other reserves		36	37

Total AngloGold Ashanti stockholders equity	5,382	4,466
Noncontrolling interests	140	123
Total liabilities and equity	11,185	10,388

The accompanying notes are an integral part of these Consolidated Financial Statements.

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ANGLOGOLD ASHANTI LIMITED

Consolidated statements of cash flows

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 and 2009

(In millions)

	Notes	2011	2010	2009
		$	$	$
Net cash provided by operating activities		2,550	1,038	443
Net income/(loss)		1,475	166	(777)
Reconciled to net cash provided by operations:				
Loss on sale of assets, realization of loans, indirect taxes and other		27	22	18
Depreciation, depletion and amortization		789	720	615
Impairment of assets		17	91	8
Deferred taxation		299	138	(199)
Cash utilized for hedge book settlements		-	(2,611)	(797)
Movement in non-hedge derivatives and bonds		(196)	2,544	1,689
Equity income in associates		(59)	(40)	(88)
Dividends received from associates		111	143	101
Other non cash items		29	48	(125)
Net increase in provision for environmental rehabilitation, pension and other post-retirement medical benefits		189	131	19
Effect of changes in operating working capital items:				
Receivables		(13)	(153)	(44)
Inventories		(244)	(215)	(169)
Accounts payable and other current liabilities		126	54	192
Net cash used in investing activities		(1,603)	(1,887)	(268)
Available for sale investments acquired		(47)	(22)	(12)
Held to maturity investments acquired		(100)	(92)	(77)
Associates and equity accounted joint ventures acquired		(8)	(3)	(354)
Contributions to associates and equity accounted joint ventures		(107)	(41)	-
Proceeds on disposal of associates		-	1	-
Associates and equity accounted joint ventures loans advanced		(25)	(3)	(2)
Associates loans repaid		-	-	-
Additions to property, plant and equipment		(1,393)	(973)	(1,019)
Expenditure on intangible assets		(16)	-	-
Proceeds on sale of mining assets		19	69	1,142
Proceeds on sale of available for sale investments		2	79	2
Proceeds on redemption of held to maturity investments		89	63	79
Cash outflows from derivatives purchased		-	(984)	(18)
Loans receivable advanced		-	(6)	-
Loans receivable repaid		4	-	1
Proceeds on disposal of subsidiary		9	-	-
Cash of subsidiary disposed		(11)	-	-
Change in restricted cash		(19)	25	(10)
Net cash (used)/generated by financing activities		(319)	230	303
Short-term debt repaid		(118)	(1,522)	(1,867)
Short-term debt raised		9	363	1,014
Issuance of stock		10	798	306
Share issue expenses		(1)	(20)	(11)
Long-term debt repaid		(150)	(120)	(864)
Long-term debt raised		100	1,953	1,760
Debt issue costs		-	(39)	(14)
Cash outflows from derivatives with financing		-	(1,066)	-
Cash inflows from derivatives with financing		-	-	35
Dividends paid to common stockholders		(131)	(67)	(45)
Dividends paid to noncontrolling interests		(38)	(50)	(11)

Net increase/(decrease) in cash and cash equivalents	628	(619)	478
Effect of exchange rate changes on cash	(102)	105	47
Cash and cash equivalents - January 1,	586	1,100	575
Cash and cash equivalents - December 31,	1,112	586 [1]	1,100

[1] *Includes cash and cash equivalents of held for sale assets of $11 million at December 31, 2010.*
The accompanying notes are an integral part of these Consolidated Financial Statements.

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ANGLOGOLD ASHANTI LIMITED

Consolidated statements of stockholders equity

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 and 2009

(In millions, except share information)

	AngloGold Ashanti stockholders							
	Common stock	Common stock $	Additional paid in capital $	Accumulated other comprehensive income* $	Accumulated deficit $	Other reserves $	Noncontrolling interests $	Total $
Balance - January 1, 2009	354,027,761	12	7,502	(1,148)	(3,044)	-	84	3,406
Net (loss)/income					(825)		48	(777)
Translation gain				320			6	326
Net loss on cash flow hedges removed from other comprehensive income and reported in income, net of tax				97			1	98
Net loss on cash flow hedges, net of tax				(12)				(12)
Hedge ineffectiveness on cash flow hedges, net of tax				5				5
Net gain on available-for-sale financial assets arising during the period, net of tax				72				72
Realized loss in earnings on available-for-sale financial assets during the period, net of tax				12				12
Other comprehensive income								501
Comprehensive loss								(276)
Share of capital transaction at equity accounted joint venture						37		37
Stock issues as part of equity offering	7,624,162	-	280					280
Stock issues as part of Share Incentive Scheme	1,131,916	-	25					25
Stock issues in exchange for E Ordinary shares cancelled	1,181	-	3					3
Stock issues transferred from Employee Share Ownership Plan to exiting employees	189,787	-	7					7
Stock based compensation expense			19					19
Dividends					(45)		(11)	(56)
Balance - December 31, 2009	362,974,807	12	7,836	(654)	(3,914)	37	128	3,445
Net income					112		54	166
Translation gain				229			5	234
				20				20

Net loss on cash flow hedges removed from other comprehensive income and reported in income, net of tax								
Net gain on available-for-sale financial assets arising during the period, net of tax				69				69
Release on disposal of available-for-sale financial assets during the period, net of tax				(51)				(51)
Realized loss in earnings on available-for-sale financial assets during the period, net of tax				2				2
Other comprehensive income								274
Comprehensive income								440
Stock issues as part of equity offering	18,140,000	1	772					773
Stock issues as part of Share Incentive Scheme	823,411	-	26					26
Stock issues in exchange for E Ordinary shares cancelled	-	-	12					12
E Ordinary shares of common stock cancelled - Izingwe Holdings	(280,000)	-	-					-
Stock issues transferred from Employee Share Ownership Plan to exiting employees	230,921	-	10					10
Stock based compensation expense			14					14
Dividends					(67)		(64)	(131)
Balance - December 31, 2010	381,889,139	13	8,670	(385)	(3,869)	37	123	4,589
Net income					1,425		50	1,475
Translation loss				(388)			(6)	(394)
Net loss on available-for-sale financial assets arising during the period, net of tax				(81)				(81)
Release on disposal of available-for-sale financial assets during the period, net of tax				1				1
Realized loss in earnings on available-for-sale financial assets during the period, net of tax				21				21
Other comprehensive income								(453)
Comprehensive income								1,022
Share of equity accounted joint venture s other comprehensive income						(1)		(1)
Stock issues as part of Share Incentive Scheme	889,593	-	33					33
Stock issues in exchange for E Ordinary shares cancelled	99,747	-	20					20
E Ordinary shares of common stock cancelled - Izingwe Holdings	(70,000)	-	-					-
	156,958	-	7					7

Stock issues transferred from Employee Share Ownership Plan to exiting employees								
Stock based compensation expense			10					10
Dividends					(131)		(27)	(158)
Balance - December 31, 2011	382,965,437	13	8,740	(832)	(2,575)	36	140	5,522

*The cumulative translation loss included in accumulated other comprehensive income amounted to $924 million (2010: $536 million). The translation loss has no tax effect. The cumulative charge, net of deferred taxation of $1 million (2010: $1 million), included in accumulated other comprehensive income in respect of cash flow hedges amounted to $2 million (2010: $2 million). The cumulative gain, net of deferred taxation of $nil million (2010: $nil million), included in accumulated other comprehensive income in respect of available for sale financial assets amounted to $30 million (2010: $89 million). The cumulative gain included in accumulated other comprehensive income in respect of the hedge of a net investment in foreign entities amounted to $64 million (2010: $64 million). This gain is offset by $64 million (2010: $64 million) arising from translation of net investments in foreign entities.

As at December 31, 2011 and 2010, $305 million and $133 million, respectively, of retained earnings arising from the Company s equity accounted joint ventures and certain subsidiaries may not be remitted without third-party shareholder consent.

The accompanying notes are an integral part of these Consolidated Financial Statements.

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ANGLOGOLD ASHANTI LIMITED

Notes to the consolidated financial statements

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 and 2009

(In millions, except share and per share information)

1. NATURE OF OPERATIONS

AngloGold Limited was founded in June 1998 with the consolidation of the gold mining interests of Anglo American plc. AngloGold Ashanti Limited, as the company exists today, was formed on April 26, 2004 following the business combination between AngloGold and Ashanti Goldfields Company Limited.

AngloGold Ashanti is a global gold mining company headquartered in Johannesburg, South Africa. AngloGold Ashanti s main product is gold. As part of extracting gold the Company also produces silver, uranium oxide and sulfuric acid as by-products. The Company sells its products on world markets.

AngloGold Ashanti conducts gold-mining operations in the following regions, which represent its business segments:
South Africa (comprising the Vaal River and West Wits operations)
Continental Africa (comprising Ghana, Guinea, Mali, Namibia and Tanzania operations)
Australasia (comprising Australia)
Americas (comprising Argentina, Brazil and United States of America)

2. ACCOUNTING CHANGES

Disclosures about the credit quality of financing receivables and the allowance for credit losses

In July 2010, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification or ASC) guidance was issued for the disclosure of the allowance for credit losses and financing receivable modifications. The expanded disclosures include roll-forward schedules of the allowance for credit losses and enhanced disclosure of financing receivables that were modified during a reporting period and those that were previously modified and have re-defaulted. The new disclosure requirements are required for interim and annual periods beginning on or after December 15, 2010. Except for presentation changes, the adoption had no impact on the Company s financial statements.

In July 2010, the FASB issued guidance to address concerns about the sufficiency, transparency, and robustness of credit risk disclosures for financing receivables and the related allowance for credit losses. The guidance requires that entities disclose information at disaggregated levels. The expanded disclosures include information regarding the credit quality of receivables as of the end of a reporting period.

The new disclosure requirements apply to all entities that have lending arrangements in the form of receivables or a lessor s right to lease payments (other than operating leases), although disclosures for trade accounts receivable with a contractual maturity of one year or less are exempt. For public entities, the new disclosures are required for interim and annual periods ending on or after December 15, 2010.

Except for disclosure changes, the adoption had no impact on the Company s financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2. **ACCOUNTING CHANGES** *(continued)*

Fair value measurements

In January 2010, the ASC guidance for disclosures about fair value measurements was updated, providing amendments to the guidance which requires entities to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. The updated guidance further clarified the level of disaggregation required for assets and liabilities and the disclosures required for inputs and valuation techniques used to measure the fair value of assets and liabilities that fall in either Level 2 or Level 3. The disclosures related to Level 1 and Level 2 fair value measurements are effective for interim and annual reporting periods beginning after December 15, 2009. Except for disclosure changes, the adoption of the updated guidance had no material impact on the Company s financial statements.

In January 2010, the FASB ASC guidance for disclosures about fair value measurements was updated requiring level 3 disclosure details regarding separate information about purchases, sales, issuances, and settlements in the reconciliation of fair value measurements using significant unobservable inputs. The disclosures related to Level 3 fair value measurements are effective for interim and annual reporting periods beginning after December 15, 2010. The adoption of the updated guidance had no impact on the Company s financial statements as the Company does not have Level 3 fair value measurements.

Interim disclosures about fair value of financial instruments

In April 2009, the FASB updated the ASC guidance for interim disclosures about fair value of financial instruments which requires disclosures about fair value of financial instruments for interim reporting periods as well as in annual financial statements. It is effective for interim reporting periods ending after June 15, 2009. Except for presentation changes, the adoption had no impact on the Company s financial statements.

Assets and liabilities from contingencies in business combinations

In April 2009, the FASB updated the ASC guidance for accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies. The guidance addresses issues raised on initial recognition and measurement, subsequent measurement and accounting and disclosure of assets and liabilities arising from contingencies in a business combination. It is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after January 1, 2009. The Company adopted the provisions to be applied to all future business combinations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. **ACQUISITIONS AND DISPOSALS OF BUSINESSES AND ASSETS**

2011 acquisitions
The Company made the following acquisition during the year:

Acquisition of an interest in First Uranium
On July 22, 2011, AngloGold Ashanti acquired 47,065,916 shares (or 19.79 percent) in First Uranium Corporation, a Canadian incorporated company, from Village Main Reef Limited, a South African incorporated company, at a price of CAD0.60 per share ($0.64 per share), representing an aggregate consideration of $30 million.

2011 disposal
The Company s disposal during the year included:

Disposal of ISSI
AngloGold Ashanti disposed of its subsidiary ISS International Limited (ISSI) during the first quarter of 2011. The Company entered into a memorandum of understanding with The Institute of Mine Seismology relating to the disposal of ISSI. The sale was concluded on February 28, 2011, proceeds amounted to $9 million and the Company realized a profit of $2 million on disposal.

2010 disposals
The Company s disposals during the year included:

Disposal of Tau Lekoa
On February 17, 2009, AngloGold Ashanti announced the terms of the sale of its Tau Lekoa mine, together with the adjacent properties Weltevreden, Jonkerskraal and Goedgenoeg, to Simmer & Jack Mines Limited (Simmers). The sale was concluded effective August 1, 2010. The selling price of R600 million ($85 million) was payable in two tranches, R450 million ($64 million) was paid in cash on August 4, 2010 with the remaining R150 million ($21 million) (which was subject to certain offset adjustments) being settled on November 1, 2010. The Company realized a loss of $7 million on the sale of Tau Lekoa.

Disposal of B2Gold
AngloGold Ashanti realized net proceeds of $68 million from the sale of its entire holding of 31,556,650 shares in Vancouver-based gold producer B2Gold Corp (B2Gold). This stake, equivalent to about 10.17 percent of B2Gold s outstanding shares, was sold on November 9, 2010 and the Company realized a profit of $45 million on disposal. The Company acquired a 15.9 percent direct interest in B2Gold during May 2008.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. **ACQUISITIONS AND DISPOSALS OF BUSINESSES AND ASSETS** *(continued)*

2009 acquisitions

The Company made the following acquisitions during the year:

Acquisition of an effective 45 percent interest in the Kibali gold project

With effect from December 22, 2009, AngloGold Ashanti and Randgold Resources Limited (Randgold) each hold an effective 45 percent interest in the Kibali gold project (formerly the Moto gold project), while Société des Mines d Or de Kilo-Moto (SOKIMO) (formerly L Office des Mines d Or de Kilo-Moto (OKIMO)), a Congolese parastatal, holds the remaining 10 percent stake, thereby maintaining the continued vested interest of the Government of the Democratic Republic of the Congo (the DRC) in the Kibali gold project.

The purchase price for the acquisition of AngloGold Ashanti s initial interest of 35 percent in the Kibali gold project was funded by an offering of 7,624,162 ordinary shares at an issue price of $37.25 per ADS (or R288.32 per ordinary share) which represented a 3 percent discount to the closing price of its ADS on the NYSE on August 31, 2009. The offering closed on September 8, 2009 and AngloGold Ashanti received total gross proceeds, before underwriting discounts and expenses, of $284 million. Total consideration for the effective 45 percent interest acquired in the Kibali gold project amounted to $345 million.

Acquisition of an additional interest in Sadiola

On December 29, 2009, AngloGold Ashanti, together with IAMGOLD Corporation purchased from the International Finance Corporation (IFC), the IFC s 6 percent stake in Société d Exploitation des Mines d or de Sadiola (SEMOS), which owns the Sadiola Gold Mine for $12 million (AngloGold Ashanti s share being $6 million) to be followed by contingent payments not exceeding $3 million (of which AngloGold Ashanti s share is $1.5 million). This transaction has resulted in AngloGold Ashanti and IAMGOLD each increasing their respective interest in Sadiola from 38 percent to 41 percent.

2009 disposal

The Company s disposal during the year included:

Disposal of Boddington Gold Mine

On January 28, 2009, AngloGold Ashanti announced that it had agreed to sell its 33.33 percent interest in the Boddington Gold Mine to Newmont Mining Corporation (Newmont). The transaction was completed on June 26, 2009 and the Company realized a profit of $56 million on the sale.

In terms of the agreement, the Company received payment of $750 million in cash during June 2009 and a further $240 million in December 2009. In addition, the Company is entitled to receive a royalty on any gold recovered or produced by the Boddington Gold Mine, where the gold price is in excess of Boddington Gold Mine s cash costs plus $600 per ounce. The royalty commenced on July 1, 2010 and is capped at a total amount of $100 million. All refunds and reimbursements between the Company and Newmont have been settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Company presents its consolidated financial statements in United States dollars. The functional currency of a significant portion of the group s operations is the South African rand. Other main subsidiaries have functional currencies of US dollars and Australian dollars.

Use of estimates: The preparation of the financial statements requires the Company s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, current and expected economic conditions, and in some cases actuarial techniques. The Company regularly reviews estimates and assumptions that affect the annual financial statements, however, actual results could differ from those estimates.

The more significant areas requiring the use of management estimates and assumptions include mineral reserves that are the basis of future cash flow estimates and unit-of-production depreciation, depletion and amortization calculations; environmental, reclamation and closure obligations; estimates of recoverable gold and other materials in heap leach pads; asset impairments (including impairments of goodwill, long-lived assets, and investments); write-downs of inventory to net realizable value; post employment, post retirement and other employee benefit liabilities; valuation allowances for deferred taxation assets; reserves for contingencies and litigation; and the fair value and accounting treatment of financial instruments.

The following are the accounting policies used by the Company which have been consistently applied:

4.1 Consolidation

The consolidated financial information includes the financial statements of the Company and its subsidiaries. Where the Company has a direct or indirect controlling interest in an entity through a subsidiary, the entity is classified as a subsidiary. Interests in incorporated mining joint ventures in which the Company has joint control are accounted for by the equity method.

The financial statements of subsidiaries and the Environmental Trust Fund (a rehabilitation trust under the Company s control) are prepared for the same reporting period as the Company, using the same accounting policies, except for Rand Refinery Limited (a subsidiary of the Company) which reports on a three-month time lag. Adjustments are made to subsidiary financial results for material transactions and events in the intervening period.

Subsidiaries are consolidated from the date on which control is transferred. They are de-consolidated from the date on which control ceases.

All significant intercompany transactions and balances are eliminated in consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

4.2 **Investments in equity investees (associates and incorporated joint ventures)**

An associate is an entity other than a subsidiary in which the Company has a material long-term interest and in respect of which the Company has the ability to exercise significant influence over operational and financial policies, normally owning between 20 percent and 50 percent of the voting equity.

A joint venture is an entity in which the Company holds a long-term interest and which is jointly controlled by the Company and one or more external joint venture partners under a contractual arrangement that provides for strategic, financial and operating policy decisions relating to the activities requiring unanimous consent.

Investments in associates and incorporated joint ventures are accounted for using the equity method.

Goodwill relating to associates and incorporated joint ventures is included in the carrying value of the Company s investment. The total carrying value of equity accounted investments in associates and incorporated joint ventures, including goodwill, is evaluated for impairment when conditions indicate that a decline in fair value below the carrying amount is other than temporary or at least annually. When an impairment indicator exists, the carrying value of the Company s investment in those entities is written down to its fair value. The Company s share of results of equity accounted investees, that have financial years within three months of the fiscal year-end of the Company, is included in the consolidated financial statements based on the results reported by those investees for their financial years. There were no significant adjustments required to be made in respect of equity accounted investees which have financial years that are different to those of the Company.

Profits realized in connection with transactions between the Company and associated companies are eliminated in proportion to ownership.

4.3 **Foreign currency transactions and foreign currency statements**

Items included in the financial statements of each of the Company s entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Transactions and balances

Transactions in foreign currencies are converted at the rates of exchange ruling at the date of these transactions. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at balance sheet date. Non-monetary items are translated at historic rates. Gains, losses and costs associated with foreign currency transactions are recognized in the income statement in the period to which they relate, except where hedge accounting is applied. These transactions are included in the determination of other income.

Group companies

The results and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

share capital and premium are translated at historical rates of exchange;

equity items other than profit attributable to equity shareholders are translated at the closing rate;
assets and liabilities for each balance sheet presented are translated at the closing rate;
income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
all resulting exchange differences are recognized as a separate component of equity and included within accumulated other comprehensive income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

4.3 **Foreign currency transactions and foreign currency statements** *(continued)*

Exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to stockholders equity on consolidation.

When a foreign operation is sold, cumulative exchange differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at each balance sheet date.

4.4 **Segmental reporting**

A segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other segments and are reported on a reporting segment basis using the management approach. This approach is based on the way management organizes segments within the Company for making operating decisions and assessing performance. The Chief Operating Decision Maker has determined that the Company operates primarily in the delivery of gold.

4.5 **Cash and cash equivalents and restricted cash**

Cash and cash equivalents consist of cash balances and highly liquid investments with an original maturity of three months or less. Due to the short maturity of cash equivalents, their carrying amounts approximate their fair value. Restricted cash, classified as short-term, is reported separately in the consolidated balance sheets. Cash that is restricted as to withdrawal or use for other than current operations is classified as non-current and is included in Other long-term assets.

4.6 **Non-marketable debt securities**

Investments in non-marketable debt securities, for which the Company does not control or exercise significant influence, are classified as held to maturity and are subsequently measured at amortized cost. If there is evidence that held to maturity financial assets are impaired the carrying amount is reduced and the loss recognized in the income statement.

4.7 **Marketable equity investments and debt securities**

Marketable equity investments and debt securities which are considered available-for-sale, are carried at fair value, and the unrealized gains and losses, net of tax, computed in marking these securities to market are reported within accumulated other comprehensive income in the period in which they arise. These amounts are removed from accumulated other comprehensive income and reported in income when the asset is derecognized or when there is evidence that the asset is impaired in accordance with the FASB ASC guidance on accounting for certain investments in debt and equity securities. AngloGold Ashanti considers several factors in determining other-than-temporary impairment losses: including the current and expected long-term business prospects of the issuer; the length of time and relative magnitude of the price decline and its ability and intent to hold the investment until the price recovers.

Marketable debt securities that are classified as held to maturity are subsequently measured at amortized cost. If there is evidence that held to maturity financial assets are impaired the carrying amount is reduced and the loss recognized in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

4.8 **Inventories**

Inventories, including gold in process, gold on hand (doré/bullion), uranium oxide, sulfuric acid, ore stockpiles and supplies, are stated at the lower of cost or market value. Gold in process is valued at the average total production cost at the relevant stage of production as described below. The cost of gold, uranium oxide and sulfuric acid is determined principally by the weighted average cost method using related production costs.

Ore stockpiles are valued at the average moving cost of mining the ore. Supplies are valued at the lower of weighted average cost or market value. Heap leach pad materials are measured on an average total production cost basis.

The cost of inventory is determined using the full absorption costing method. Gold in process and ore stockpile inventory include all costs attributable to the stage of completion. Costs capitalized to inventory include amortization of property, plant and equipment and capitalized mining costs, direct and indirect materials, direct labor, shaft overhead expenses, repairs and maintenance, utilities, metallurgy costs, attributable production taxes and royalties, and directly attributable mine costs. Gold on hand (doré/bullion) includes all gold in process and refining costs. Ore is recorded in inventory when blasted underground, or when placed on surface stockpiles in the case of open-pit operations.

The costs of materials currently contained on the leach pad are reported as a separate line item and classified as either short-term or long-term. Materials on the leach pad are classified as short-term if the Company expects the related gold to be recovered within twelve months. The short-term portion is determined by multiplying the average cost per ounce in inventory by the expected production ounces for the next twelve months. Heap leach pad inventory occurs in two forms: (1) gold recoverable but yet to be dissolved (i.e. gold still in the ore), and (2) gold recoverable from gold dissolved in solution within the leach pad (i.e. pore water). This estimate was used in determining the short-term portion of materials on the leach pad.

4.9 **Development costs and stripping costs**

Development costs relating to major programs at existing mines are capitalized. Development costs consist primarily of expenditures to initially establish a mine and to expand the capacity of operating mines.

Post production stripping costs are considered costs of the extracted minerals under a full absorption costing system and recognized as a component of inventory to be recognized in cost of sales in the same period as the revenue from the sale of the inventory. Additionally, capitalization of such costs only occurs to the extent inventory exists at the end of a reporting period.

Costs associated with the opening of a new pit, are capitalized as mine development costs.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

4.10 **Depreciation, depletion and amortization**

Mine development costs, mine plant facilities and other fixed assets

Mine development costs, mine plant facilities and other fixed assets are recorded at cost less accumulated amortization and impairments. Cost includes pre-production expenditure incurred during the development of a mine and the present value of future decommissioning costs.

Capitalized mine development costs include expenditure incurred to develop new orebodies, to define further mineralization in existing orebodies and to expand the capacity of a mine. Where funds have been borrowed specifically to finance a project, the amount of interest capitalized represents the actual borrowing costs incurred.

Depreciation, depletion and amortization of mine development costs are computed principally by the units-of-production method based on estimated proven and probable mineral reserves. Proven and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits.

Mine plant facilities are amortized using the lesser of their useful life or units-of-production method based on estimated proven and probable mineral reserves. Main shafts are depleted using the units-of-production method based on total proven and probable reserves as the shaft will be used over the life of the mine. Other infrastructure costs including ramps, stopes, laterals, etc. and ore reserve development are depleted using proven and probable reserves applicable to that specific area. When an area is vacated and there is no longer an intention to mine due to a change in mine plans, all costs that have not been depleted are written off.

Other fixed assets comprising vehicles and computer equipment, are depreciated by the straight-line method over their estimated useful lives as follows:

- vehicles up to five years; and
- computer equipment up to three years.

Acquired properties

Acquired properties are carried at amortized cost. Purchased undeveloped mineral interests are acquired mineral rights and are recorded as tangible assets as part of acquired properties. The amount capitalized related to a mineral interest represents its fair value at the time it was acquired, either as an individual asset purchase or as a part of a business combination. Brownfield stage mineral interests represent interests in properties that are believed to potentially contain other mineralized material, such as measured, indicated or inferred mineral resources with insufficient drill spacing to qualify as proven and probable mineral reserves, that is in proximity to proven and probable mineral reserves and within an immediate mine structure. Greenfield stage mineral interests represent interests in properties that are other mine-related or greenfields exploration potential that are not part of measured or indicated resources and are comprised mainly of material outside of a mine s infrastructure. The Company s mineral rights are enforceable regardless of whether proven and probable mineral reserves have been established. The Company has the ability and intent to renew mineral rights where the existing term is not sufficient to recover all identified and valued proven and probable mineral reserves and/or undeveloped mineral interests.

Both Brownfield properties and Greenfield mineral interests are carried at acquired costs until such time as a mineral interest enters the production stage and are amortized using the unit-of-production method based on estimated proven and probable mineral reserves.

Both Brownfield properties and Greenfield mineral interests are evaluated for impairment as held-for-use assets in accordance with the Company s asset impairment accounting policy. See Note 4.13.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

4.11 **Other mining costs**

Other mining costs including repair and maintenance costs incurred in connection with major maintenance activities are charged to the income statement as incurred.

4.12 **Goodwill and other intangibles**

Goodwill

Where an investment in a subsidiary, joint venture or an associate is made, any excess of the purchase price over the fair value of the attributable mineral reserves including value beyond proven and probable, acquired properties and other net assets is recognized as goodwill.

Goodwill relating to subsidiaries is tested for impairment at least annually or when indicators of impairment exist and is carried at cost less accumulated impairment losses. Potential impairment is identified by comparing the fair value of a reporting unit with its carrying amount. The fair value of a reporting unit is determined using an expected present value technique.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to reporting units for the purpose of impairment testing.

Goodwill relating to incorporated joint ventures and associates is included within the carrying value of the investment in incorporated joint ventures and associates and tested for impairment when indicators exist. See Note 4.2.

The allocation of goodwill to an individual operating mine will result in an eventual goodwill impairment due to the wasting nature of the mine reporting unit. The Company performs its annual impairment review of assigned goodwill during the fourth quarter of each year.

Software

Software purchased, including direct costs associated with customization and installation of the software, is capitalized as other intangible assets.

Internally-developed software is capitalized when it meets the criteria for capitalization. Other software development expenditure is charged to the income statement as incurred. Software is amortized on a straight-line basis over its useful life which is determined to be the lesser of:

- the license period of the software;
- the period to the manufacturer s next announced upgrade that management intends to implement; or
- three years.

Useful lives are reviewed, and adjusted if appropriate, at the beginning of each financial year.

4.13 **Asset impairment**

The Company evaluates its held-for-use long lived assets for impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable. If the sum of estimated future cash flows on an undiscounted basis is less than the carrying amount of the related asset, including goodwill, if any, an asset impairment is considered to exist. The related impairment loss is measured by comparing estimated future cash flows on a discounted basis to the carrying amount of the asset. Management s estimate of future cash flows is subject to risk and uncertainties. It is therefore reasonably possible that changes could occur which may affect the recoverability of the group s mining assets. The Company records a reduction of a group of assets to fair value as a charge to earnings if expected future cash flows are less than the carrying amount. The Company estimates fair value by discounting the expected future cash flows using a discount factor that is commensurate with the risks involved, considering the term of the expected cash flows and any asset specific and country risks. In addition, an asset impairment is considered to exist where the fair value less costs to sell of an asset held for sale is below its carrying amount.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

4.14 **Borrowing costs**

Interest on borrowings relating to the financing of major capital projects under construction is capitalized during the construction phase as part of the cost of the project. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction is interrupted for an extended period or when the asset is substantially complete. Other borrowing costs are expensed as incurred.

4.15 **Leased assets**

Assets subject to finance leases are capitalized at the lower of fair value or present value of minimum lease payments with the related lease obligation recognized at the same amount. Capitalized leased assets are depreciated over the shorter of their estimated useful lives and the lease term. Finance lease payments are allocated using the effective interest rate method, between the lease finance cost, which is included in finance costs, and the capital repayment, which reduces the liability to the lessor.

Operating lease rentals are charged against operating profits in a systematic manner related to the period the assets concerned will be used.

4.16 **Provisions**

Provisions are recognized when the Company has a present obligation, whether legal or constructive, as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management s best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

4.17 **Taxation**

Current and deferred taxation is recognized as income or expense and included in the profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period directly in equity; or a business combination that is an acquisition. See Note 4.22.

Current taxation is measured on taxable income at the applicable enacted statutory rates.

The Company s operation involves dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities and resolution of disputes arising from federal, state, and international tax audits. A tax position is recognized in the financial statements when it is more-likely-than-not that the tax position will be sustained upon examination by the relevant taxing authority based on the technical merits. The Company recognizes tax liabilities for anticipated tax audit issues in tax jurisdictions based on its estimate of whether, and the extent to which, additional taxes will be due. The Company recognizes interest and penalties, if any, in the income statement as part of taxation expense.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

4.18 **Asset retirement obligations and rehabilitation costs**

The Company accounts for asset retirement obligations (AROs) in accordance with the FASB ASC guidance on accounting for asset retirement obligations.

AROs, also referred to as decommissioning costs, arise from the acquisition, development, construction and operation of mining property, plant and equipment, due to government controls and regulations that protect the environment on the closure and reclamation of mining properties. The fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred. When the liability is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is increased to reflect an interest element (accretion) considered in its initial measurement at fair value, and the capitalized cost is amortized over the useful life of the related asset. Where the obligation arises from activities that are operational in nature and does not give rise to future economic benefit, the capitalized cost is amortized in the period incurred. Upon settlement of the liability, a gain or loss will be recorded if the actual cost incurred is different from the liability recorded.

Rehabilitation costs and related liabilities are based on the Company s interpretation of current environmental and regulatory requirements.

Based on current environmental regulations and known rehabilitation requirements, management has included its best estimate of these obligations in its rehabilitation accrual. However, it is reasonably possible that the Company s estimates of its ultimate rehabilitation liabilities could change as a result of changes in regulations or cost estimates.

Environmental liabilities other than rehabilitation costs which relate to liabilities from specific events are accrued when they are known, probable and reasonably estimable.

4.19 **Product sales**

Revenue from product sales is recognized when:

- persuasive evidence of an arrangement exists;
- delivery has occurred or services have been rendered;
- the seller s price to the buyer is fixed or determinable; and
- collectability is reasonably assured.

The sales price, net of any taxes, is fixed on either the terms of gold sales contracts or the gold spot price.

4.20 **Financial instruments**

Financial instruments recognized on the balance sheet include investments, loans receivable, trade and other receivables, cash and cash equivalents, borrowings, derivatives, and trade and other payables. Financial instruments are initially measured at cost, including transaction costs, when the Company becomes a party to the contractual arrangements. Subsequent measurement of derivative instruments is dealt with below.

Derivatives

The Company accounts for derivative contracts in accordance with the FASB ASC guidance on accounting for derivative instruments and hedging activities, which requires all contracts that meet the definition of a derivative to be recognized on the balance sheet as either assets or liabilities and recorded at fair value. Gains or losses arising from remeasuring derivatives to fair value at each reporting period are accounted for either in the income statement or in accumulated other comprehensive income, depending on the use and designation of the derivative and whether it qualifies for hedge accounting. The key criterion which must be met in order to qualify for hedge accounting, is that the derivative must be highly effective in offsetting the change in the fair value or cash flows of the hedged item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

4.20 **Financial instruments** *(continued)*

Contracts that meet the criteria for hedge accounting are designated as the hedging instruments hedging the variability of forecasted cash flows from capitalized expenditure and the sale of production into the spot market, and are classified as cash flow hedges. Where a derivative qualifies as the hedging instrument in a cash flow hedge, changes in fair value of the hedging instruments, to the extent effective, are deferred in accumulated other comprehensive income and reclassified to earnings as product sales or as an adjustment to depreciation expense pertaining to capital expenditure, when the hedged transaction occurs. The ineffective portion of changes in fair value of the cash flow hedging instruments is reported in earnings as gains or losses on non-hedge derivatives in the period in which they occur.

All other contracts not meeting the criteria for the normal purchases and sales exemption or hedge accounting are recorded at their fair market value, with changes in value at each reporting period recorded in earnings as gains or losses on non-hedge derivatives.

Cash flows from derivative instruments accounted for as cash flow hedges and non-hedge derivatives are included in net cash provided by operating activities in the consolidated statements of cash flows. Contracts that contain off-market terms that result in the inflow of cash at inception are analogous to borrowing activities and, as such, are treated as financing activities. All current and future cash flows associated with such instruments are classified as financing activities within the consolidated statements of cash flows. Contracts that contain off-market terms that result in the outflow of cash at inception are analogous to lending activities and, as such, are treated as investing activities. All current and future cash flows associated with such instruments are classified within the investing activities of the consolidated statements of cash flows.

The estimated fair values of derivatives are determined at discrete points in time based on relevant market information. These estimates are calculated with reference to the market rates using industry standard valuation techniques.

Certain derivative instruments are designated as hedges of foreign currency denominated borrowings and investments in foreign entities. This designation is reviewed at least quarterly, or as borrowing and investment levels change. The hedge amounts (to the extent effective) are recorded as an offset to the translation gains/losses being hedged.

4.21 **Employee benefits**

Pension obligations

Group companies operate various pension schemes. The schemes are funded through payments to insurance companies or trustee administered funds, determined by annual actuarial calculations. The Company has both defined benefit and defined contribution plans.

The current service cost in respect of defined benefit plans is recognized as an expense in the current year. Past service costs, experience adjustments, the effect of changes in actuarial assumptions and the effects of plan amendments in respect of existing employees are recognized as an expense or income as and when they arise. This method is applied consistently in each period end to all gains and losses.

The asset/liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The contributions on defined contribution plans are recognized as employee benefit expense when due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

4.21 **Employee benefits** *(continued)*

Other post-employment benefit obligations
Some group companies provide post-retirement healthcare benefits. The expected costs of these benefits are accrued over the period of employment using an accounting methodology on the same basis as that used for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries. Actuarial gains and losses arising in the plan are recognized as income or expense as and when they arise.

Termination benefits
The Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan; or providing termination benefits as a result of an offer made to encourage voluntary redundancy based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

4.22 **Deferred taxation**
The Company follows the liability method of accounting for deferred taxation whereby the Company recognizes the tax consequences of temporary differences by applying enacted tax rates applicable to future years to differences between financial statement amounts and the tax bases of certain assets and liabilities. Changes in deferred taxation assets and liabilities include the impact of any tax rate changes enacted during the year. Principal temporary differences arise from depreciation on property, plant and equipment, derivatives, provisions and tax losses carried forward. A valuation allowance is recorded to reduce the carrying amounts of deferred taxation assets if it is more likely than not that such assets will not be realized.

4.23 **Dividends**
Dividends are recognized when declared by the board of directors. Dividends may be payable in Australian dollars, South African rands, United Kingdom pounds or Ghanaian cedis. Dividends declared to foreign stockholders are not subject to approval by the South African Reserve Bank in terms of South African foreign exchange control regulations. Dividends are freely transferable to foreign stockholders from both trading and non-trading profits earned in South Africa by publicly listed companies. Under South African law, the Company may declare and pay dividends from any reserves included in total shareholders equity (including share capital and premium) calculated in accordance with International Financial Reporting Standards (IFRS), subject to the solvency and liquidity test per the Companies Act.

4.24 **Earnings per share**
Earnings and diluted earnings per share have been calculated, for each class of common stock outstanding, using the two class method which requires that basic net income (loss) per share is computed using the weighted average number of shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted average number of Ordinary shares and, if dilutive, potential common shares outstanding during the period. The computation of the diluted income (loss) per share of Ordinary shares assumes the conversion of E Ordinary shares.

The rights, including the liquidation, voting and dividend rights, of holders of Ordinary shares and E Ordinary shares are identical. As a result, the undistributed earnings for each year are allocated based on the contractual participation rights of the Ordinary and E Ordinary shares as if the earnings for the year had been distributed. As only 50 percent of dividends are paid to E ordinary share holders in cash (the remaining 50 percent reduces the exercise price of the E ordinary shares), the undistributed earnings are allocated between E ordinary shares and ordinary shares based on this proportionate basis. Further, as the Company assumes the conversion of E Ordinary shares in the computation of the diluted net income (loss) per share of Ordinary shares, the undistributed earnings are equal to net income (loss) for the computation.

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

4.25 **Exploration and evaluation costs**

The Company expenses all exploration costs until the directors conclude that a future economic benefit is more likely than not of being realized. In evaluating if expenditures meet this criterion to be capitalized, the directors utilize several different sources of information depending on the level of exploration. While the criteria for concluding that expenditure should be capitalized is always probable, the information that the directors use to make that determination depends on the level of exploration.

Costs on greenfields sites, being those where the Company does not have any mineral deposits which are already being mined or developed, are expensed as incurred until the directors are able to demonstrate that future economic benefits are probable, which generally will be the establishment of proven and probable reserves at this location.

Costs on brownfields sites, being those adjacent to mineral deposits which are already being mined or developed, are expensed as incurred until the directors are able to demonstrate that future economic benefits are probable, which generally will be the establishment of increased proven and probable reserves after which the expenditure is capitalized as a mine development cost.

Costs relating to extensions of mineral deposits, which are already being mined or developed, including expenditure on the definition of mineralization of such mineral deposits, are capitalized as mine development costs.

Costs relating to property acquisitions are capitalized within development costs.

Drilling and related costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit that contain proven and probable reserves are recorded as exploration expenditures and are expensed as incurred.

Drilling and related costs incurred to define and delineate a residual mineral deposit that has not been classified as proven and probable reserves at a development stage or production stage mine are capitalized when management determines that there is sufficient evidence that the expenditure will result in a future economic benefit to the Company in the accounting period when the expenditure is made. Management evaluates whether or not there is sufficient geologic and economic certainty of being able to convert a residual mineral deposit into a proven and probable reserve at a development stage or production stage mine, based on the known geologic and metallurgy, existing mining and processing facilities, operating permits and environmental programs. Therefore prior to capitalizing such costs, management determines that the following conditions have been met:

a. There is a probable future benefit;
b. AngloGold Ashanti can obtain the benefit and control access to it; and
c. The transaction or event giving rise to it has already occurred.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

4.25 **Exploration and evaluation costs** *(continued)*

The Company understands that there is diversity in practice within the mining industry, in that some companies expense the drilling and related costs incurred to define and delineate residual mineral deposits that have not been classified as proven and probable reserves at a development stage or production stage mine. Had AngloGold Ashanti expensed such costs as incurred, net income, earnings per share and retained earnings would have been lower by the following amounts:

	2011	2010	2009
Net income ($ millions)	10	27	16
Earnings per share [1](cents)	3	7	4
Retained income - January 1 ($ millions)	113	86	70
Retained income - December 31 ($ millions)	123	113	86

[1] Impact per basic and diluted earnings per common share.

4.26 **Stock-based compensation plans**
The Company s management awards certain employees stock options on a discretionary basis.

The fair value of the stock-based payments is calculated at grant date using an appropriate model. For equity settled stock-based payments, the fair value is determined using a Black-Scholes method and expensed on a straight-line basis over the vesting period based on the group s estimate of shares that will eventually vest.

Option schemes which include non-market vesting conditions have been calculated using the Black-Scholes model. For all other stock-based payments to employees the fair value is determined by reference to the market value of the underlying stock at grant date adjusted for the effects of the relevant terms and conditions.

For schemes with non-market related vesting conditions, the likelihood of vesting has been taken into account when determining the income statement charge. Vesting assumptions are reviewed during each reporting period.

Stock options are subject to a three year vesting condition and their fair value is recognized as an employee benefit expense with a corresponding increase in Additional paid in capital over the vesting period. The proceeds received, net of any directly attributable transaction costs are credited to Common stock and Additional paid in capital when the options are exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

4.27 **Recent pronouncements**

Goodwill impairment testing
In September 2011, the FASB issued updated guidance which simplifies how an entity tests goodwill for impairment. The guidance allows both public and nonpublic entities an option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under that option, an entity no longer would be required to calculate the fair value of a reporting unit unless the entity determines, based on that qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The guidance also includes examples of the types of events and circumstances to consider in conducting the qualitative assessment. The amendments will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The Company does not expect the adoption of the updated guidance of how goodwill is tested for impairment to have a material impact on the Company s financial statements.

Presentation of comprehensive income
In June 2011, the FASB issued guidance for disclosures about comprehensive income. The guidance is intended to increase the prominence of other comprehensive income in financial statements. The main provisions of the guidance provide that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one statement or two consecutive statements. The current option in US GAAP that permits the presentation of other comprehensive income in the statement of changes in equity will be eliminated. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and should be applied retrospectively. Early adoption is permitted. The Company plans to adopt the two consecutive statement approach and does not expect the adoption of this guidance to have a material impact on the Company s financial statements. In December 2011, the FASB deferred the requirement in the guidance to present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. The amendments of this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

Fair value measurements
In May 2011, the FASB issued updated guidance on fair value measurement and disclosure requirements. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within US GAAP. The update will supersede most of the FASB ASC guidance for fair value measurements, although many of the changes are clarifications of existing guidance or wording changes. The amendments are effective in the first quarter of 2012. The Company does not expect the adoption of the updated guidance to have a material impact on the Company s financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5. COSTS AND EXPENSES

Employment severance costs

	2011 $	2010 $	2009 $
South Africa	9	19	10
Continental Africa	3	1	3
Americas	3	3	1
	15	23	14

Employee severance costs were due to retrenchments reflecting downsizing and rationalization of operations resulting in a planned reduction in workforce.

Interest expense

	2011 $	2010 $	2009 $
Finance costs on rated bonds (1)	56	38	-
Finance costs on convertible bonds (2)	25	22	18
Finance costs on mandatory convertible bonds (3)	47	13	-
Finance costs on bank loans and overdrafts	10	19	55
Unwinding of discount on convertible bonds	28	27	18
Amortization of deferred loan fees (4)	7	20	31
Capital lease charges	5	5	3
Discounting of non-current trade and other debtors	-	6	6
Other	3	1	5
	181	151	136
Less : Amounts capitalized on qualifying assets	(3)	-	(13)
	178	151	123

(1) *On April 28, 2010, AngloGold Ashanti Holdings plc issued $1.0 billion of 10-year and 30-year unsecured notes. The issue consisted of $700 million of 10-year unsecured notes at a semi-annual coupon of 5.375 percent and $300 million of 30-year unsecured notes at a semi-annual coupon of 6.5 percent. See Note 18.*

(2) *The $1.0 billion 2.375 percent convertible bond (issued February 27, 2004) was repaid on February 27, 2009. On May 22, 2009, AngloGold Ashanti Holdings Finance plc issued $732.5 million 3.5 percent guaranteed convertible bonds due May 2014, convertible into ADSs. See Note 18.*

(3) *In September 2010, AngloGold Ashanti Holdings Finance plc issued $789 million of mandatory convertible bonds at a coupon rate of 6 percent due in September 2013. See Note 18.*

(4) *Includes a once-off charge of $8 million related to the cancellation of debt facilities during 2010.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5. **COSTS AND EXPENSES** *(continued)*

Impairment of assets

Impairments are made up as follows:

	2011 $	2010 $	2009 $
South Africa			
Impairment of abandoned shaft pillar development at TauTona[(1)]	9	-	-
Impairment and write-off of Savuka[(2)]	3	16	-
Impairment and write-off of waste wash plant at Kopanang mine[(3)]	2	-	-
Below 120 level at TauTona[(4)]	-	47	-
Impairment of Tau Lekoa[(5)]	-	8	4
Continental Africa			
Impairment and write-off of vehicles and mining equipment at Obuasi mine	2	-	-
Impairment of Iduapriem obsolete tailings storage facility[(6)]	-	8	-
Impairment and write-off of vehicles and heavy mining equipment at Geita mine	-	5	-
Impairment and write-off of tailings treatment plant at Obuasi mine[(7)]	-	3	-
Impairment and write-off of oxide treatment plant at Obuasi mine[(8)]	-	-	4
Americas			
Write-off of mining assets at Serra Grande	-	3	-
Other			
Impairment and write-off of various minor tangible assets and equipment	1	1	-
	17	91	8

(1) *Due to a change in the mine plan resulting from safety related concerns following seismic activity, the VCR shaft pillar and ore pass development have been abandoned and is no longer expected to generate future cash flows.*

(2) *Due to a further change in the mine plan during 2011, the Savuka assets have been abandoned and are not expected to generate future cash flows.*

(3) *The use of the waste wash plant was discontinued as it did not yield the desired benefit.*

(4) *Due to a change in the mine plan resulting from safety related concerns following seismic activity, a portion of the below 120 level development has been abandoned and is not expected to generate future cash flows.*

(5) *Following the classification of Tau Lekoa as held for sale in 2009, impairment testing was performed on the held for sale asset. As the estimated fair value less costs to sell did not support the carrying value, an impairment was recorded for held for sale assets. The sale of Tau Lekoa was concluded effective August 1, 2010.*

(6) *The use of the tailings storage facility was discontinued as no further economic benefit is expected to be derived.*

(7) *Due to safety related concerns the use of the tailings treatment plant was discontinued.*

(8) *Due to damage suffered by the leach tanks of the treatment plant, its use was discontinued in 2009.*

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5. **COSTS AND EXPENSES** *(continued)*

The following estimates and assumptions were used by management when reviewing goodwill and long-lived assets for impairment:

- the gold price assumption represented management s best estimate of the future price of gold. In arriving at the estimated long-term gold price, management considered all available market information including current prices, historical averages, and forward pricing curves. The long-term gold price is based on a range of economic and market conditions expected to exist over the remaining useful life of the assets; (1)
- proven and probable ore reserves as well as value beyond proven and probable reserves estimates. For these purposes proven and probable ore reserves of approximately 75.6 million ounces (including joint ventures) as at December 31, 2011 were determined;
- the real pre-tax discount rate is commensurate with the risks involved which is consistent with the basis used in 2010. The risk factors considered were country risk as well as asset risk for cash flows relating to mines that are not yet in production and deep level mining projects. The country risk factor was based on the Company s internal assessment of country risk relative to the issues experienced in the countries in which it operates and explores;
- foreign currency cash flows were translated at estimated forward exchange rates and then discounted using appropriate discount rates for that currency; and
- cash flows used in impairment calculations were based on life of mine plans.

Estimates and assumptions used by management included the following:

	2011	2010	2009
	$ per ounce	**$ per ounce**	**$ per ounce**
(1) Long-term real gold price	1,530	1,113	906

The real pre-tax discount rates applied in the 2011 impairment calculations on reporting units with significant assigned goodwill were as follows:

	Percentage
Australasia	
Sunrise Dam	8.4%
Americas	
Cripple Creek	7.4%

In addition to the gold price and discount rate assumptions described above, the factors affecting the estimates include:

- changes in proven and probable ore reserves as well as value beyond proven and probable reserves;
- the grade of ore reserves as well as value beyond proven and probable reserves may vary significantly from time to time;
- differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues; and
- changes in capital, operating mining, processing and reclamation costs and foreign exchange rates.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5. **COSTS AND EXPENSES** *(continued)*

Environmental rehabilitation obligations
Long-term environmental obligations comprising decommissioning and restoration are based on the Company s environmental management plans, in compliance with the current environmental and regulatory requirements.

	$
The following is a reconciliation of the total liabilities for asset retirement obligations:	
Balance as at December 31, 2010	530
Additions to liabilities	5
Liabilities settled	(18)
Accretion expense	28
Change in assumptions[1]	140
Other movements	2
Translation	(34)
Balance as at December 31, 2011	653

[1] *Revisions relate to change in mine plans resulting in accelerated cash flows, change in economic assumptions and discount rates, change in design of tailing storage facilities and in methodology following requests from the environmental protection agency. These liabilities are anticipated to unwind beyond the end of the life of mine.*

These liabilities mainly relate to obligations at the Company s active and inactive mines to perform reclamation and remediation activities in order to meet applicable existing environmental laws and regulations.

Certain amounts have been contributed to a rehabilitation trust and environmental protection bond under the Company s control. The monies in the trust and bond are invested primarily in interest bearing debt securities and cash and are included in Other long-term assets in the Company s consolidated balance sheet. Cash balances held in the trust and bond are classified as restricted cash and are included in Other long-term assets in the Company s consolidated balance sheet. As at December 31, the carrying amounts and estimated fair values of balances held in the trust and bond were as follows:

	December 31, 2011		December 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Securities	111	114	117	118
Cash	22	22	32	32
	133	136	149	150

Operating lease charges
Operating lease rentals are charged against income in a systematic manner related to the period the leased property will be used. Lease charges relate mainly to the hire of plant and machinery and other land and buildings.

Operating leases for plant and machinery are for contracts entered into with mining contractors. The contracts are for specified periods and include escalation clauses. Renewals are at the discretion of the respective operating mine. Certain contracts include the provision of penalties payable on early exiting or cancellation.

Rental expense[1]

	2011	2010	2009
	$	$	$
Comprising of:			
Minimum rentals	29	23	33

[1]*Included in production costs for each period presented.*

Future minimum rental payments are:	
2012	23
2013	1
2014	1
Thereafter	-
	25

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5. **COSTS AND EXPENSES** *(continued)*

(Profit)/loss on sale of assets, realization of loans, indirect taxes and other

	2011	2010	2009
	$	$	$
Impairment of investments	21	2	12
Loss on disposal of land, equipment and assets, mineral rights and exploration properties	8	19	13
Black economic empowerment transaction restructuring costs for Izingwe Holdings (Proprietary) Limited	7	-	-
Indirect tax expenses and legal claims(1)	6	17	29
Royalties received(2)	(79)	(8)	-
Insurance claim recovery on capital items at Obuasi	(3)	-	-
Profit on disposal of the Company s subsidiary ISS International Limited(3)	(2)	-	-
Reassessment of other receivables	(1)	9	7
Mandatory convertible bonds underwriting and professional fees	-	26	-
Loss on sale of Tau Lekoa Gold mine(4)	-	7	-
Mining contractor termination costs	-	1	-
Profit on disposal of investments(5)	-	(52)	-
Net insurance claim recovery(6)	-	(19)	(7)
(Recovery)/loss on consignment inventory	-	(5)	12
Profit on disposal of joint venture interest in Boddington Gold mine in Australia(7)	-	-	(56)
	(43)	(3)	10

(1) *Indirect taxes and legal claims are in respect of:*			
Guinea	9	10	7
Ghana	5		
Argentina	2		
Namibia	1		
Tanzania	(10)	6	25
Brazil	(1)		(3)
South Africa		1	
(2) *Royalties received include:*			
Newmont Mining Corporation (2009 Boddington Gold mine sale)	(38)	(4)	
Franco Nevada Corporation (2011 sale of royalty stream in Ayanfuri mine)	(35)		
Simmers & Jack Mines Limited (2010 sale of Tau Lekoa Gold mine)	(5)	(3)	
Other royalties	(1)	(1)	
(3) *ISS International Limited (ISSI) was classified as held for sale effective November 3, 2010, after AngloGold Ashanti entered into a memorandum of understanding with the Institute of Mine Seismology for the disposal of ISSI. The sale was concluded on February 28, 2011.*			
(4) *The sale of Tau Lekoa Gold mine was concluded effective August 1, 2010.*			
(5) *Profit on disposal of investments include:*			
B2Gold Corporation (Colombia)		(45)	
Red 5 Limited (Australia)		(7)	
(6) *Includes business interruption insurance following a seismic event which resulted in the suspension of operations at Savuka Gold mine (in South Africa) during 2009. The Company recovered $46 million from its insurers. Amounts received included:*			
Business interruption recoveries		(19)	(11)
Reimbursement of costs (included in Production costs)		(16)	
(7) *Included $31 million foreign exchange transaction loss.*			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5. **COSTS AND EXPENSES** *(continued)*

Non-hedge derivative (gain)/loss and movement on bonds

Non-hedge derivative (gain)/loss

	2011	2010	2009
	$	$	$
(Gain)/loss on non-hedge derivatives	(83)	703	1,452

The net gain recorded for the year ended December 31, 2011 relates to the fair value movements of the conversion features of convertible bonds amounting to $84 million (see Note 18) and the revaluation of non-hedge derivatives resulting from changes in the prevailing forward gold price, exchange rates, interest rates and volatilities during the year, amounting to a loss of $1 million.

During 2010, the Company eliminated its gold hedge book. The loss of scheduled hedge book maturities during 2010 was $27 million. Loss on non-hedge derivatives includes a realized loss of $2,698 million relating to the final tranche of the accelerated hedge buy-back that commenced in September 2010 and was concluded on October 7, 2010. The final phase of the hedge restructuring was funded with proceeds from the equity offering (see Note 21) and the three-year mandatory convertible bonds (see Note 18) issued in September, as well as cash from internal sources and debt facilities.

During July 2009, the Company embarked on a hedge buy back that resulted in the accelerated settlement of both non-hedge and forward gold contracts qualifying for the normal purchases and sales exemption (which permits the Company to not record such amounts in its financial statements until the maturity date of the contract) under which the Company had committed to deliver a specified quantity of gold at a future date in exchange for an agreed price. These effects are reflected in the table below.

Effects of the accelerated hedge settlements

	2011	2010	2009
	$	$	$
Accelerated hedge settlement of non-hedge derivatives	-	2,698	797
Previously designated NPSE contracts	-	405	580
Other non-hedge derivative contracts	-	2,293	217

As a result of the accelerated cash settlement of the normal purchase and sale exempted (NPSE) contracts during July 2009, the FASB ASC guidance on derivatives and hedging necessitated a review of the continuing designation of, and accounting treatment for, the remaining NPSE contracts that were not part of the accelerated settlement. Management concluded, in accordance with the provisions of the FASB ASC guidance, to re-designate all remaining NPSE contracts as non-hedge derivatives and to account for such contracts at fair value on the balance sheet with changes in fair value accounted for in the income statement.

The hedge buy-back and re-designation of contracts effected in 2009 resulted in an increase in current non-hedge derivative liabilities and a consequential loss on non-hedge derivatives. During 2010, all the contracts that were previously designated as NPSE were closed out and recorded as a non-hedge derivative loss.

The effect of the NPSE re-designation in July 2009 and subsequent accounting for these contracts is stated below.

	2011	**2010**
	$	**$**
Liability at beginning of period	-	556
Fair value movements (recorded in non-hedge derivative (gain)/loss)	-	131
Realized settlements	-	(687)
Liability as at December 31	-	-

Movement on bonds

	2011	**2010**	**2009**
	$	**$**	**$**
Fair value (gain)/loss on mandatory convertible bonds (See Note 18)	(113)	83	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6. **RELATED PARTY TRANSACTIONS**

The Company had the following transactions with related parties during the years ended December 31, 2011, 2010 and 2009:

(in millions)	December 31, 2011 Purchases (by)/from related party $	December 31, 2011 Amounts owed to/(by) related party $	December 31, 2010 Purchases (by)/from related party $	December 31, 2010 Amounts owed to/(by) related party $	December 31, 2009 Purchases (by)/from related party $
Purchases of goods and services (by)/from equity accounted joint ventures and associates					
Margaret Water Company	6	-	3	-	1
Societe d Exploitation des Mines d Or de Sadiola S.A.	(12)	(2)	(8)	(2)	(10)
Societe d Exploitation des Mines d Or de Yatela S.A.	(2)	(1)	(3)	-	(3)
Societe des Mines de Morila S.A.	(4)	-	(8)	(1)	(6)
Trans-Siberian Gold plc	-	-	1	-	-
	(12)	(3)	(15)	(3)	(18)

Amounts due by joint venture and associate related parties arising from purchases of goods and services are unsecured and non-interest bearing. See Note 10.

As at December 31, 2011 and 2010, there are no outstanding balances arising from purchases of goods and services owed to related parties.

Loans due by equity accounted joint ventures and associates included in Other long-term assets

	2011 $	2010 $
Oro Group (Proprietary) Limited (1)	1	2
AuruMar (Proprietary) Limited (joint venture) (2)	5	5
Orpheo (Proprietary) Limited (3)	-	1
Trans-Siberian Gold plc (4)	3	-
Thani Ashanti Alliance Limited (joint venture) (5)	20	-

(1) The loan bears interest at a rate determined by the Oro Group (Proprietary) Limited s board of directors and is repayable at their discretion.
(2) The loan is unsecured, interest free and there are no fixed terms of repayment.
(3) The loan was written off during 2011. The write-off is included in equity income in associates.
(4) The loan is unsecured, bears interest at 8 percent per annum and is repayable in April 2012.
(5) The loan bears interest at a margin of 0.95 percent over the Johannesburg Interbank Agreed Rate (JIBAR) and is repayable in December 2012.

There are no allowances for credit losses relating to the loans described above. Credit quality of loans is monitored on an ongoing basis.

As at December 31, 2011 and 2010, there are no outstanding balances arising from loans owed to related parties.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. TAXATION

	2011 $	2010 $	2009 $
Income/(loss) from continuing operations before income tax and equity income in associates was derived from the following jurisdictions:			
South Africa	813	203	(340)
Continental Africa	745	391	(249)
Australasia	(25)	(149)	(147)
Americas	690	282	(19)
Other, including Corporate and Non-gold producing subsidiaries[1]	(102)	(346)	(143)
	2,121	381	(898)

[1] *The decrease in the loss is mainly due to fair value movements on the mandatory convertible and rated bonds.*

	2011 $	2010 $	2009 $
(Charge)/benefit for income taxes attributable to continuing operations is as follows:			
Current:			
South Africa[1]	(128)	106	(36)
Continental Africa[2]	(146)	(81)	(38)
Australasia[3]	-	(36)	(34)
Americas[4]	(124)	(106)	(54)
Other	(8)	-	(4)
Total current	(406)	(117)	(166)

[1] *The increase in the tax charge in 2011 is mainly due to higher income and non-hedge derivative losses having been fully utilized during the current year. The tax benefit in 2010 is mainly related to tax benefits on losses relating to the early hedge settlement and tax benefits relating to prior years.*

[2] *The increase in the tax charge in 2011 is mainly due to net operating losses at Geita having been fully utilized during the current year. The increase in the tax charge in 2010 is mainly related to higher earnings at Siguiri and Iduapriem from an improved gold price as well as lower capital expenditure.*

[3] *The lower tax charge in 2011 is due to lower earnings resulting from flooding and the ramp failure which severely affected all aspects of the operation at Sunrise Dam during 2011. The increase in the tax charge in 2010 is due to higher taxable earnings from an improved gold price.*

[4] *The increase in the tax charge in 2011 mainly relates to higher earnings in line with the improved gold price.*

Mining tax on mining income in South Africa is determined according to a formula which adjusts the tax rate in accordance with the ratio of profit to revenue from operations. This formula also allows an initial portion of mining income to be free of tax. Non-mining income is taxed at a standard rate.

	2011 $	2010 $	2009 $
Deferred:			
South Africa[1]	(212)	(119)	141
Continental Africa[2]	(93)	(19)	27
Australasia[3]	4	(1)	49
Americas	2	(1)	(18)
Other	-	2	-
Total deferred	(299)	(138)	199

Total income and mining tax (expense)/benefit	(705)	(255)	33

(1) *The increase in the tax charge in 2011 is mainly due to the reversal of deferred tax credits on losses utilized. The increase in the tax charge in 2010 related mainly to the reversal of deferred tax on unrealized non-hedge derivative losses. Deferred tax credits in 2009 are mainly from unrealized non-hedge derivative losses arising from an improved gold price and the remaining NPSE contracts being re-designated as non-hedge derivatives and recorded on the balance sheet, following the hedge buy-back in July 2009.*

(2) *The increase in the tax charge in 2011 is mainly due to the reversal of deferred tax credits from the utilization of tax losses at Geita. The increase in the tax in 2010 charge is mainly due to the tax benefits at Geita in 2009 not recurring in 2010.*

(3) *The deferred tax benefit in 2009 relates to the reversal of timing differences on the sale of Boddington Gold Mine.*

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. **TAXATION** *(continued)*

Estimated deferred taxation rates in South Africa reflect the future anticipated taxation rates at the time temporary differences reverse.

During 2011, 2010 and 2009, deferred taxation in South Africa was provided at the future anticipated taxation rates ranging as follows:

	2011	2010	2009
Maximum anticipated deferred taxation rate	39%	38%	39%
Minimum anticipated deferred taxation rate	36%	35%	36%

The effect of the change in estimated deferred taxation rate in South Africa on the results for 2011, 2010 and 2009 were as follows:

	Year ended December 31					
	2011		2010		2009	
	Impact $	Per basic and diluted common share[(a)(b)] cents	Impact $	Per basic and diluted common share[(a)(b)] cents	Impact $	Per basic and diluted common share[(a)(b)] cents
Net (expense)/benefit	(11)	(3)	8	2	21	6

[(a)] *Per basic and diluted ordinary and E ordinary shares.*
[(b)] *The calculation of diluted earnings per common share did not assume the effect of the following number of shares as their effects are anti-dilutive.*

	2011	2010	2009
Issuable upon the exercise of convertible bonds	-	33,524,615	15,384,615
Issuable upon the exercise of stock incentive options	-	-	1,234,858

Unutilized tax losses

Unutilized tax losses as at December 31, 2011, 2010 and 2009 amounted to:

	2011	2010	2009
	$	$	$
Unutilized tax losses [1]	321	1,200	1,032

[1] *Decrease in unutilized operating loss carryforwards over 2010 are due to utilization of losses in South Africa, Geita and the Americas.*

Unutilized operating loss carryforwards remaining to be used against future profits can be split into the following periods:	
Within one year	71
Within one and two years	65
Within two and five years	23
In excess of five years	162
	321

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. **TAXATION** *(continued)*

Reconciliation between corporate income tax and statutory income tax is as follows:

	2011 $	2010 $	2009 $
Corporate income tax at statutory rates	(742)	(133)	314
Formula variation in mining taxation rate	(7)	-	21
Disallowable items[1]	(36)	(107)	(303)
Reversal of valuation allowances	41	24	11
Effect of income tax rates of other countries	50	(46)	(38)
Impact of change in estimated deferred taxation rate	(11)	8	21
Other	-	(1)	7
Total income and mining tax (expense)/benefit	(705)	(255)	33

(1) *Disallowable items includes the impact of hedge losses in non-taxable jurisdictions and share expense costs. In 2009, the losses on the hedge settlements were mainly in non-tax effective entities.*

Deferred taxation liabilities and assets on the balance sheet as at December 31, 2011 and 2010, relate to the following:

	2011 $	2010 $
Deferred tax liabilities:		
Depreciation, depletion and amortization	1,611	1,555
Product inventory not taxed	24	15
Derivatives	8	1
Other	5	34
Total	1,648	1,605
Deferred tax assets:		
Provisions, including rehabilitation accruals	(389)	(363)
Derivatives	(1)	(1)
Other	(28)	(5)
Tax loss carry forwards	(69)	(364)
Total	(487)	(733)
Less: Valuation allowances	7	125
Total	(480)	(608)

Disclosed as follows:		
Long-term portion deferred taxation assets	14	1
Short-term portion deferred taxation assets	75	214
Long-term portion deferred taxation liabilities	1,242	1,200
Short-term portion classified as other current liabilities. See Note 17.	15	12

The classification of deferred taxation assets is based on the related asset or liability creating the deferred taxation. Deferred taxes not related to a specific asset or liability are classified based on the estimated period of reversal. As at December 31, the Company s losses in South Africa, on which deferred tax had been provided at the anticipated tax rate to be utilized are noted as follows:

	2011	**2010**
South Africa		
Losses ($ millions)	3	508
Deferred tax at the anticipated tax rate to be utilized (percent)	37	33

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. **TAXATION** *(continued)*

Unremitted earnings of foreign subsidiaries and foreign incorporated joint ventures

Dividends from incorporated joint ventures may be remitted to the Company without being subject to income or withholding taxes. No provision is made for the income tax effect that may arise on the remittance of unremitted earnings by certain foreign subsidiaries. It is management s intention that these earnings will be permanently re-invested into future capital expansion projects, maintenance capital and ongoing working capital funding requirements. In the event that the Company repatriated these earnings, income taxes and withholding taxes may be incurred. The determination of such taxes is subject to various complex calculations and accordingly, the Company has determined that it is impractical to estimate the amount of the deferred tax liability on such unremitted earnings. The amounts of these unremitted earnings are as follows:

	2011	2010
	$	$
Unremitted earnings as at December 31	1,812	1,221

Analysis of valuation allowances

The movement in valuation allowances for the three years in the period ended December 31, is summarized as follows:

	Balance at beginning of period	Movement	Balance at end of period
	$	$	$
Year ended December 31, 2011			
- Valuation allowance	125	(118)	7
Year ended December 31, 2010			
- Valuation allowance	194	(69)	125
Year ended December 31, 2009			
- Valuation allowance	226	(32)	194

The deferred tax assets for the respective periods were assessed for recoverability and, where applicable, a valuation allowance recorded to reduce the total deferred tax asset to an amount that will, more-likely-than-not, be realized. The valuation allowance relates primarily to certain net operating loss carryforwards, tax credit carryforwards and deductible temporary differences for which it is more-likely-than-not that these items will not be realized.

Although realization is not assured, the Company has concluded that it is more-likely-than-not that the deferred tax assets for which a valuation allowance was determined to be unnecessary will be realized based on the available evidence, including scheduling of deferred tax liabilities and projected income from operating activities. The amount of the net deferred tax assets considered realizable, however, could change in the near term if actual future income or income tax rates differ from that estimated, or if there are differences in the timing or amount of future reversals of existing taxable or deductible temporary differences.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. **TAXATION** *(continued)*

Uncertain tax positions

A reconciliation of the beginning and ending amount of unrecognized tax benefits, is as follows:

	2011	2010
	$	$
Balance at January 1,	52	149
Additions for tax positions of prior years	38	8
Reductions for tax position of prior years	(3)	(113)
Translation	(9)	8
Balance at December 31,	78	52
Unrecognized tax benefits are summarized as follows:		
Recognized as a reduction of deferred tax assets	29	-
Recognized in other non-current liabilities (See Note 17) (1)	49	52
Balance at December 31,	78	52

(1) Unrecognized tax benefits which, if recognized, would affect the Company s effective tax rate.

The Company s continuing practice is to recognize interest and penalties related to unrecognized tax benefits as part of its income tax expense. For the years ended and as at December 31, interest recognized and interest accrued amounted to:

	2011	2010	2009
	$	$	$
Interest recognized	5	2	9
Interest accrued as at December 31	12	8	53

As at December 31, 2011, the Company s South African tax assessments for the years 2004 2011 remain open to scrutiny by the South African Revenue Service.

In other jurisdictions, the revenue system is based on a self-assessment process, all tax filings due by December 31, 2011 have been filed, and the self-assessed position recorded in the consolidated financial statements. The legislation of individual jurisdictions provides for different periods for the authorities to review the filings with specified expiry dates. The Company is disputing assessments received in some jurisdictions where it operates and these arguments are under consideration by the authorities. Based on current legal advice, the Company does not expect the resolution will significantly affect the Company s consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. **INCOME/(LOSS) PER COMMON SHARE**

	2011	2010	2009
	$	$	$
The following table sets forth the computation of basic and diluted income/(loss) per share (in millions, except per share data):			
Ordinary shares undistributed income/(loss)	1,289	45	(865)
E Ordinary shares undistributed income/(loss)	5	-	(5)
Total undistributed income/(loss)	1,294	45	(870)
Ordinary shares distributed income	131	67	45
E Ordinary shares distributed income	-	-	-
Total distributed income	131	67	45
Numerator - Net income/(loss)			
Attributable to Ordinary shares	1,420	112	(820)
Attributable to E Ordinary shares	5	-	(5)
Total attributable to AngloGold Ashanti	1,425	112	(825)
In calculating diluted income/(loss) per ordinary share, the following were taken into consideration:			
Income/(loss) attributable to equity shareholders	1,420	112	(820)
Interest expense on convertible bonds	72	-	-
Amortization of issue cost and discount on convertible bonds	31	-	-
Fair value adjustment on convertible bonds included in income	(197)	-	-
Income/(loss) used in calculation of diluted earnings per ordinary share	1,326	112	(820)
Denominator for basic income/(loss) per ordinary share			
Ordinary shares	381,621,687	367,664,700	356,563,773
Fully vested options(1)	1,389,122	1,023,459	791,353
Weighted average number of ordinary shares	383,010,809	368,688,159	357,355,126
Effect of dilutive potential ordinary shares			
Dilutive potential of stock incentive options(2)	1,572,015	1,569,606	-
Dilutive potential of convertible bonds(3)	33,524,615	-	-
Dilutive potential of E Ordinary shares(4)	-	-	-
Denominator for diluted income/(loss) per share adjusted weighted average number of ordinary shares and assumed conversions	418,107,439	370,257,765	357,355,126
Weighted average number of E Ordinary shares used in calculation of basic and diluted income/(loss) per E Ordinary share	2,950,804	3,182,662	3,873,169
Income/(loss) per share attributable to AngloGold Ashanti common stockholders (cents)			
Net income/(loss) per share			

Ordinary shares[5]	371	30	(230)
E Ordinary shares	185	15	(115)
Ordinary shares diluted	317	30	(230)
E Ordinary shares diluted	171	15	(115)

(1) *Compensation awards are included in the calculation of basic income/(loss) per common share from when the necessary conditions have been met, and it is virtually certain that shares will be issued as a result of employees exercising their options.*

The calculation of diluted income/(loss) per common share did not assume the effect of the following number of shares as their effects are anti-dilutive:

(2) *Issuable upon the exercise of stock incentive options*			1,234,858
(3) *Issuable upon the exercise of convertible bonds*		33,524,615	15,384,615
(4) *Issuable upon the conversion of E Ordinary shares*	343,716	-	

The calculation of diluted loss per common share for 2009 did not assume the effect of conversion of E Ordinary shares as the Company recorded a loss from continuing operations during this period.

(5) *The mandatory convertible bonds issued during 2010 are not included in basic income/(loss) per common share as they contain features that could result in their settlement in cash and therefore do not meet the definition of an equity instrument.*

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

9. RESTRICTED CASH

	2011	2010
	$	$
Cash classified as restricted for use comprise of the following:		
Cash restricted by prudential solvency requirements	9	8
Cash balances held by the Tropicana project	22	1
Other	4	1
	35	10

Long-term restricted cash balances are included in Other long-term assets (See Note 15).

10. TRADE AND OTHER RECEIVABLES

	2011	2010
	$	$
Trade debtors are net of:		
Provision for doubtful debt	24	19
Other receivables include:		
Prepayments and accrued income	80	60
Interest receivable	3	9
Related parties. See Note 6.	3	3
Exploration debtors	7	6
Royalties receivable	14	5
Short-term loan [1]	12	-
Deferred loan fees	5	-
Other debtors	11	6
	135	89

[1] The loan bears interest at 6.5 percent per annum and is due in May 2012.

11. INVENTORIES

	2011	2010
	$	$

Short-term:		
Metals in process	189	184
Gold on hand (doré/bullion)	94	77
Ore stockpiles	454	324
Uranium oxide and sulfuric acid	24	43
Supplies	296	255
	1,057	883
Less: Materials on the leach pad[1]	(98)	(91)
	959	792

(1) *Short-term portion relating to heap leach inventory classified separately, as materials on the leach pad.*

Long-term:		
Metals in process	393	331
Ore stockpiles	31	27
	424	358
Less: Materials on the leach pad[1]	(393)	(331)
	31	27

(1) *Long-term portion relating to heap leach inventory classified separately, as materials on the leach pad.*

The aggregate write-down of inventory to reduce the carrying value to net realizable value for the years ended December 31 were as follows:

	2011	2010	2009
	$	$	$
Inventory write-downs (included in production costs)	4	21	48

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

12. PROPERTY, PLANT AND EQUIPMENT, NET

	2011	2010
	$	$
Mine development	6,652	6,590
Buildings and mine infrastructure	3,613	3,263
Mineral rights and other	1,023	1,045
Assets under construction	522	502
Land	41	37
	11,851	11,437
Accumulated depreciation, depletion and amortization	(5,728)	(5,511)
Net book value December 31,	6,123	5,926
Net book value of mining assets encumbered by capital leases (See Note 18)	67	48

13. ACQUIRED PROPERTIES, NET

	2011	2010
	$	$
Acquired properties, at cost	2,010	2,168
Accumulated amortization	(1,231)	(1,332)
Net book value December 31,	779	836

The decrease in the net book value includes the impact of the weakening of certain local functional currencies against the US dollar.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

14. GOODWILL AND OTHER INTANGIBLES

Goodwill

The carrying amount of goodwill by reporting unit as of December 31, 2011 and 2010 and changes in the carrying amount of goodwill are summarized as follows:

	Americas	Australasia	Continental Africa	Total
	$	$	$	$
Balance at January 1, 2010	18	133	11	162
Translation	-	18	-	18
Balance at December 31, 2010	18	151	11	180
Translation	-	2	-	2
Balance at December 31, 2011	18	153	11	182

Net carrying amount of goodwill as at December 31, 2011 and 2010 is reconciled as follows:

	Americas	Australasia	Continental Africa	Total
- Gross carrying amount	18	153	310	481
- Accumulated impairment losses	-	-	(299)	(299)
Net carrying amount as at December 31, 2011	18	153	11	182
- Gross carrying amount	18	151	310	479
- Accumulated impairment losses	-	-	(299)	(299)
Net carrying amount as at December 31, 2010	18	151	11	180

Other intangibles, net

	Royalty rate concession agreement [1]	Software and licences	Total
	$	$	$
Gross carrying value at January 1, 2010	30	-	30
Accumulated amortization	(13)	-	(13)
Balance at December 31, 2010	17	-	17
Gross carrying value at January 1, 2011	30	-	30
Additions	-	16	16
Accumulated amortization	(15)	-	(15)
Balance at December 31, 2011	15	16	31

[1] The government of Ghana agreed to a concession on royalty payments at a fixed rate of 3 percent per year for a period of fifteen years from 2004.

The royalty rate concession and software and licences are amortized on a straight line basis with nil residual value. The amortization expense included in the consolidated statements of income were as follows:

	2011	2010	2009
	$	$	$
Royalty rate concession amortization expense	2	2	2
Software and licences amortization expense [2]	-	-	-

[2] No amortization expense was recorded for purchased software and licences in 2011 as these have not been brought into use.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

14. **GOODWILL AND OTHER INTANGIBLES** *(continued)*

Based on carrying value at December 31, 2011, the estimated aggregate amortization expense for each of the next five years is as follows:

	Royalty rate concession agreement $	Software and licences $
2012	2	-
2013	2	3
2014	2	5
2015	2	5
2016	2	3

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

15. **OTHER LONG-TERM ASSETS**

	2011	2010
	$	$
Investments in associates - unlisted	5	7
Investments in associates - listed	15	3
Investments in equity accounted joint ventures	671	601
Carrying value of equity method investments	691	611
Investment in marketable equity securities available for sale	82	124
Investment in marketable debt securities held to maturity	8	13
Investment in non-marketable assets held to maturity	2	2
Cost method investment	9	9
Investment in non-marketable debt securities held to maturity	85	89
Restricted cash	23	33
Other non-current assets	101	192
	1,001	1,073

Investments in associates

	December 31, 2011 percentage held	December 31, 2010 percentage held
Unlisted		
South Africa		
Oro Group (Proprietary) Limited[1]	25.00	25.00
Margaret Water Company	33.33	33.33
Orpheo (Proprietary) Limited[2]	-	50.00
Listed		
Other		
Trans-Siberian Gold plc[1][3]	30.90	30.70
Mariana Resources Limited[1][4][5]	19.86	-

	2011	2010	2009
	$	$	$
(1) *Results are included for the twelve months ended September 30, 2011, adjusted for material transactions.*			
(2) *Investment disposed of during 2011.*			
(3) *Market value of the Company s investment in Trans-Siberian Gold plc as at December 31*	*35*	*33*	*12*

(4)	*Market value of the Company s investment in Mariana Resources Limited as at December 31*	*7*	-	-
(5)	*The Company acquired its stake in Mariana Resources Limited for $8 million during December 2011 and accounts for it using the equity method as it has the right to representation on the Mariana Resources Limited board of directors and is therefore considered to have significant influence in the company.*			

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

15. **OTHER LONG-TERM ASSETS** *(continued)*

Investments in equity accounted joint ventures
The Company holds the following interests in incorporated mining joint ventures, of which the significant financial operating policies are, by contractual arrangement, jointly controlled:

	December 31, 2011	December 31, 2010
	percentage held	percentage held
South Africa		
AuruMar (Proprietary) Limited	50.00	50.00
Continental Africa		
Société d Exploitation des Mines d Or de Sadiola S.A.	41.00	41.00
Société des Mines de Morila S.A.	40.00	40.00
Société d Exploitation des Mines d Or de Yatela S.A.	40.00	40.00
Kibali Goldmines s.p.r.l.	45.00	45.00
Other		
AGA-Polymetal Strategic Alliance[1]	50.00	50.00
Thani Ashanti Alliance Limited	50.00	50.00

(1) *Results are included for the twelve months ended September 30, 2011, adjusted for material transactions. The AGA-Polymetal Strategic Alliance consists of the AGA-Polymetal Strategic Alliance Management Company Holdings Limited, Amikan Holding Limited (Amikan), AS APK Holdings Limited, Imizoloto Holdings Limited and Yeniseiskaya Holdings Limited. The investment was sold subsequent to year end. See Note 29.*

Impairments of associates and equity accounted joint ventures[1]

The Company recognized the following impairments which are included in equity income in associates:

	Year ended December 31, 2011	2010	2009
	$	$	$
Associates			
Mariana Resources Limited[2]	1	-	-
Margaret Water Company[3]	1	1	-
Orpheo (Proprietary) Limited[4]	2	-	-
Equity accounted joint ventures			
Société d Exploitation des Mines d Or de Yatela S.A.[4]	6	-	-
AGA-Polymetal Strategic Alliance[5]	-	23	9
	10	24	9

(1) The impairments recognized had no tax effects.
(2) The carrying amount of the listed associate was written down to fair value.
(3) Contributions to the investment during both 2011 and 2010 were impaired in full.

(4) Investments fully impaired.

(5) Effective December 2, 2009, AngloGold Ashanti Holdings plc, a wholly owned subsidiary, entered into a memorandum of understanding with Polyholding Limited relating to the disposal of Amikan. Completion was expected to occur on or before April 30, 2010, but agreement could not be reached and the transaction was subsequently cancelled. The Company recognized an impairment of $9 million relating to Amikan in 2009 to reduce the carrying amount of the investment to fair value. During 2010, the Company fully impaired its investment in the AGA-Polymetal Strategic Alliance.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

15. **OTHER LONG-TERM ASSETS** *(continued)*

	2011 $	2010 $
Investment in marketable equity securities available for sale		
Available for sale investments in marketable equity securities consists of investments in ordinary shares.		
Cost	51	35
Gross unrealized gains	34	89
Gross unrealized losses	(3)	-
Fair value (net carrying value)	82	124

Other-than-temporary impairments and disposals of marketable equity securities available for sale

	Year ended December 31,		
	2011 $	2010 $	2009 $
Other-than-temporary impairments			
First Uranium Corporation (South Africa)	19	-	-
Village Main Reef Limited (South Africa)	2	-	-
Corvus Gold Incorporated (United States of America)	-	2	-
B2Gold Corporation (Colombia)	-	-	12
	21	2	12

The impairments recognized resulted in a transfer of fair value adjustments previously included in accumulated other comprehensive income to the income statement (See Note 5).

Disposals of marketable equity securities

The Company s disposals of marketable equity securities resulted in the following reclassification of losses/(gains) of fair value adjustments to the income statement:

	2011 $	2010 $	2009 $
Equity investments held by the Environmental Rehabilitation Trust Fund (net of tax of $nil million)	1	-	-
B2Gold Corporation (net of tax of $nil million)	-	(47)	-
Red5 Limited (net of tax of $2 million)	-	(4)	-
	1	(51)	-

In addition, the Company holds various equities as strategic investments in gold exploration companies. Five of the strategic investments are in an unrealized loss position and the Company has the intent and ability to hold these investments until the losses are recovered.

The following tables present the gross unrealized losses and fair value of the Company s investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by length of time that the individual securities have been in a continuous unrealized loss position:

	Less than 12 months $	More than 12 months $	Total $
2011			
Aggregate fair value of investments with unrealized losses	8	-	8
Aggregate unrealized losses	(3)	-	(3)
2010			
Aggregate fair value of investments with unrealized losses	4	-	4
Aggregate unrealized losses	-	-	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

15. **OTHER LONG-TERM ASSETS** *(continued)*

	2011 $	2010 $
Investment in marketable debt securities - held to maturity	8	13
Investments in marketable debt securities represent held to maturity government bonds held by the Environmental Rehabilitation Trust Fund with a total fair value of $11 million (2010: $14 million) and gross unrealized gains of $3 million (2010: $1 million).		
Investment in non-marketable assets - held to maturity	2	2
Investments in non-marketable assets represent secured loans and receivables secured by pledge of assets.		
Cost method investment	9	9
The cost method investment mainly represent shares held in XDM Resources Limited.(1)		
Investment in non-marketable debt securities - held to maturity	85	89
Investments in non-marketable debt securities represent the held to maturity fixed-term deposits required by legislation for the Environmental Rehabilitation Trust Fund and Nufcor Uranium Trust Fund.		
As at December 31, 2011 the contractual maturities of debt securities were as follows:		
Marketable debt securities		
Three to seven years	8	
Non-marketable debt securities		
Less than one year	85	
Restricted cash	23	33
Restricted cash mainly represent cash balances held by the Environmental Rehabilitation Trust Fund and Environmental Protection Bond.		
Financing receivables		
Loans to equity accounted joint ventures and associates of $29 million (2010: $8 million) are disclosed in Note 6.		
Other non-current assets		
Unsecured		
Other loans and assets(2)	9	9
Non-current debtors		
Prepayments and accrued income	22	31
Recoverable tax, rebates, levies and duties	14	82
Reclamation sites trust fund	29	35
Unamortized issue costs of long-term debt, bonds and syndicated revolving credit facilities	26	32
Other debtors	1	3
	101	192

(1) *The fair value is not estimated as there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment and it is not practicable to estimate the fair value of the investment.*

(2)	*Other comprises the following:*		
	Loans and receivables measured at amortized cost	*6*	*6*
	Post-retirement assets measured according to the employee benefits accounting policy	*3*	*3*

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

15. **OTHER LONG-TERM ASSETS** *(continued)*

Equity accounted joint ventures

Summarized financial statements of the joint ventures which have been equity accounted are as follows (100 percent shown):

	2011 $	2010 $	2009 $
Statements of income for the period			
Sales and other income	966	823	880
Costs and expenses	(679)	(528)	(508)
Taxation	(120)	(126)	(120)
Net income	167	169	252
Balance sheets as at December 31,			
Non-current assets	1,337	1,205	
Current assets	675	550	
	2,012	1,755	
Long-term liabilities	(64)	(126)	
Loans from shareholders	(53)	(4)	
Current liabilities	(473)	(260)	
Net assets	1,422	1,365	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

16. ASSETS AND LIABILITIES HELD FOR SALE

	2011 $	2010 $
Effective November 3, 2010, ISS International Limited (ISSI) in South Africa was classified as held for sale. AngloGold Ashanti entered into a memorandum of understanding with The Institute of Mine Seismology (IMS) relating to the disposal of ISSI. The transaction closed on February 28, 2011. The Company recorded a profit on disposal of $2 million on the sale. See Note 5 - Costs and expenses: Profit/loss on sale of assets, realization of loans, indirect taxes and other .	-	12
Effective December 2007, Rand Refinery Limited in South Africa (a subsidiary of the Company) transferred parts of its premises that were no longer utilized (previously recognized as a tangible asset), to held for sale. On April 1, 2008, a sale agreement was concluded, subject to achievement of the suspensive condition regarding rezoning of the land and transfer of title deeds. Rand Refinery Limited is currently awaiting the rezoning transfer notification from the municipal and deeds office in order to conclude the sales transaction.	1	1
As at December 31, 2011 and 2010 the carrying amounts of major classes of assets and liabilities classified as held for sale included:		
Cash and cash equivalents	-	11
Trade and other receivables	-	2
Inventories	-	1
Property, plant and equipment	1	2
Trade and other payables	-	(3)
Net assets	1	13

17. OTHER LIABILITIES

	2011	2010
Current		
Deferred income	6	10
Deferred taxation. See Note 7.	15	12
Pension and other post-retirement medical benefits. See Note 25.	12	14
Accrual for power	27	42
Other (including accrued liabilities)	60	75
	120	153
Non-current		
Deferred income	3	7
Provision for uncertain tax positions. See Note 7.	49	52
Other creditors	11	10
	63	69

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

18. LONG-TERM DEBT

	2011 $	2010 $
Unsecured		
Debt carried at fair value		
Mandatory convertible bonds - issued September 2010(1)	760	874
Quarterly coupon of 6 percent per annum. The bonds are convertible into ADS s in September 2013 and are US dollar-based. The bonds are convertible into a variable number of shares as set forth in the indenture.		
Accrued interest included in short-term debt at fair value	(2)	(2)
Long-term debt at fair value	758	872
Debt carried at amortized cost		
Rated bonds - issued April 2010(2)	1,006	1,006
The rated bonds have two components, $700 million 10-year bonds and $300 million 30-year bonds. Semi-annual coupons of 5.375 percent per annum on $700 million 10-year bonds and 6.5 percent per annum on $300 million 30-year bonds. The $700 million 10-year bonds are repayable in April 2020 and the $300 million 30-year bonds are repayable in April 2040. The bonds are US dollar-based.		
Syndicated revolving credit facility ($1.0 billion)(3)	-	50
Interest charged at LIBOR plus 1.75 percent per annum. The loan is repayable in April 2014 and is US dollar-based.		
3.5 % Convertible bonds(4)	659	633
Semi-annual coupon of 3.5 percent per annum. The bonds are convertible, at the holders option, into ADSs up to May 2014 and are US dollar-based. The bonds are convertible at an initial conversion price of $47.6126 per ADS.		
FirstRand Bank Limited loan facility (R1.5 billion)	-	107
Interest charged at JIBAR plus 0.95 percent per annum. Loan was repaid in February 2011 and was ZAR-based.		
Grupo Santander Londres	-	4
Interest charged at LIBOR plus 1.45 percent per annum. Loan was repaid September 2011 and was US dollar-based.		
Grupo Santander Brasil	2	4
Interest charged at 8.11 percent per annum. Loans are repayable in monthly installments terminating in November 2013 and April 2014 and are Brazilian real-based.		
Brazilian Economic and Social Development Bank	1	1
Interest charged at a rate of 2.3 percent plus delta exchange rate on individual installments per annum. Loans are repayable in monthly installments terminating in April 2014 and are Brazilian real-based.		
Banco de Desenvolvimento de Minas Gerais	1	-
Interest charged at a rate of 4.5 percent per annum. Loans are repayable in monthly installments terminating in June 2020 and are Brazilian real-based.		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

18. **LONG-TERM DEBT** *(continued)*

	2011 $	2010 $
Secured		
Capital leases		
Turbine Square Two (Proprietary) Limited[5]	33	39
The leases are capitalized at an implied interest rate of 9.8 percent per annum. Lease payments are due in monthly installments terminating in March 2022 and are ZAR-based. The buildings financed are used as security for these loans. See Note 12.		
Caterpillar Financial Services Corporation[5]	10	13
Interest charged at an average rate of 5.46 percent per annum. Loans are repayable in monthly installments terminating in January 2015 and are US dollar-based. The equipment financed is used as security for these loans. See Note 12.		
Mazuma Capital Corporation[5]	2	4
Interest charged at an average rate of 5.6 percent per annum. Loans are repayable in monthly installments terminating in November 2012 and are US dollar-based. The equipment financed is used as security for these loans. See Note 12.		
CSI Latina Arrendamento Mercantil S.A.[5]	2	2
Interest charged at a rate of 3.4 percent per annum. Loans are repayable in monthly installments terminating in March 2014 and are Brazilian real-based. The equipment financed is used as security for these loans. See Note 12.		
Navachab Lewcor Mining Contract[5]	29	-
Interest charged at a rate of 8.4 percent per annum. Loans are repayable in April 2015 and are Namibian dollar-based. The equipment financed is used as security for these loans. See Note 12.		
Total debt at amortized cost	1,745	1,863
Current maturities included in short-term debt	(30)	(133)
Long-term debt at amortized cost	1,715	1,730

Certain long-term debt facilities are subject to debt covenant arrangements for which no breaches have occurred.

Scheduled minimum total debt maturities are:		
2012	32	
2013	773	
2014	673	
2015	4	
2016	2	
Thereafter	1,021	
	2,505	
The currencies in which the borrowings are denominated are as follows:		
United States dollars	2,437	2,585
South African rands	33	146
Brazilian real	6	6

Namibian dollars	29	-
	2,505	2,737

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

18. LONG-TERM DEBT *(continued)*

	2011 $	2010 $
Undrawn borrowing facilities as at December 31 are as follows:		
Syndicated revolving credit facility ($1.0 billion) - US dollar	1,000	950
Syndicated revolving credit facility (A$600 million) - Australian dollar	617	-
FirstRand Bank Limited - US dollar	50	50
Absa Bank Limited - US dollar	42	42
Nedbank Limited - US dollar	2	-
FirstRand Bank Limited - rands	14	139
Standard Bank of South Africa Limited - rands	23	28
Nedbank Limited - rands	13	18
Absa Bank Limited - rands	4	5
	1,765	1,232

(1) *Mandatory convertible bonds*

In September 2010, the Company issued mandatory convertible bonds at a coupon rate of 6 percent due in September 2013. The conversion of the mandatory convertible bonds into ADSs was subject to shareholder approval, which was granted in October 2010. These bonds are convertible into a variable number of ADSs, ranging from 18,140,000 at a share price equal to or lesser than $43.50, to 14,511,937 at a share price equal to or greater than $54.375, each as calculated in accordance with the formula set forth in the indenture and subject to adjustment.

The mandatory convertible bonds contain certain embedded derivatives relating to change in control and anti-dilution protection provisions. The FASB ASC guidance contains an election for the Company to record the entire instrument at fair value as opposed to separating the embedded derivatives from the instrument. The shareholders have authorized that the convertible bonds will be settled in equity and not have any cash settlement potential except if a fundamental change or conversion rate adjustment causes the number of ADSs deliverable upon conversion to exceed the number of shares reserved for such purpose, among other circumstances provided in the indenture, and therefore the Company has chosen to recognize the instrument, in its entirety, at fair value. Depending on the final calculated share price on the date of conversion, the liability recognized may differ from the principal amount.

Other convertible bonds that have been issued by the Company will only be settled in equity if future events, outside of the control of the Company, result in equity settlement and thus have a potential cash settlement at maturity that will not exceed the principal amount, in those circumstances the liabilities are recognized at amortized cost.

In determining the fair value liability of the mandatory convertible bonds, the Company has measured the effect based on the ex interest NYSE closing price on the reporting date. The ticker code used by the NYSE for the mandatory convertible bonds is AUPRA. The accounting policy of the Company is to recognize interest expense separately from the fair value adjustments in the income statement. Interest is recognized at a quarterly coupon rate of 6 percent per annum. Fair value adjustments are included in Non-hedge derivative gain/loss and movement on bonds in the income statement see Note 5.

The contractual principal amount of the mandatory convertible bonds is $789 million, provided the calculated share price of the Company is within the range of $43.50 to $54.375. If the calculated share price is below $43.50, the Company will recognize a gain on the principal amount and above $54.375 a loss. As at December 31, 2011, the actual share price was $42.45 (December 31, 2010: $49.23).

The mandatory convertible bonds were issued by AngloGold Ashanti Holdings Finance plc, a finance company wholly-owned by AngloGold Ashanti Limited. AngloGold Ashanti Limited has fully and unconditionally guaranteed the mandatory subordinated convertible bonds issued by AngloGold Ashanti Holdings Finance plc. There are no significant restrictions on the ability of AngloGold Ashanti Limited to obtain funds from its subsidiaries by dividend or loan.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

18. **LONG-TERM DEBT** *(continued)*

		2011 $	2010 $
(2)	*Rated bonds*		
	Senior unsecured fixed rate bonds	1,000	1,000
	Less: Unamortized discount	(6)	(6)
	Add: Accrued interest	12	12
		1,006	1,006

On April 22, 2010, the Company announced the pricing of an offering of 10-year and 30-year notes. The offering closed on April 28, 2010. The notes were issued by AngloGold Ashanti Holdings plc, a wholly-owned subsidiary of AngloGold Ashanti Limited, and are fully and unconditionally guaranteed by AngloGold Ashanti Limited. The notes are unsecured and interest is payable semi-annually.

		2011 $	2010 $
(3)	*Syndicated revolving credit facility ($1.0 billion)*		
	Drawn down	-	50
	Add: Accrued interest	-	-
		-	50

On April 20, 2010, AngloGold Ashanti Holdings plc and AngloGold Ashanti USA Inc., each a wholly-owned subsidiary of AngloGold Ashanti Limited, as borrowers, and AngloGold Ashanti Limited entered into a $1.0 billion four year revolving credit facility with a syndicate of lenders to replace the existing $1.15 billion syndicated facility. AngloGold Ashanti Limited, AngloGold Ashanti Holdings plc and AngloGold Ashanti USA Inc. each guaranteed the obligations of the borrowers and other guarantors under the facility. Amounts may be repaid and reborrowed under the facility during its four year term. During the year ended December 31, 2011, the Company drew down $100 million and repaid $150 million under this facility. A commitment fee of 0.70 percent is payable quarterly in arrears on the undrawn portion of the facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

18. **LONG-TERM DEBT** *(continued)*

	2011 $	2010 $
(4) *3.5% Convertible bonds*		
Senior unsecured fixed rate bonds	656	630
Add: Accrued interest	3	3
	659	633

The issue of convertible bonds in the aggregate principal amount of $732.5 million at an interest rate of 3.5 percent was concluded on May 22, 2009. These bonds are convertible into ADSs at an initial conversion price of $47.6126. The conversion price is subject to standard weighted average anti-dilution protection. The convertible bonds were issued by AngloGold Ashanti Holdings Finance plc, a finance company wholly-owned by AngloGold Ashanti Limited. AngloGold Ashanti Limited has fully and unconditionally guaranteed the convertible bonds issued by AngloGold Ashanti Holdings Finance plc. There are no significant restrictions on the ability of AngloGold Ashanti Limited to obtain funds from its subsidiaries by dividend or loan.

The convertible bonds mature on May 22, 2014. However, at any time on or after June 12, 2012 the Company has the right, but not the obligation, to redeem all (but not part) of the convertible bonds at their principal amount together with accrued interest if the volume weighted average price of the ADSs that would be delivered by the Company on the conversion of a convertible bond of a principal amount of $100,000 exceeds $130,000 on each of at least 20 consecutive dealing days ending not earlier than five days prior to the date that the Company gives notice of the redemption.

Upon the occurrence of a change of control of the Company, each convertible bond holder will have the right to require the Company to redeem its convertible bonds at their principal amount plus accrued interest thereon. If the convertible bond holder elects to convert its convertible bonds in connection with such change of control, the Company will pay a make whole premium to such convertible bond holder in connection with such conversion. The conversion price is subject to adjustment on occurrence of certain events, as described in the terms and conditions of the bonds.

The Company is separately accounting for the conversion features of the convertible bonds at fair value as a derivative liability with subsequent changes in fair value recorded in earnings each period. The total fair value of the derivative liability on May 22, 2009 (date of issue) amounted to $142.2 million. The difference between the initial carrying value and the stated value of the convertible bonds is being accreted to interest expense using the effective interest method over the 5 year term of the bonds.

The associated derivative liability (which has been accounted for separately) are summarized as follows:

	2011 $	2010 $
Convertible bond derivative liability		
Balance at beginning of period	176	175
Fair value movements on conversion features of convertible bonds	(84)	1
Balance at end of period	92	176

Syndicated revolving credit facility (A$600 million)

On December 22, 2011, AngloGold Ashanti Australia Limited entered into a four year revolving credit facility of A$600 million with a syndication of banks. Interest is charged at BSSY plus 2 percent per annum. AngloGold Ashanti Limited together with AngloGold Ashanti Holdings plc has each guaranteed all payments and other obligations of AngloGold Ashanti Australia Limited under the facility. Amounts may be repaid and reborrowed under the facility during its four year term. No draw down was made during 2011 under the facility. A committment fee of 50 percent of the applicable margin is payable quarterly in arrears on the undrawn portion of the facility.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

18. **LONG-TERM DEBT** *(continued)*

(5) Capital leases

Capital leases are for specific periods, with terms of renewal but no purchase options. Renewals are at the discretion of the entity that holds the lease.

Property, plant and equipment, allocated to Buildings and mine infrastructure, includes the following assets under capital leases:

	2011		2010	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
	$	$	$	$
Turbine Square Two (Proprietary) Limited	39	18	37	9
Caterpillar Financial Services Corporation	16	5	15	2
Mazuma Capital Corporation	7	3	8	2
CSI Latina Arrendamento Mercantil S.A.	4	2	3	2
Navachab Lewcor Mining Contract	31	2	-	-
	97	30	63	15

Amortization charges relating to capital leases are included in Depreciation, depletion and amortization expense.

Future minimum lease payments under all the above capital leases together with the present value of minimum lease payments as of December 31, 2011 are:

	2011
	$
2012	20
2013	19
2014	19
2015	7
2016	5
Thereafter	35
Total minimum lease payments	105
Less interest	(29)
Present value of net minimum lease payments	76
Less current portion	(14)
Long-term capital lease obligation	62

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. **PROVISION FOR ENVIRONMENTAL REHABILITATION**

	2011	2010
	$	$
Accrued environmental rehabilitation costs	653	530

Long-term environmental obligations comprising decommissioning and restoration are based on the Company s environmental management plans, in compliance with the current environmental and regulatory requirements.

While the ultimate amount of rehabilitation is uncertain, the Company has estimated that the total cost for mine rehabilitation and closure, on an undiscounted basis, will be $2,542 million which includes a total estimated liability of $57 million in respect of equity accounted joint ventures. AngloGold Ashanti USA has posted reclamation bonds with various federal and governmental agencies to cover environmental rehabilitation obligations. See Note 20.

The Company intends to finance the ultimate rehabilitation costs from the monies invested with the rehabilitation trust fund, the environmental protection bond as well as the proceeds on sale of assets and gold from plant clean-up at the time of mine closure.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. **COMMITMENTS AND CONTINGENCIES**

	2011	2010
	$	$
Capital expenditure commitments[1]		
Contracts for capital expenditure	202	176
Authorized by the directors but not yet contracted for	1,128	988
	1,330	1,164
Allocated for:		
Project expenditure		
- within one year	832	433
- thereafter	46	107
	878	540
Stay in business expenditure		
- within one year	421	404
- thereafter	31	220
	452	624
[1] *Including commitments through contractual arrangements by equity accounted joint ventures amounting to:*	14	12
Other contractual purchase obligations[2]		
- within one year	334	398
- thereafter	129	140
	463	538

[2] *Other purchase obligations represent contractual obligations for the purchase of mining contract services, power, supplies, consumables, inventories, explosives and activated carbon. Amounts exclude purchase obligations of equity accounted joint ventures.*

Summary of contracted uranium sales as at December 31, 2011

The Company had the following uranium commitments:

Year	**lbs (000)**

		Average contracted price ($/lbs)
2012	858	61.54

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. **COMMITMENTS AND CONTINGENCIES** *(continued)*

Contingencies and guarantees are summarized as follows for disclosure purposes. Amounts represent possible losses for loss contingencies, where an estimate can be made, and quantification of guarantees:

	2011	2010
	$	$
Contingent liabilities		
Groundwater pollution [1]	-	-
Deep groundwater pollution - South Africa [2]	-	-
Sales tax on gold deliveries - Brazil [3]	88	89
Other tax disputes - Brazil [4]	38	34
Indirect taxes - Ghana [5]	12	11
Tax disputes - Tanzania [6]	-	-
Occupational Diseases in Mines and Works Act (ODMWA) litigation [7]	-	-
Contingent assets		
Royalty - Boddington Gold Mine [8]	-	-
Royalty - Tau Lekoa Gold Mine [9]	-	-
Financial guarantees		
Oro Group surety [10]	12	15
AngloGold Ashanti USA reclamation bonds [11]	101	88
AngloGold Ashanti Australia environmental bonds [12]	30	28
AngloGold Ashanti environmental guarantees [13]	166	193
Guarantee provided for syndicated revolving credit facility [14]	-	50
Guarantee provided for rated bonds [15]	1,012	1,012
Guarantee provided for convertible bonds [16]	736	736
Guarantee provided for mandatory convertible bonds [17]	791	791
Guarantee provided for A$ syndicated revolving credit facility [18]	-	-
Hedging guarantees		
Gold delivery guarantees [19]	-	-
Ashanti Treasury Services Limited (ATS) hedging guarantees [20]	-	-
Geita Management Company Limited (GMC) hedging guarantees [21]	-	-
	2,986	3,047

The Company assesses the credit quality of counterparts at least on a quarterly basis. As of December 31, 2011, the probability of non-performance is considered

(1) Ground water pollution

The Company has identified groundwater contamination plumes at certain of its operations, which have occurred primarily as a result of seepage from mine residue stockpiles. Numerous scientific, technical and legal studies have been undertaken to assist in determining the magnitude of the contamination and to find sustainable remediation solutions. The Company has instituted processes to reduce future potential seepage and it has been demonstrated that Monitored Natural Attenuation (MNA) by the existing environment will contribute to improvement in some instances. Furthermore, literature reviews, field trials and base line modeling techniques suggest, but are not yet proven, that the use of phyto-technologies can address the soil and groundwater contamination. Subject to the completion of trials and the technology being a proven remediation technique, no reasonable estimate can be made for the obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. **COMMITMENTS AND CONTINGENCIES** *(continued)*

	2011	2010
	$	$
(2) Deep ground water pollution - South Africa		
The Company has identified a flooding and future pollution risk posed by deep groundwater in the Klerksdorp and Far West Rand gold fields. Various studies have been undertaken by AngloGold Ashanti since 1999. Due to the interconnected nature of mining operations, any proposed solution needs to be a combined one supported by all the mines located in these gold fields. As a result, the Department of Mineral Resources and affected mining companies are involved in the development of a Regional Mine Closure Strategy . In view of the limitation of current information for the estimation of a liability, no reasonable estimate can be made for the obligation.		
(3) Sales tax on gold deliveries - Brazil		
In 2006, Mineração Serra Grande S.A. (MSG) received two tax assessments from the State of Goiás related to payments of state sales taxes at the rate of 12 percent on gold deliveries for export from one Brazilian state to another during the period from February 2004 to the end of May 2006. AngloGold Ashanti Córrego do Sitío Mineração S.A. manages the operation. In November 2006, the administrative council s second chamber ruled in favor of MSG and fully cancelled the tax liability related to the first period. In July 2011, the administrative council s second chamber ruled in favor of MSG and fully cancelled the tax liability related to the second period. The State of Goiás has appealed to the full board of the State of Goiás tax administrative council. In November 2011, the administrative council s second chamber approved the suspension of proceedings and the remittance of the matter to the Department of Supervision of Foreign Trade (Comex) for review and verification. The Company believes both assessments are in violation of federal legislation on sales taxes.		
The Company s attributable share of the assessments are as follows:		
First assessment	54	55
Second assessment	34	34
	88	89
(4) Other tax disputes - Brazil		
MSG received a tax assessment in October 2003 from the State of Minas Gerais related to sales taxes on gold. The tax administrators rejected the Company s appeal against the assessment. The Company is now appealing the dismissal of the case. The Company s attributable share of the assessment is approximately:	9	10
In addition, in November 2007, the Departamento Nacional de Produçâo Mineral (DNPM), a Brazilian federal mining authority, issued a tax assessment against AngloGold Ashanti Brazil Mineração (AABM) relating to the calculation and payment by AABM of the financial contribution on mining exploitation (CFEM) in the period from 1991 to 2006. The amount involved is approximately:	21	3
Subsidiaries of the Company in Brazil are involved in various other disputes with tax authorities. These disputes involve federal tax assessments including income tax, royalties, social contributions and annual property tax. The amount involved is approximately:	8	21
	38	34

(5) Indirect taxes - Ghana

AngloGold Ashanti (Ghana) Limited received a tax assessment during September 2009 in respect of the 2006, 2007 and 2008 tax years following an audit by the tax authorities related to indirect taxes on various items. Management is of the opinion that the indirect taxes are not payable and the Company has lodged an objection.

The assessment is approximately:	12	11

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. **COMMITMENTS AND CONTINGENCIES** *(continued)*

	2011	2010
	$	$

(6) Tax disputes - Tanzania

Geita Gold Mine Limited (GGML) and Samax Resources Limited (Tanzania Branch) received a letter from the Tanzania Revenue Authority (TRA) dated March 15, 2012.

The TRA advised that it intends to issue assessments or demands in relation to a number of tax matters. The Company intends to defend the assessments and demands. As no assessments or demands have been received to date, no reasonable estimate can be made for the obligation.

(7) ODMWA litigation

The case of Mr Thembekile Mankayi was heard in the High Court of South Africa in June 2008, and an appeal heard in the Supreme Court of Appeal in 2010. In both instances judgment was awarded in favor of AngloGold Ashanti Limited on basis that an employer is indemnified against such a claim for damages by virtue of the provisions of section 35 of the Compensation for Occupational Injuries and Diseases Act, 1993 (COIDA). A further appeal that was lodged by Mr Mankayi was heard in the Constitutional Court in 2010. Judgment in the Constitutional Court was handed down on March 3, 2011. The Constitutional Court held that section 35 of COIDA does not indemnify the employer against such claims.

Mr Mankayi passed away subsequent to the hearing in the Supreme Court of Appeal. Following the Constitutional Court judgment, Mr Mankayi s executor may proceed with his case in the High Court. This will comprise, amongst others, providing evidence showing that Mr Mankayi contracted silicosis as a result of negligent conduct on the part of AngloGold Ashanti Limited.

The Company will defend the case and any subsequent claims on their merits. Should other individuals or groups lodge similar claims, these too will be defended by the Company and adjudicated by the Courts on their merits. In view of the limitation of current information for the estimation of a possible liability, no reasonable estimate can be made of this possible obligation.

(8) Royalty - Boddington Gold Mine

As a result of the sale of the interest in the Boddington Gold Mine during 2009, the Company is entitled to receive a royalty on any gold recovered or produced by the Boddington Gold Mine, where the gold price is in excess of Boddington Gold Mine s cash costs plus $600 per ounce. The royalty is payable in each quarter from and after the second quarter in 2010, within forty five days of reporting period close and is capped at a total of $100 million.

Details of the royalty are as follows:

	Total royalties received and receivable to date	42	4
(9)	Royalty - Tau Lekoa Gold Mine		
	As a result of the sale of the Tau Lekoa Gold Mine during 2010, the Company is entitled to receive a royalty on the production of a total of 1.5 million ounces by the Tau Lekoa Gold Mine and in the event that the average monthly rand price of gold exceeds R180,000 per kilogram (subject to an inflation adjustment). Where the average monthly rand price of gold does not exceed R180,000 per kilogram (subject to an inflation adjustment), the ounces produced in that quarter do not count towards the total 1.5 million ounces upon which the royalty is payable. The royalty will be determined at 3 percent of the net revenue (being gross revenue less state royalties) generated by the Tau Lekoa assets. Royalties on 219,005 ounces produced have been received to date.		
	Royalties received in cash during the year ended December 31	5	3
(10)	Oro Group surety	12	15
	The Company has provided surety in favor of a lender on a gold loan facility with its associate Oro Group (Proprietary) Limited and one of its subsidiaries. The Company has a total maximum liability, in terms of the suretyships, of R100 million. The probability of the non-performance under the suretyships is considered minimal.		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. **COMMITMENTS AND CONTINGENCIES** *(continued)*

		2011	2010
		$	$
(11)	AngloGold Ashanti USA reclamation bonds	101	88
	Pursuant to US environmental and mining requirements, gold mining companies are obligated to close their operations and rehabilitate the lands that they mine in accordance with these requirements. AngloGold Ashanti USA has posted reclamation bonds with various federal and state governmental agencies to cover potential rehabilitation obligations. The Company has provided a guarantee for these obligations which would be payable in the event of AngloGold Ashanti USA not being able to meet its rehabilitation obligations. The obligations will expire upon completion of such rehabilitation and release of such areas by the applicable federal and/or state agency. AngloGold Ashanti is not indemnified by third parties for any of the amounts that may be paid by AngloGold Ashanti under its guarantee.		
(12)	AngloGold Ashanti Australia environmental bonds	30	28
	Pursuant to Australia environmental and mining requirements, gold mining companies are obligated to close their operations and rehabilitate the lands that they mine in accordance with these requirements. AngloGold Ashanti Australia has posted bonds with state governmental agencies to cover potential rehabilitation obligations. The Company has provided a guarantee for these obligations which would be payable in the event of AngloGold Ashanti Australia not being able to meet its rehabilitation obligations. The obligations will expire upon completion of such rehabilitation and release of such areas by the applicable state agency. AngloGold Ashanti is not indemnified by third parties for any of the amounts that may be paid by AngloGold Ashanti under its guarantee.		
(13)	AngloGold Ashanti environmental guarantees	166	193
	Pursuant to South African mining laws, mining companies are obligated to close their operations and rehabilitate the lands that they mine in accordance with these laws. In order to cover against premature closure costs, the Company has secured bank guarantees to cover potential rehabilitation obligations of certain mines in South Africa. The Company has provided a guarantee for these obligations which would be payable in the event of the South African mines not being able to meet such rehabilitation obligations. The obligations will expire upon compliance with all provisions of the environment management program in terms of South African mining laws. AngloGold Ashanti is not indemnified by third parties for any of the amounts that may be paid by AngloGold Ashanti under its guarantee.		
(14)	Guarantee provided for syndicated revolving credit facility		
	AngloGold Ashanti Limited, AngloGold Ashanti Holdings plc and AngloGold Ashanti USA Incorporated, as guarantors, have each guaranteed all payments and other obligations of the borrowers and the other guarantors under the $1.0 billion four year revolving credit facility.		
	The total amount outstanding under this facility as at December 31 amounted to:	-	50
(15)	Guarantee provided for rated bonds	1,012	1,012
	AngloGold Ashanti Limited has fully and unconditionally guaranteed all payments and other obligations of AngloGold Ashanti Holdings plc regarding the issued $700 million 5.375 percent rated bonds due 2020 and the issued $300 million 6.5 percent rated bonds due 2040.		
(16)	Guarantee provided for convertible bonds	736	736
	AngloGold Ashanti Limited has fully and unconditionally guaranteed all payments and other obligations of AngloGold Ashanti Holdings Finance plc regarding the issued $732.5 million 3.5 percent convertible bonds due 2014.		

(17)	Guarantee provided for mandatory convertible bonds	791	791
	AngloGold Ashanti Limited has fully and unconditionally guaranteed all payments and other obligations of AngloGold Ashanti Holdings Finance plc regarding the issued $789 million 6 percent mandatory convertible bonds due 2013.		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. **COMMITMENTS AND CONTINGENCIES** *(continued)*

	2011	2010
	$	$
(18) Guarantee provided for A$ syndicated revolving credit facility		
AngloGold Ashanti Limited together with AngloGold Ashanti Holdings plc, as guarantors, has each guaranteed all payments and other obligations of AngloGold Ashanti Australia Limited under the A$600 million four year revolving credit facility entered into during December 2011.		
The total amount outstanding under this facility as at December 31 amounted to:	-	-
(19) Gold delivery guarantees	-	-
The Company has issued gold delivery guarantees to several counterpart banks pursuant to which it guarantees the due performance of its subsidiaries AngloGold (USA) Trading Company, AngloGold South America Limited and Cerro Vanguardia S.A. under their respective gold hedging agreements. At December 31, 2011 and 2010 the Company had no open gold hedge contracts.		
(20) ATS hedging guarantees	-	-
The Company together with its wholly-owned subsidiary AngloGold Ashanti Holdings plc has provided guarantees to several counterpart banks for the hedging commitments of its wholly-owned subsidiary ATS. The maximum potential amount of future payments is all moneys due, owing or incurred by ATS under or pursuant to the hedging agreements. At December 31, 2011 and 2010 the Company had no open gold hedge contracts.		
(21) GMC hedging guarantees	-	-
The Company and its wholly-owned subsidiary AngloGold Ashanti Holdings plc have issued hedging guarantees to several counterpart banks in which they have guaranteed the due performance by GMC of its obligations under or pursuant to the hedging agreements entered into by GMC, and to the payment of all money owing or incurred by GMC as and when due. The maximum potential amount of future payments is all moneys due, owing or incurred by GMC under or pursuant to the hedging agreements. At December 31, 2011 and 2010 the Company had no open gold hedge contracts.		

Vulnerability from concentrations

The majority of AngloGold Ashanti s 61,242 employees (2010: 62,046, 2009: 63,364) are subject to collective bargaining agreements. In South Africa agreements are established in negotiations between the Chamber of Mines, the body that represents the gold mining industry in South Africa, and representative groups of labor. The agreements have a two-year validity period. The most recent settlement negotiation was completed in August 2011, when the parties reached an agreement covering the period from July 1, 2011 to June 30, 2013.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

21. **STOCKHOLDERS EQUITY**

On May 15, 2009, shareholders approved the increase in the authorized common stock from 400,000,000 shares of common stock to 600,000,000 shares of common stock of 25 ZAR cents each.

	No of shares
At the annual general meeting of shareholders held on May 11, 2011, shareholders approved, as a general authority, authorization to the board of directors to allot and issue, in their discretion, and for such purpose and on such terms as they may in their discretion determine, up to a maximum of 5 percent of the total number of common stock of 25 ZAR cents each in the issued share capital of the Company from time to time. Shareholders will be asked to renew this authority at the forthcoming annual general meeting to be held on May 10, 2012. At December 31, 2011, the number of shares of common stock placed under the control of the directors, amounted to:	19,112,117
The Company s redeemable preference shares, held within the group, consist of the following:	
A redeemable preference shares issued	2,000,000
B redeemable preference shares issued	778,896
A and B redeemable preference shares issued which are held by a wholly-owned subsidiary Eastvaal Gold Holdings Limited, may not be transferred and are redeemable from the realization of the assets relating to the Moab Lease area after cessation of mining operations in the area. The shares carry the right to receive dividends equivalent to the profits (net of royalty, ongoing capital expenditure and taxation) from operations in the area. No further A and B redeemable preference shares will be issued.	

The issues of common stock and the cancellations of E shares of common stock resulted in the following year-on-year movements in share capital and premium:

	2011		2010		2009	
	$	Number of shares	$	Number of shares	$	Number of shares
Stock issued as part of equity offering completed on September 15, 2010	-	-	773	18,140,000	-	-
Stock issued on the exercise of options/awards granted in terms of the share incentive scheme	33	889,593	26	823,411	25	1,131,916
	20	99,747	12	-	3	1,181

	E shares cancelled and stock issued in accordance with the cancellation formula pertaining to the Employee Share Ownership Plan and Izingwe Holdings (1)						
	E Shares of common stock cancelled - Izingwe Holdings	-	(70,000)	-	(280,000)	-	-
	Stock issued as part of equity offering, the funds of which were applied to initial 35 percent interest in the Kibali gold project	-	-	-	-	280	7,624,162
	Stock transferred from the Employee Share Ownership Plan to exiting employees pursuant to the rules of the scheme	7	156,958	10	230,921	7	189,787
		60	1,076,298	821	18,914,332	315	8,947,046
(1)	E Shares of common stock cancelled - Employee Share Ownership Plan		922,328		708,872		171,943

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

22. **FAIR VALUE MEASUREMENTS**

The FASB ASC guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company utilizes the market approach to measure fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The following table sets out the Company s financial assets and (liabilities) measured on a recurring basis at fair value, by level within the hierarchy as at December 31, 2011 (in US Dollars, millions):

Items measured at fair value on a recurring basis

Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	1,112			1,112
Marketable equity securities	82			82
Mandatory convertible bonds	(760)			(760)
Embedded derivatives		(1)		(1)
Option component of convertible bonds		(92)		(92)

The Company s cash equivalents are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The cash instruments that are valued based on quoted market prices in active markets are primarily money market securities. Due to the short maturity of cash, carrying amounts approximate fair values.

The Company s marketable equity securities (see Note 15) are included in Other long-term assets in the Company s consolidated balance sheet. They consist of investments in ordinary shares and are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities is calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

The Company s mandatory convertible bonds (see Note 18) are included in debt at fair value in the Company s consolidated balance sheet. The bonds are valued using quoted market prices in an active market and as such are classified within Level 1 of the fair value hierarchy. The fair value of the bonds is calculated as the quoted market price of the bond multiplied by the quantity of bonds issued by the Company.

Embedded derivatives and the conversion features of convertible bonds are included as derivatives on the balance sheet. Such instruments are typically classified within Level 2 of the fair value hierarchy.

The following inputs were used in the valuation of the conversion features of convertible bonds as at December 31:

	2011
Market quoted bond price (percent)	111.50
Fair value of bond excluding conversion feature (percent)	98.90
Fair value of conversion feature (percent)	12.60
Total issued bond value ($ million)	732.5

The option component of the convertible bonds is calculated as the difference between the price of the bonds including the option component (bond price) and the price excluding the option component (bond floor price).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

22. **FAIR VALUE MEASUREMENTS** *(continued)*

Items measured at fair value on a non-recurring basis

	2011
	$
During 2011, the Company fully impaired and wrote-off certain assets in South Africa and Continental Africa. This resulted in a loss, which is included in earnings for the period, of:	17
See Note 5 - Costs and expenses: Impairment of assets for additional information.	
In 2011, the Company fully impaired its equity method investments in Margaret Water Company, Orpheo (Proprietary) Limited and Société d Exploitation des Mines d Or de Yatela S.A. In addition, the Company impaired its listed associate Mariana Resources Limited, to fair value of $7 million. See Note 15. This resulted in a loss, which is included in equity income in associates, of:	10

The above items are summarized as follows:

	Fair value	**Level 1**	**Level 2**	**Level 3**	**Total gain/(loss)**
Description	**$**	**$**	**$**	**$**	**$**
Long-lived assets abandoned	-				(17)
Associates and equity accounted joint ventures	7	7			(10)
	7	7	-	-	(27)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. **FINANCIAL RISK MANAGEMENT ACTIVITIES**

In the normal course of its operations, the Company is exposed to gold and other commodity price, currency, interest rate, equity price, liquidity and non-performance risk, which includes credit risk. The Company is also exposed to certain by-product commodity price risk. In order to manage these risks, the Company may enter into transactions which make use of derivatives. The Company has developed a risk management process to facilitate, control and monitor these risks. The Audit and Corporate Governance Committee has approved and monitors this risk management process, inclusive of documented treasury policies, counterpart limits, controlling and reporting structures. The Company does not acquire, hold or issue derivatives for speculative purposes. Although all derivative transactions executed by the Company serve to economically manage the Company s risk to the market factors discussed above, not all such derivatives qualify for hedge accounting treatment, including instances whereby management has elected to not designate such derivatives as part of a qualifying hedge accounting relationship.

The financial risk management activities objectives of the Company are as follows:

- Safeguarding the Company s core earnings stream through the effective control and management of gold and other commodity price risk, foreign exchange risk and interest rate risk;
- Effective and efficient usage of credit facilities through the adoption of liquidity planning procedures;
- Ensuring that investment and hedging transactions are undertaken with creditworthy counterparts; and
- Ensuring that contracts and agreements related to risk management activities are coordinated, consistent throughout the Company and comply where necessary with relevant regulatory and statutory requirements.

A number of products, including derivatives are used to satisfy these objectives. Contracts that meet the criteria for hedge accounting are designated as the hedging instruments hedging the variability of forecasted cash flows from the sale of production into the spot market and from capital expenditure denominated in a foreign currency and are classified as cash flow hedges under the FASB ASC guidance on derivatives and hedging. Cash flows related to these instruments designated as qualifying hedges are reflected in the consolidated statement of cash flows in the same category as the cash flow from the items being hedged. Accordingly, cash flows relating to the settlement of forward sale commodity derivatives contracts hedging the forecasted sale of production into the spot market as well as the forward sale currency derivative contracts hedging the forecasted capital expenditure, have been reflected upon settlement as a component of operating cash flows. The ineffective portion of cash flow hedges recognized in (gain)/loss on non-hedge derivatives in the income statement during the year was $nil million (2010: $nil million; 2009: $5 million). The Company does not have any open cash flow hedge contracts relating to product sales or forecasted capital expenditure as at December 31, 2011 (2010: $nil million; 2009: $37 million). Cash flow hedge losses pertaining to capital expenditure of $3 million as at December 31, 2011 (2010: $3 million; 2009: $4 million) are expected to be reclassified from accumulated other comprehensive income and recognized as an adjustment to depreciation expense until 2017.

A gain on non-hedge derivatives of $83 million was recorded in 2011 (2010: loss of $703 million; 2009: loss of $1,452 million). See Note 5 Cost and expenses: Non-hedge derivative (gain)/loss and movement on bonds for additional information.

Gold price risk management activities

Gold price risk arises from the risk of an adverse effect of current or future earnings resulting from fluctuations in the price of gold. The Company historically utilized derivatives as part of its hedging of the risk. In order to provide financial exposure to the rising spot price of gold and the potential for enhanced cash-flow generation the Company completed its final tranche of the hedge buy-back program during 2010 and settled all forward gold and foreign exchange contracts that had been used by the Company in the past to manage those risks. At year end there were no net forward sales contracts (2010: nil kg; 2009: 571kg), net call options sold (2010: nil kg; 2009: 120,594kg) and net put options sold (2010: nil kg; 2009: 27,071kg).

The mix of derivative instruments, the volume of production hedged and the tenor of the hedge book is continuously reviewed in light of changes in operational forecasts, market conditions and the Company s hedging policy as set by the board of directors.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. **FINANCIAL RISK MANAGEMENT ACTIVITIES** *(continued)*

Elimination of hedge book

The Company communicated a board approved strategy in prior years to begin reducing its outstanding gold derivatives position in order to be more exposed to spot gold prices. During 2010, the Company completed the final phase of this strategy and eliminated its gold hedge book. See Note 5 Cost and expenses: Non-hedge derivative (gain)/loss and movement on bonds for additional information relating to the final 2010 hedge book elimination and the hedge buy-back transactions, including the impact thereof on the 2009 and 2010 consolidated financial statements.

The results of operations and cash flows for 2009, 2010 and 2011 were adversely impacted given the early cash settlement of non-hedge derivatives and previously designated NPSE contracts with low contracted sales prices, respectively, committed ounces have been fully eliminated as at December 31, 2011 (December 31, 2010: nil committed ounces; December 31, 2009: 3.90 million committed ounces). The Company has since had full exposure to the spot price of gold.

Foreign exchange price risk protection agreements

The Company, from time to time, may enter into currency forward exchange and currency option contracts to hedge certain anticipated transactions denominated in foreign currencies. The objective of the Company s foreign currency hedging activities is to protect the Company from the risk that the eventual cash flows resulting from transactions denominated in US dollars will be adversely affected by changes in exchange rates.

As at December 31, 2011 and 2010, the Company had no open forward exchange or currency option contracts in its currency hedge position.

Interest rate and liquidity risk

Fluctuations in interest rates impacts interest paid and received on the short-term cash investments and financing activities, giving rise to interest rate risk.

In the ordinary course of business, the Company receives cash from the proceeds of its gold sales and is required to fund working capital requirements. This cash is managed to ensure surplus funds are invested in a manner to achieve market related returns while minimizing risks.

The Company is able to actively source financing at competitive rates. The counterparts are financial and banking institutions and their credit ratings are regularly monitored by the Company.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. **FINANCIAL RISK MANAGEMENT ACTIVITIES** *(continued)*

Cash and loans advanced maturity profile

		2011				2010			
Maturity date	**Currency**	**Fixed rate investment amount (million)**	**Effective rate %**	**Floating rate investment amount (million)**	**Effective rate %**	**Fixed rate investment amount (million)**	**Effective rate %**	**Floating rate investment amount (million)**	**Effective rate %**
All less than one year	USD	10	0.48	467	0.20	13	0.20	171	0.19
	ZAR	3,030	5.50	164	3.55	969	5.58	57	4.64
	AUD	81	4.65	23	4.45	42	4.45	25	4.44
	EUR	-	-	-	-	-	-	3	1.00
	CAD	-	-	-	-	-	-	2	0.20
	BRL	-	-	27	6.61	-	-	30	8.90
	ARS	-	-	1	10.23	-	-	2	9.00
	NAD	-	-	119	4.08	102	5.00	207	5.00

Borrowings maturity profile

	0000000	0000000	0000000	0000000	0000000	0000000	0000000	0000000	0000000
	Within one year		**Between one and two years**		**Between two and five years**		**After five years**		**Total**
Currency	**Borrowings amount (million)**	**Effective rate %**	**Borrowings amount (million)**	**Effective rate %**	**Borrowings amount (million)**	**Effective rate %**	**Borrowings amount (million)**	**Effective rate %**	**Borrowings amount (million)**
$	22	5.4	761	6.0	660	3.5	994	5.7	2,437
ZAR	-	-	8	9.8	40	9.8	217	9.8	265
BRL	4	5.8	3	5.2	4	4.0	-	-	11
NAD	64	8.4	72	8.4	97	8.4	-	-	233

Interest rate risk

Fixed for less than one year	**Fixed for greater than three years**	**Total**

			Fixed for between one and three years				
Currency	Borrowings amount (million)	Effective rate %	Borrowings amount (million)	Effective rate %	Borrowings amount (million)	Effective rate %	Borrowings amount (million)
$	22	5.4	1,420	4.8	995	5.7	2,437
ZAR	-	-	24	9.8	241	9.8	265
BRL	4	5.8	5	4.6	2	4.5	11
NAD	64	8.4	161	8.4	8	8.4	233

Non-performance risk

Realization of contracts is dependent upon counterparts performance. The Company has not obtained collateral or other security to support the financial instruments subject to non-performance risk, but the credit standing of counterparts was monitored on a regular basis throughout the year. The Company spreads its business over a number of financial and banking institutions to minimize the risk of potential non-performance risk. Furthermore, the approval process of counterparts and the limits applied to each counterpart were monitored by the board of directors. Where possible, ISDA netting agreements were put into place by management.

The combined maximum credit risk exposure at balance sheet date amounts to $198 million (2010: $177 million). Credit risk exposure netted by open derivative positions with counterparts was $nil million (2010: $1 million). No set-off is applied to balance sheet amounts due to the different maturity profiles of assets and liabilities.

The fair value of derivative assets and liabilities reflects non-performance risk relating to the counterparts and the Company, respectively, as at December 31, 2011 and 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. **FINANCIAL RISK MANAGEMENT ACTIVITIES** *(continued)*

Fair value of financial instruments

The estimated fair values of financial instruments are determined at discrete points in time based on relevant market information. The estimated fair values of the Company s financial instruments, as measured at December 31, 2011 and 2010, are as follows (assets (liabilities)):

	00000000	00000000	00000000	00000000
	December 31, 2011		**December 31, 2010**	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair value $**
Cash and cash equivalents	1,112	1,112	575	575
Restricted cash	58	58	43	43
Short-term debt	(30)	(30)	(133)	(133)
Short-term debt at fair value	(2)	(2)	(2)	(2)
Long-term debt	(1,715)	(1,857)	(1,730)	(2,059)
Long-term debt at fair value	(758)	(758)	(872)	(872)
Derivatives	(93)	(93)	(175)	(175)
Marketable equity securities - available for sale	82	82	124	124
Marketable debt securities - held to maturity	8	11	13	14
Non-marketable assets - held to maturity	2	2	2	2
Non-marketable debt securities - held to maturity	85	85	89	89

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash restricted for use, cash and cash equivalents and short-term debt

The carrying amounts approximate fair value because of the short-term duration of these instruments.

Long-term debt

The mandatory convertible bonds are carried at fair value. The fair value of the convertible and rated bonds are shown at their quoted market value. Other long-term debt re-prices on a short-term floating rate basis, and accordingly the carrying amount approximates fair value.

Derivatives

The fair value of volatility-based instruments (i.e. options) are estimated based on market prices, volatilities, credit risk and interest rates for the periods under review.

Investments

Marketable equity securities classified as available-for-sale are carried at fair value. Marketable debt securities classified as held to maturity are measured at amortized cost. Non-marketable assets classified as held to maturity are measured at amortized cost. The fair value of marketable debt securities and non-marketable assets has been calculated using market interest rates. Investments in non-marketable debt securities classified as held to maturity are measured at amortized cost. The cost method investment is carried at cost. There is no active market for the investment and the fair value cannot be reliably measured.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. **FINANCIAL RISK MANAGEMENT ACTIVITIES** *(continued)*

The following is the fair value of the derivative (liabilities)/assets split by accounting designation:

	December 31, 2011 Assets		
	Balance Sheet location	Non-hedge accounted $	Total $
Warrants on shares	Current assets - derivatives	-	-
Total derivatives		-	-

	December 31, 2011 Liabilities		
	Balance Sheet location	Non-hedge accounted $	Total $
Option component of convertible bonds	Non-current liabilities - derivatives	(92)	(92)
Embedded derivatives	Non-current liabilities - derivatives	(1)	(1)
Total derivatives		(93)	(93)

	December 31, 2010 Assets		
	Balance Sheet location	Non-hedge accounted $	Total $
Warrants on shares	Current assets - derivatives	1	1
Total derivatives		1	1

	December 31, 2010 Liabilities		
	Balance Sheet location	Non-hedge accounted $	Total $
Option component of convertible bonds	Non-current liabilities - derivatives	(176)	(176)
Total derivatives		(176)	(176)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. **FINANCIAL RISK MANAGEMENT ACTIVITIES** *(continued)*

Non-hedge derivative (gain)/loss recognized

	Year ended December 31, 2011	2010	2009
	$	$	$
Realized [1]			
Forward sales type agreements - commodity	-	377	535
Option contracts - commodity	-	2,573	144
Forward sales agreements - currency	-	13	(107)
Option contracts - currency	-	(3)	(12)
Interest rate swaps - Gold	-	15	(16)
	-	2,975 [2]	544 [3]
Unrealized [1]			
Forward sales type agreements - commodity	-	(265)	188
Option contracts - commodity	-	(1,999)	648
Forward sales agreements - currency	-	-	15
Option contracts - currency	-	-	3
Interest rate swaps - Gold	-	(13)	25
Option component of convertible bonds	(84)	1	33
Embedded derivatives	1	(1)	1
Warrants on shares	-	5	(5)
	(83)	(2,272)	908
Non-hedge derivatives (gain)/loss	(83)	703	1,452

[1] Realized and unrealized gains and losses on non-hedge derivatives are included in Non-hedge derivative (gain)/loss and movement on bonds in the income statement.
[2] Includes $2,698 million loss related to the final tranche of the accelerated hedge buy-back executed during 2010.
[3] Includes $797 million loss related to the accelerated hedge buy-back in 2009.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. **FINANCIAL RISK MANAGEMENT ACTIVITIES** *(continued)*

Other comprehensive income

	Year ended December 31, 2011				
	Cash flow hedges, before taxation $	Cash flow hedges removed from equity, before taxation	$	Hedge ineffectiveness, before taxation	$
	Gain/(loss) recognized in accumulated other comprehensive income (effective portion)	Location of (gain)/loss reclassified from accumulated other comprehensive income into income (effective portion)	Amount of (gain)/loss reclassified from accumulated other comprehensive income into income (effective portion)	Location of (gain)/loss recognized in income (ineffective portion)	Amount of (gain)/loss recognized in income (ineffective portion)
Forward sales type agreements - commodity	-	Product sales	-	Non-hedge derivatives (gain)/ loss and movement on bonds	-
	-		-		-

Other comprehensive income

	Year ended December 31, 2010				
	Cash flow hedges, before taxation $	Cash flow hedges removed from equity, before taxation	$	Hedge ineffectiveness, before taxation	$
	Gain/(loss) recognized in accumulated	Location of	Amount of	Location of (gain)/loss recognized in income	Amount of (gain)/loss recognized

	other comprehensive income (effective portion)	(gain)/loss reclassified from accumulated other comprehensive income into income (effective portion)	(gain)/loss reclassified from accumulated other comprehensive income into income (effective portion)	(ineffective portion)	in income (ineffective portion)
Forward sales type agreements - commodity	-	Product sales	52	Non-hedge derivatives (gain)/ loss and movement on bonds	-
	-		52		-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. **FINANCIAL RISK MANAGEMENT ACTIVITIES** *(continued)*

Other comprehensive income

	Accumulated other comprehensive income as of January 1, 2011 $	Changes in fair value recognized in 2011 $	Reclassification adjustments $	Accumulated other comprehensive income as of December 31, 2011 $
Derivatives designated as				
Capital expenditure	(3)	-	-	(3)
Before tax totals	(3)	-	-	(3)
After tax totals	(2)	-	-	(2)

	Accumulated other comprehensive income as of January 1, 2010 $	Changes in fair value recognized in 2010 $	Reclassification adjustments $	Accumulated other comprehensive income as of December 31, 2010 $
Derivatives designated as				
Gold sales	(52)	-	52	-
Capital expenditure	(3)	-	-	(3)
Before tax totals	(55)	-	52	(3)
After tax totals	(22)	-	20	(2)

Maturity profile of derivatives, at carrying value

	Total	Liabilities

	$	2011	$
		Assets	
		$	
Amounts to mature within twelve months of balance sheet date	-	-	-
Amounts maturing between one and two years	-	-	-
Amounts maturing between two and five years	(92)	-	(92)
Amounts to mature thereafter	(1)	-	(1)
Total	(93)	-	(93)

		2010	
	Total	Assets	Liabilities
	$	$	$
Amounts to mature within twelve months of balance sheet date	1	1	-
Amounts maturing between one and two years	-	-	-
Amounts maturing between two and five years	(176)	-	(176)
Amounts to mature thereafter	-	-	-
Total	(175)	1	(176)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. **FINANCIAL RISK MANAGEMENT ACTIVITIES** *(continued)*

Sensitivity analysis

Derivatives

The Company monitors the sensitivity of the convertible bonds to changes in its share price.

The following table discloses the approximate sensitivity, in US dollars, of the convertible bonds to the Company s share price at December 31, 2011 (actual changes in the timing and amount of the following variables may differ from the assumed changes below).

		2011	
	Change in underlying factor (+)	Non-hedge accounted $	Total change in fair value $
Convertible bonds			
AngloGold Ashanti Limited share price ($)	Spot (+$3)	(23)	(23)

		2011	
	Change in underlying factor (-)	Non-hedge accounted $	Total change in fair value $
Convertible bonds			
AngloGold Ashanti Limited share price ($)	Spot (-$3)	21	21

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. **FINANCIAL RISK MANAGEMENT ACTIVITIES** *(continued)*

Mandatory convertible bonds

The mandatory convertible bond valuation is primarily linked to the AngloGold Ashanti Limited share price traded on the New York Stock Exchange (NYSE) and fluctuates with reference to the NYSE share price and market interest rates. An increase or decrease of $3 in the AngloGold Ashanti Limited share price will generally impact the value of the mandatory convertible bond liability in a stable interest environment by approximately $39 million.

Foreign exchange risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency.

The following table discloses the approximate foreign exchange risk sensitivities of debt at December 31, 2011 (actual changes in the timing and amount of the following variables may differ from the assumed changes below).

	2011 Change in exchange rate	Change in borrowings total $
Debt		
ZAR denominated (R/$)	Spot (+R1)	(4)
BRL denominated (BRL/$)	Spot (+BRL0.25)	(1)
NAD denominated (NAD/$)	Spot (+NAD1)	(3)

	2011 Change in exchange rate	Change in borrowings total $
Debt		
ZAR denominated (R/$)	Spot (-R1)	5
BRL denominated (BRL/$)	Spot (-BRL0.25)	1
NAD denominated (NAD/$)	Spot (-NAD1)	4

24. ADDITIONAL CASH FLOW INFORMATION

	2011	2010	2009
	$	**$**	**$**
Reported in the consolidated statements of cash flows:			
Interest paid	144	115	111
Taxation paid	477	188	147
Non-cash investing and financing items not reported in the consolidated statements of cash flows:			
Non cash movements included in Property, plant & equipment	389	302	426
Exercise of share options	51	43	20
Non-cash operating items not reported in the consolidated statements of cash flows:			
Foreign exchange gain[1]	11	2	103

[1] *Foreign exchange gain included in Interest, dividends and other amounts to:* 2 3 112

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. PROVISION FOR PENSION AND OTHER POST-RETIREMENT MEDICAL BENEFITS

The provision for pension and post-retirement medical funding represents the provision for health care and pension benefits for employees, retired employees and their dependants.

Defined benefit plans

The retirement schemes as at December 31, 2011, 2010 and 2009, consist of the following which reflects the following provision values:

	000,000,000	000,000,000	000,000,000
	2011	**2010**	**2009**
	$	**$**	**$**
AngloGold Ashanti Pension Fund liability/(asset)	23	-	(5)
Post-retirement medical scheme for AngloGold Ashanti South Africa employees	159	179	149
Other defined benefit plans	12	12	10
Sub total	194	191	154
Transferred to other non-current assets. See Note 15.			
AngloGold Ashanti Pension Fund	-	-	5
Post-retirement medical scheme for Rand Refinery employees	2	3	2
Ashanti retired staff pension plan	1	-	-
Short-term portion transferred to other current liabilities. See Note 17.	(12)	(14)	(14)
Total provision classified as a non-current liability	185	180	147

South Africa defined benefit pension fund

The plan is evaluated by independent actuaries on an annual basis as at December 31. The valuation as at December 31, 2011 was completed at the beginning of 2012. The most recent statutory valuation effective December 31, 2008 was completed in March 2010. The next statutory valuation will have an effective date no later than December 31, 2011.

All South African pension funds are governed by the Pension Funds Act of 1956 as amended.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. **PROVISION FOR PENSION AND OTHER POST-RETIREMENT MEDICAL BENEFITS** *(continued)*

Information with respect to the defined benefit fund, which includes benefits for AngloGold Ashanti employees, for the year ended December 31, is set forth in the table below:

000,000,000	000,000,000	000,000,000	000,000,000
		Pension benefits	
	2011	2010	2009
	$	$	$
Change in benefit obligation			
Benefit obligation at January 1,	334	269	199
Service cost	7	7	6
Interest cost	25	25	16
Plan participants contributions	2	2	2
Actuarial loss/(gain)	22	21	(2)
Benefits paid	(19)	(28)	(8)
Translation	(64)	38	56
Benefit obligation at December 31,	307	334	269
Change in plan assets			
Fair value of plan assets at January 1,	334	274	188
Actual return on plan assets	24	40	32
Company contributions	7	8	5
Plan participants contributions	2	2	2
Benefits paid	(19)	(28)	(8)
Translation	(64)	38	55
Fair value of plan assets at December 31,	284	334	274
(Unfunded)/funded status at end of year	(23)	-	5
Net amount recognized	(23)	-	5
Components of net periodic benefit cost			
Service cost	7	7	6
Interest cost	25	25	16
Actuarial loss/(gain)	28	10	(14)
Expected return on assets	(30)	(29)	(20)
Net periodic benefit cost	30	13	(12)
Accumulated benefit obligation at December 31,	269	290	230
Assumptions			
Weighted-average assumptions used to determine benefit obligations at December 31,			

Discount rate	8.75%	8.50%	9.25%
Rate of compensation increase	8.00%	7.25%	7.50%
Weighted-average assumptions used to determine the net periodic benefit cost for the years ended December 31,			
Discount rate	8.75%	8.50%	9.25%
Expected long-term return on plan assets	11.20%	9.99%	10.63%
Rate of compensation increase[1]	8.00%	7.25%	7.50%
Pension increase	5.40%	4.73%	4.95%

(1) *Short-term compensation rate increase*	7.50%	7.50%	7.00%
Long-term compensation rate increase	8.00%	7.25%	7.50%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. **PROVISION FOR PENSION AND OTHER POST-RETIREMENT MEDICAL BENEFITS** *(continued)*

The expected long-term return on plan assets is determined using the after tax return of RSA Government long bond yields as a guide.

	000,000,000,000	000,000,000,000
	Pension benefits	
	2011	**2010**
	%	**%**
Plan assets		
AngloGold Ashanti s pension plan asset allocations at December 31, 2011 and 2010, by asset category are as follows:		
Asset category		
Equity securities	56%	60%
Debt securities	37%	36%
Other	7%	4%
	100%	100%

Fair value of plan assets

The following table sets out the Company s plan assets measured at fair value, by level within the hierarchy as at December 31, 2011 (in US Dollars, millions):

	000,000,000,000	000,000,000,000	000,000,000,000	000,000,000,000
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Domestic equity security	106			106
Foreign equity securities	54			54
Domestic fixed interest bonds	81			81
Foreign fixed interest bonds	14			14
Real estate investment trust	3			3
Cash	16			16
Unlisted specialized credit		10		10

The following table sets out the Company s plan assets measured at fair value, by level within the hierarchy as at December 31, 2010 (in US Dollars, millions):

000,000,000,000	000,000,000,000	000,000,000,000	000,000,000,000

Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Domestic equity security	150			150
Foreign equity securities	50			50
Domestic fixed interest bonds	95			95
Foreign fixed interest bonds	13			13
Real estate investment trust	4			4
Cash	11			11
Unlisted specialized credit		11		11

Fair value of level 1 plan assets is based on quoted market prices.

Fair value of level 2 plan assets is based on market interest rates (for fixed rate investments) accrued interest and credit risk ratings.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. **PROVISION FOR PENSION AND OTHER POST-RETIREMENT MEDICAL BENEFITS** *(continued)*

Investment policy

The Trustees have adopted a long-term horizon in formulating the Fund s investment strategy, which is consistent with the term of the Fund s liabilities. The investment strategy aims to provide a reasonable return relative to inflation across a range of market conditions.

The Trustees have adopted different strategic asset allocations for the assets backing pensioner and active member liabilities. The strategic asset allocation defines what proportion of the Fund s assets should be invested in each major asset class. The Trustees have then selected specialist investment managers to manage the assets in each asset class according to specific performance mandates instituted by the Trustees.

The Trustees have also put in place a detailed Statement of Investment Principles that sets out the Fund s overall investment philosophy and strategy.

Fund returns are calculated on a monthly basis, and the performance of the managers and Fund as a whole is formally reviewed by the Fund s Investment Sub-Committee at least every six months.

	000,000,000	000,000,000	000,000,000	000,000,000	000,000,000	000,000,000
		2011			**2010**	
	No. of shares	**Percentage of total assets**	**Fair value $**	**No. of shares**	**Percentage of total assets**	**Fair value $**
Related parties						
Investments held in related parties are summarized as follows:						
Equity securities						
AngloGold Ashanti Limited	100,079	1.5%	4	119,758	1.8%	6
Other investments exceeding 5% of total plan assets						
Bonds						
IFM Corporate Bond Unit Trust	287,226,346	12.7%	36	267,975,059	12.2%	41
Allan Gray Orbis Global Equity Fund	242,110	9.5%	27	243,210	9.0%	30
Stonehage Contrarius Global Equity Fund	1,251,535	9.1%	26	-	-	-
			89			71

Cash flows

	$
Contributions	
Expected Company contribution to its pension plan in 2012	5

Estimated future benefit payments

The following pension benefit payments, which reflect the expected future service, as appropriate, are expected to be paid:

2012	20
2013	20
2014	21
2015	21
2016	21
2017 2021	115

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. **PROVISION FOR PENSION AND OTHER POST-RETIREMENT MEDICAL BENEFITS** *(continued)*

South Africa post-retirement medical benefits

The provision for post-retirement medical funding represents the provision for health care benefits for employees and retired employees and their registered dependants. The post-retirement benefit costs are assessed in accordance with the advice of independent professionally qualified actuaries. The actuarial method used is the projected unit credit funding method. This scheme is unfunded. The last actuarial valuation was performed at December 31, 2011.

Information with respect to the defined benefit liability, which includes post-retirement medical benefits for AngloGold Ashanti South Africa employees, for the year ended December 31, is set forth in the table below:

	000,000,000	000,000,000	000,000,000
		Other benefits	
	2011	**2010**	**2009**
	$	**$**	**$**
Change in benefit obligation			
Benefit obligation at January 1,	179	149	115
Service cost	1	1	-
Interest cost	13	13	9
Benefits paid	(13)	(14)	(10)
Actuarial loss	11	10	4
Translation	(32)	20	31
Benefit obligation at December 31,	159	179	149
Unfunded status at end of year	(159)	(179)	(149)
Net amount recognized	(159)	(179)	(149)
Components of net periodic benefit cost			
Service cost	1	1	-
Interest cost	13	13	9
Actuarial gains and losses	11	10	4
	25	24	13
The assumptions used in calculating the above amounts are:			
Discount rate	8.75%	8.50%	9.25%
Expected increase in health care costs	7.50%	7.60%	7.00%
Assumed health care cost trend rates at December 31,			
Health care cost trend assumed for next year	7.50%	7.60%	7.00%
Rate to which the cost trend is assumed to decline (ultimate trend rate)	7.50%	7.60%	7.00%

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one percentage-point change in assumed health care cost trend rates would have the following effect:

	000,000,000 1-percentage point increase	000,000,000 1-percentage point decrease
Effect on total service and interest cost	2	(1)
Effect on post-retirement benefit obligation	17	(14)

Cash flows

	$
Contributions	
Expected Company contributions to the post-retirement medical plan in 2012	12

Estimated future benefit payments

The following medical benefit payments, which reflect the expected future service, as appropriate, are expected to be paid:

2012	12
2013	13
2014	14
2015	14
2016	14
2017 2021	74

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. PROVISION FOR PENSION AND OTHER POST-RETIREMENT MEDICAL BENEFITS *(continued)*

Other defined benefit plans

Other defined benefit plans include the Ashanti Retired Staff Pension Plan, the Obuasi Mines Staff Pension Scheme, the Post-retirement medical scheme for Rand Refinery employees, the Retiree Medical Plan for the United States of America employees, the Supplemental Employee Retirement Plan for North America (USA) Inc. employees and the Nuclear Fuels South Africa (NUFCOR) Retiree Medical Plan for Nufcor South African employees.

Information in respect of other defined benefit plans for the years ended December 31, 2011, 2010 and 2009 have been aggregated in the tables of change in benefit obligations, change in plan assets and components of net periodic benefit cost as follows:

Aggregated information in respect of the other defined benefit plans, for the year ended December 31, is set forth in the table below:

	000,000,000	000,000,000	000,000,000
	2011	**2010**	**2009**
	$	**$**	**$**
Change in benefit obligations			
Balance at January 1,	22	18	17
Interest cost	1	1	-
Actuarial loss	-	5	-
Benefits paid	(2)	(2)	(1)
Translation	-	-	2
Balance at December 31,	21	22	18
Change in plan assets			
Fair value of plan assets at January 1,	10	8	6
Actual return on plan assets	1	2	-
Benefits paid	-	(1)	-
Translation	(2)	1	2
Fair value of plan assets at December 31,	9	10	8
Unfunded status at end of year	(12)	(12)	(10)
Net amount recognized	(12)	(12)	(10)
Components of net periodic benefit cost			
Interest cost	1	1	-
Actuarial gain	(1)	(1)	-
	-	-	-

Accumulated benefit obligation at December 31,	12	12	10

Cash flows

The other retirement defined benefit plans are all closed to new members and current members are either retired or deferred members. The Company does not make a contribution to these plans.

Estimated future benefit payments

The following pension benefit payments, which reflect the expected future service, as appropriate, are expected to be paid:

	$
2012	2
2013	2
2014	2
2015	2
2016	2
2017 2021	8

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. **PROVISION FOR PENSION AND OTHER POST-RETIREMENT MEDICAL BENEFITS** *(continued)*

Defined contribution funds

The following table sets forth the cost of providing retirement benefits.

	000,000	000,000	000,000
	2011	**2010**	**2009**
	$	**$**	**$**
Australia (Sunrise Dam, Tropicana and Other) [(1)]	5	4	4
Namibia (Navachab) [(2)]	2	1	1
Tanzania (Geita) [(3)]	-	-	-
United States of America (Cripple Creek & Victor) [(4)]	2	2	2
Argentina and Brazil (AngloGold Ashanti Córrego do Sitío Mineração, Cerro Vanguardia and Serra Grande) [(5)]	2	4	1
Ghana and Guinea (Iduapriem, Obuasi and Siguiri) [(6)]	5	5	4
South Africa (Great Noligwa, Kopanang, Moab Khotsong, Mponeng, Savuka, TauTona, Corporate and Other) [(7)]	48	48	41
	64	64	53

Contributions to the various retirement schemes are fully expensed during the year.

(1) Contributions are to various approved superannuation funds for the provision of benefits to employees and their dependants on retirement, disability or death. The fund is a multi-industry national fund with defined contribution arrangements. Contribution rates by the operation on behalf of employees varies, with minimum contributions meeting compliance requirements under the Superannuation Guarantee legislation. The contributions by the operation are legally enforceable to the extent required by the Superannuation Guarantee legislation and relevant employment agreements.

(2) Navachab employees are members of a defined contribution provident fund. The fund is administered by the Old Mutual Life Assurance Company (Namibia) Limited. Both the Company and the employees contribute to this fund.

(3) Geita does not have a retirement scheme for employees. Tanzanian nationals contribute to the National Social Security Fund (NSSF) or the Parastatal Provident Fund (PPF), depending on the employee s choice, and the Company also makes a contribution on the employee s behalf to the same fund. On leaving the Company, employees may withdraw their contribution from the fund. From July 2005, the Company has set up a supplemental provident fund which is administered by the PPF with membership available to permanent national employees on a voluntary basis. The Company makes no contribution towards any retirement schemes for contracted expatriate employees. The Company contributes to the NSSF on behalf of expatriate employees. On termination of employment the Company may apply for a refund of contributions from the NSSF.

(4) AngloGold Ashanti USA sponsors a 401(k) savings plan whereby employees may contribute up to 60 percent of their salary, of which up to 5 percent is matched at a rate of 150 percent by AngloGold Ashanti USA.

(5) AngloGold Ashanti in South America operates defined contribution arrangements for its employees. These arrangements are funded by the operations (basic plan) and operations/employees (optional supplementary plan). A PGBL (Plano Gerador de Beneficio Livre) fund, similar to the American 401 (k) type of plan was started in December 2001. Administered by Bradesco Previdencia e Seguros (which assumes the risk for any eventual actuarial liabilities), this is the only private pension plan sponsored by the Company in Brazil. Argentine nationals contribute to the obligatory Regimen Previsional Público fund which is administered by the state through the National Administrators of the Social Security (ANSES). Employees in Argentina contribute 11 percent of their salaries towards the Regimen Previsional Público fund and the Company makes a contribution of 17 percent of an employee s salary to the same fund.

(6) The Company s mines in Ghana and Guinea contribute to provident plans for their employees which are defined contribution plans. The funds are administered by Boards of Trustees and invested mainly in Ghana and Guinea government treasury instruments, fixed term deposits and other investments.

(7) South Africa contributes to various industry-based pension and provident retirement plans which cover substantially all employees and are defined contribution plans. These plans are all funded and the assets of the schemes are held in administrated funds separately from the Company s assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

26. **SEGMENT AND GEOGRAPHICAL INFORMATION**

The Company produces gold as its primary product and does not have distinct divisional segments in terms of principal business activity, but manages its business on the basis of different geographic segments. This information is consistent with the information used by the Company s Chief Operating Decision Maker, defined as the Executive Management team, in evaluating operating performance of, and making resource allocation decisions among operations.

	000,000,000	000,000,000	000,000,000
Business segment data	**Year ended December 31**		
	2011	**2010**	**2009**
	$	**$**	**$**
Revenues			
Revenues from product sales:			
South Africa	2,561	875	1,374
Continental Africa	2,529	1,038	1,242
Australasia	385	206	291
Americas	1,487	571	692
	6,962	2,690	3,599
Less: Equity method investments included above	(392)	(331)	(358)
Plus: Loss on realized non-hedge derivatives included above	-	2,975	543
Total revenues from product sales	6,570	5,334	3,784
Depreciation and amortization expense			
South Africa	360	357	281
Continental Africa	223	185	207
Australasia	42	35	38
Americas	173	152	111
	798	729	637
Less: Equity method investments included above	(9)	(9)	(22)
Total depreciation and amortization expense	789	720	615

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

26. **SEGMENT AND GEOGRAPHICAL INFORMATION** *(continued)*

	000,000,000	000,000,000	000,000,000
Business segment data	**Year ended December 31**		
	2011	**2010**	**2009**
	$	**$**	**$**
Segment income/(loss)			
South Africa	1,021	675	574
Continental Africa	941	493	199
Australasia	38	158	(15)
Americas	751	508	335
Other, including Corporate and Non-gold producing subsidiaries	(192)	(179)	(133)
Total segment income	2,559	1,655	960
The following are included in segment income/(loss):			
Interest revenue			
South Africa	28	27	30
Continental Africa	14	3	3
Australasia	4	2	12
Americas	4	10	8
Other, including Corporate and Non-gold producing subsidiaries	2	1	1
Total interest revenue	52	43	54
Interest expense			
South Africa	5	7	4
Continental Africa	1	7	4
Australasia	-	1	2
Americas	3	3	12
Other, including Corporate and Non-gold producing subsidiaries	169	133	101
Total interest expense	178	151	123
Equity (loss)/income in associates			
South Africa	(2)	(1)	(2)
Continental Africa	89	69	102
Other, including Corporate and Non-gold producing subsidiaries	(28)	(28)	(12)

Total equity income in associates	59	40	88
Reconciliation of segment income to Net income/(loss) - attributable to AngloGold Ashanti			
Segment total	2,559	1,655	960
Exploration costs	(279)	(206)	(150)
General and administrative expenses	(287)	(228)	(158)
Market development costs	(9)	(14)	(10)
Non-hedge derivative gain/(loss) and movement on bonds	196	(786)	(1,452)
Taxation (expense)/benefit	(705)	(255)	33
Noncontrolling interests	(50)	(54)	(48)
Net income/(loss) - attributable to AngloGold Ashanti	1,425	112	(825)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

26. **SEGMENT AND GEOGRAPHICAL INFORMATION** *(continued)*

Business segment data	**Year ended December 31**		
	2011	**2010**	**2009**
	$	**$**	**$**
Segment assets			
South Africa[1]	2,974	3,370	3,354
Continental Africa	4,365	4,093	4,055
Australasia	714	534	496
Americas	2,527	2,170	2,012
Other, including Corporate, and Non-gold producing subsidiaries	605	221	745
Total segment assets	11,185	10,388	10,662

[1] *Includes the following which have been classified as assets held for sale:*

Rand Refinery Limited	1	1	1
ISS International Limited	-	15	-
Tau Lekoa	-	-	73

ISS International Limited was classified as held for sale in 2010. The sale was concluded effective February 28, 2011.

Expenditure for additions to long-lived assets			
South Africa	549	430	395
Continental Africa	418	232	196
Australasia	102	40	177
Americas	452	309	257
Other, including Corporate and Non-gold producing subsidiaries	6	4	2
	1,527	1,015	1,027
Less: Equity method investments included above	(88)	(42)	(8)
Total expenditure for additions to long-lived assets	1,439	973	1,019
Geographical area data			
Total revenues			
South Africa	2,596	899	1,395
Continental Africa	2,529	1,043	1,243

Australasia	389	208	308
Americas	1,499	573	691
Other, including Corporate and Non-gold producing subsidiaries	17	37	129
	7,030	2,760	3,766
Less: Equity method investments included above	(388)	(333)	(355)
Plus: Loss on realized non-hedge derivatives included above	-	2,975	543
Total revenues	6,642	5,402	3,954
Long-lived assets by area			
South Africa	2,360	2,701	2,393
Continental Africa	3,544	3,437	3,405
Australasia	441	373	342
Americas	2,088	1,808	1,678
Other, including Corporate and Non-gold producing subsidiaries	121	72	86
Total long-lived assets	8,554	8,391	7,904

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

26. **SEGMENT AND GEOGRAPHICAL INFORMATION** *(continued)*

Business segment data	Year ended December 31		
	2011	2010	2009
	$	$	$
Entity-wide disclosures			
Revenues[1]			
South Africa	2,561	2,207	1,665
Ghana	802	566	513
Tanzania	753		
Brazil	767	599	437

(1) *Material revenues are attributed to countries based on location of production.*

Long-lived assets[2]			
South Africa	2,151	2,458	2,176
Ghana	2,034	1,924	1,887
United States of America	810	719	671
Brazil	950	768	689

(2) *Material long-lived assets excluding goodwill and other intangibles, financial instruments and deferred taxation assets.*

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

27. **ANGLOGOLD LIMITED SHARE INCENTIVE SCHEME AND PLANS**

Employee share incentive scheme

At a general meeting held on June 4, 1998, shareholders approved the introduction of the AngloGold Limited Share Incentive Scheme (Share Incentive Scheme) for the purpose of providing an incentive to executive directors and senior employees of the Company and its subsidiaries to identify themselves more closely with the fortunes of the Company and also to promote the retention of such employees by giving them an opportunity to acquire shares in the Company. Employees participate in the scheme to the extent that they are granted options and accept them.

At a general meeting held on April 30, 2002, it was approved that the rules of the Share Incentive Scheme be amended to provide for the exercise of options to be based on conditions, related to the performance of the Company, as determined by the directors and which will be objective and specified. An employee would only be able to exercise his options after the date upon which he has received written notification from the directors that the previously specified performance conditions have been fulfilled or waived. The options granted prior to May 1, 2002 remained subject to the conditions under which they were granted. Although there are no automatically convertible unsecured debentures currently in issue under the rules of the Share Incentive Scheme, consequential amendments were approved to the rules of the scheme which effectively made the conversion of debentures subject to the same terms as the exercise of options.

At the annual general meeting held on May 7, 2010, shareholders authorized that 17,000,000 shares may be allocated for the purposes of the scheme. The maximum aggregate number of shares which may be acquired by any one participant in the scheme is 5 percent of the shares attributable to the scheme or 850,000 ordinary shares per employee could be issued in aggregate (2010: 850,000).

Ordinary shares issued in terms of the Share Incentive Scheme shall, subject to the provisions of the Share Incentive Scheme, rank *pari passu* with issued shares in all respects, including participation in dividends.

Non-executive directors are not eligible for participation in the Share Incentive Scheme.

Total plan employee costs

On December 31, 2011, the Company had six stock based compensation plans which are described below.

Total compensation cost charged against income for these plans were as follows:

	2011	2010	2009
	$	$	$
Compensation cost recognized	54 (1)	59	41

(1) Excludes $7 million relating to the Black economic empowerment transaction restructuring costs for Izingwe (see Note 5).

At the year end, the unallocated balance of shares subject to the Share Incentive Scheme amounted to 10,075,485 (2010: 11,398,904).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

27. **ANGLOGOLD LIMITED SHARE INCENTIVE SCHEME AND PLANS** *(continued)*

Options

An option may only be granted to an employee to purchase a certain number of shares, specified by the directors, at the option price payable in accordance with the rules of the Share Incentive Scheme.

The Share Incentive Scheme provides for the granting of options based on two separate criteria:

Time related options

Time related options may be exercised over a five year period from date of grant, and may be exercised in tranches of 20 percent each in years 2, 3 and 4 and 40 percent in year five.

No further options will be granted under this plan which terminated on February 1, 2012, being the date on which the last options granted under this plan could have been, exercised or expired.

A summary of time related options showing movement from the beginning of the year to the end of the year, is presented below:

	Options (000)	Weighted-average exercise price R
Outstanding at January 1, 2011	1	194
Exercised	(1)	194
Outstanding at December 31, 2011	-	-
Exercisable at December 31, 2011	-	-

A summary of the salient features of the time related options is presented below:

	2011	2010	2009
Total intrinsic value of options outstanding at period end (R millions)	-	- [(1)]	5
Intrinsic value of options exercised (R millions)	- [(1)]	5	15
Weighted average remaining contractual term (years)	-	1	1

(1) Less than R1 million.

There was no income statement charge for 2011, 2010 and 2009, as the total compensation cost was expensed up to date of vesting in 2007.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

27. **ANGLOGOLD LIMITED SHARE INCENTIVE SCHEME AND PLANS** *(continued)*

Performance related options

Performance related options granted vest in full, three years after date of grant, provided that the conditions on which the options were granted, namely related to the performance of the Company (growth in an adjusted earnings per share) as determined by the directors, are met. If the performance conditions are not met at the end of the first three year period, then performance is re-tested each year over the ten year life of the option on a rolling three year basis. Options are normally exercisable, subject to satisfaction of the performance conditions, between three and ten years from date of grant.

The performance related options compensation expense is fixed at grant date and recorded when it is probable that the performance criteria will be met.

No further performance related options will be granted and all options granted hereunder will terminate on November 1, 2014, being the date on which the last options granted under these criteria may be exercised or will expire.

A summary of performance related options showing movement from the beginning of the year to the end of the year, is presented below:

	Options (000)	Weighted-average exercise price R
Outstanding at January 1, 2011	392	242
Exercised	(221)	249
Forfeited (terminations)	-	-
Outstanding at December 31, 2011	171	232
Exercisable at December 31, 2011	171	232

A summary of the salient features of the performance related options is presented below:

	2011	2010	2009
Total intrinsic value of options outstanding at period end (R millions)	19	33	42
Intrinsic value of options exercised (R millions)	17	17	49
Weighted average remaining contractual term (years)	2	3	4

All options which have not been exercised within ten years from the date on which they were granted automatically expire.

There was no income statement charge for 2011, 2010 and 2009, as the total compensation cost was expensed up to date of vesting in 2007.

During 2011, a total of 221,429 common shares were issued under the share incentive scheme in terms of time-based and performance awards.

As at December 31, 2011, there was no unrecognized compensation cost related to unvested stock options.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

27. **ANGLOGOLD LIMITED SHARE INCENTIVE SCHEME AND PLANS** *(continued)*

The weighted average of all options outstanding as at December 31, 2011, is as follows:

Range of exercise prices	Quantity of options within range	Weighted average exercise price	Weighted average contractual life
R	(000)	R	Years
144 211	28	194	2.0
212 300	143	243	1.5
	171 [1]	235	1.6

[1] *Represents performance related options outstanding.*

No options expired during the year ended December 31, 2011.

Since December 31, 2011 to and including March 31, 2012, 9,847 options (granted in respect of performance related options) have been exercised.

Bonus Share Plan (BSP) and Long-Term Incentive Plan (LTIP)

At the annual general meeting held on April 29, 2005, shareholders approved the introduction of the BSP and LTIP and the discontinuation of the previous share incentive scheme. Options granted under the previous share incentive scheme will remain subject to the conditions under which they were originally granted.

Bonus Share Plan (BSP)

The BSP is intended to provide effective incentives to eligible employees. An eligible employee is one who devotes substantially the whole of his working time to the business of the Company, any subsidiary of the Company or a company under the control of AngloGold Ashanti. An award in terms of the BSP may be made at any date at the discretion of the board, the only vesting condition being three years service for awards granted prior to 2008. For all BSP awards granted from 2008, 40 percent will vest after one year and the remaining 60 percent will vest after two years. An additional 20 percent of the original award will be granted to employees if the full award remains unexercised after three years. The board is required to determine a BSP award value and this will be converted to a share amount based on the closing price of the Company shares on the JSE on the last business day prior to the date of grant.

During 2011 a total of 466,849 common shares were issued in terms of the BSP rules.

For awards made, the following information is presented:

Award date (unvested awards and awards vested during the year)	2011	2010	2009	2008
Calculated fair value (R per share)	340.00	280.90	293.99	267.05
Vesting date (40%)	February 21, 2012	February 24, 2011	February 18, 2010	January 1, 2009
Vesting date (60%)	February 21, 2013	February 24, 2012	February 18, 2011	January 1, 2010

Vesting date (conditional 20%)	February 21, 2014	February 24, 2013	February 18, 2012	January 1, 2011
Expiry date	February 20, 2021	February 23, 2020	February 17, 2019	December 31, 2017

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

27. **ANGLOGOLD LIMITED SHARE INCENTIVE SCHEME AND PLANS** *(continued)*

A summary of time related equity settled compensation scheme showing movement from the beginning of the year to the end of the year, is presented below:

	Awards (000)
Outstanding at January 1, 2011	1,552
Granted	821
Exercised	(467)
Forfeited (terminations)	(81)
Outstanding at December 31, 2011	1,825
Exercisable at December 31, 2011	681

BSP awards are issued with no exercise price.

A summary of the salient features of the BSP is presented below:

	2011	**2010**	**2009**
Total intrinsic value of awards outstanding at period end (R millions)	627	508	397
Intrinsic value of awards exercised (R millions)	153	146	75
Weighted average remaining contractual term (years)	6	7	7

Long-Term Incentive Plan (LTIP)

The LTIP is an equity settled share-based payment arrangement, intended to provide effective incentives for executives to earn shares in the Company based on the achievement of stretched Company performance conditions. Participation in the LTIP will be offered to executive directors, executive officers/management and selected members of senior management. An award in terms of the LTIP may be granted at any date during the year that the board of the Company determine and may even occur more than once a year. The board is required to determine an LTIP award value and this will be converted to a share amount based on the closing price of the Company shares on the JSE on the last business day prior to the date of grant.

The main performance conditions in terms of the LTIP issued in 2008, 2009, 2010 and 2011 are:

- up to 30 percent of an award will be determined by the performance of total shareholder returns compared with that of a group of comparative gold-producing companies;
- up to 30 percent of an award will be determined by real growth (above US inflation) in adjusted earnings per share over the performance period;
- up to 40 percent of an award will be dependent on the achievement of strategic performance measures which will be set by the Remuneration Committee; and
- three-year s service is required.

During 2011, a total of 201,315 common shares were issued in terms of the LTIP rules.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

27. **ANGLOGOLD LIMITED SHARE INCENTIVE SCHEME AND PLANS** *(continued)*

For awards made, the following information is presented:

Award date (unvested awards and awards vested during the year)	**2011**	**2010**	**2009**	**2008**
Calculated fair value (Rand per share)	340.00	280.90	293.99	267.05
Vesting date	February 21, 2014	February 24, 2013	February 18, 2012	January 1, 2011
Expiry date	February 20, 2021	February 23, 2020	February 17, 2019	December 31, 2017

A summary of time and performance related equity settled compensation scheme showing movement from the beginning of the year to the end of the year, is presented below:

	Awards (000)
Outstanding at January 1, 2011	1,600
Granted	686
Exercised	(201)
Forfeited (terminations)	(103)
Outstanding at December 31, 2011	1,982
Exercisable at December 31, 2011	242

LTIP awards are issued with no exercise price.

A summary of the salient features of the LTIP is presented below:

	2011	**2010**	**2009**
Total intrinsic value of awards outstanding at period end (R millions)	681	522	387
Intrinsic value of awards exercised (R millions)	66	26	22
Weighted average remaining contractual term (years)	6	7	7

Compensation expense related to BSP and LTIP awards recognized ($ millions)	42	45	27
As at December 31, the unrecognized compensation cost related to unvested awards of the BSP and LTIP plans amounted to ($ millions)	27	23	18
Unrecognized compensation cost is expected to be recognized over a weighted-average period of approximately (years)	2	2	2

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

27. **ANGLOGOLD LIMITED SHARE INCENTIVE SCHEME AND PLANS** *(continued)*

Employee Share Ownership Plan (ESOP)

On December 12, 2006, AngloGold Ashanti announced the finalization of the Bokamoso Employee Share Ownership Plan (Bokamoso ESOP) for employees of the South African operations. The Bokamoso ESOP creates an opportunity for AngloGold Ashanti and the unions to ensure a closer alignment of the interest between South African based employees and the Company. Participation is restricted to those employees not eligible for participation in any other South African share incentive plan.

In order to facilitate these transactions the Company established a trust to acquire and administer the ESOP shares. AngloGold Ashanti allotted and issued free ordinary shares to the trust and also created, allotted and issued E ordinary shares to the trust for the benefit of employees. The Company also undertook an empowerment transaction with a Black Economic Empowerment investment vehicle, Izingwe Holdings (Proprietary) Limited (Izingwe) during 2006 and created, allotted and issued E ordinary shares to Izingwe. The key terms of the E ordinary share are:

- AngloGold Ashanti will have the right to cancel the E ordinary shares, or a portion of them, in accordance with the ESOP and Izingwe cancellation formula, respectively;
- the E ordinary shares will not be listed;
- the E ordinary shares which are not cancelled will be converted into ordinary shares; and
- the E ordinary shares will each be entitled to receive a cash dividend equal to one-half of the dividend per ordinary share declared by the Company from time to time and a further one-half is included in the calculation of the strike price.

On April 14, 2011, AngloGold Ashanti Limited, NUM, Solidarity, UASA, Izingwe and the Bokamoso ESOP Board of Trustees announced the restructuring of the empowerment transactions concluded between the Company and the unions, and the Company and Izingwe respectively in 2006.

This restructuring was motivated by the fact that share price performance since the onset of the 2008 global financial crisis led to a situation where the first two tranches of E ordinary shares vested and lapsed at no additional value to Bokamoso ESOP beneficiaries and Izingwe.

In order to remedy this situation in a manner that would ensure an element of value accruing to participants, though at a reasonable incremental cost to AngloGold Ashanti Limited shareholders, the scheme was restructured as follows:

- all lapsed E ordinary shares that vested without value were reinstated;
- the strike (base) price was fixed at R320.00 per share for the Bokamoso ESOP and R330.00 for Izingwe;
- the notional interest charge that formed part of the original cancellation formula fell away;
- as before, 50 percent of any dividends declared was used to reduce the strike price;
- as before, the remaining 50 percent is paid directly to participants under the empowerment transaction; and
- the life span of the scheme was extended by an additional year, the last vesting being in 2014, instead of 2013. A minimum payout on vesting of the E ordinary shares has been set at R40.00 each and a maximum payout of R70.00 each per E ordinary share for Izingwe and R90.00 each for members of the Bokamoso ESOP (i.e. employees), including the impact of the 50 percent of dividend flow. While the floor price provides certainty to all beneficiaries of the empowerment transactions, the creation of a ceiling serves to limit the cost to AngloGold Ashanti Limited and its shareholders.

The total incremental fair value of awards granted was R29.14 per share and will be included in earnings up to the vesting date in 2014. The Company recorded a charge of $12 million (2010: $nil million) to earnings during the year as a result of the restructuring.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

27. **ANGLOGOLD LIMITED SHARE INCENTIVE SCHEME AND PLANS** *(continued)*

The award of free ordinary shares to employees

The fair value of each free ordinary share awarded in 2011 was R306.99 (2008: R188, 2007: R306 and 2006: R320). The fair value is equal to the market value at the date-of-grant. Dividends declared and paid to the trust will accrue and be paid to ESOP members, pro rata to the number of shares allocated to them. An equal number of shares vests from 2009, and each subsequent year up to expiry date of November 1, 2013.

A summary of time related equity settled compensation scheme showing movement from the beginning of the year to the end of the year, is presented below:

	Awards
	(000)
Outstanding at January 1, 2011	435
Granted	49
Reallocated	16
Exercised	(157)
Forfeited (terminations)	(16)
Outstanding at December 31, 2011	327
Exercisable at December 31, 2011	-

A summary of the salient features of the award of free ordinary shares under ESOP to employees is presented below:

	2011	**2010**	**2009**
Total intrinsic value of awards outstanding at period end (R millions)	112	142	204
Intrinsic value of awards exercised (R millions)	51	72	58
Weighted average remaining contractual term (years)	1	1	2

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

27. **ANGLOGOLD LIMITED SHARE INCENTIVE SCHEME AND PLANS** *(continued)*

The award of E ordinary shares to the employees:

Before the restructuring of the ESOP scheme during April 2011, the average fair value of the E ordinary shares awarded to employees in 2008 was R13 (2007: R79 and 2006: R105) per share. After the restructuring of the scheme the average fair value per share of the E Ordinary shares was R49.57. Dividends declared in respect of the E ordinary shares will firstly be allocated to cover administration expenses of the trust, whereafter it will accrue and be paid to ESOP members, pro rata to the number of shares allocated to them. At each anniversary over a six year period commencing on the third anniversary of the original 2006 award, the Company will cancel the relevant number of E ordinary shares as stipulated by a cancellation formula. Any E ordinary shares remaining in the tranche will be converted to ordinary shares for the benefit of the employees.

The value of each share granted is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires the input of subjective assumptions, including the expected term of the option award and stock price volatility. These estimates involve inherent uncertainties and the application of management judgment. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those options expected to vest. As a result, if other assumptions had been used, the Company s recorded compensation expense could have been different from that reported.

The Black-Scholes option-pricing model used the following assumptions, at grant date:

	2011	**2008**	**2007**	**2006**
Risk-free interest rate	6.63%	7.00%	7.00%	7.00%
Dividend yield	0.99%	1.39%	2.06%	2.30%
Volatility factor of market share price	33.50%	35.00%	33.00%	36.00%

A summary of E ordinary shares, awarded to employees, showing movement from the beginning of the year to the end of the year, is presented below:

	Options (000)	**Weighted-average exercise price R**
Outstanding at January 1, 2011	1,686	366
Granted	769	320
Reallocated	62	333
Forfeited (terminations)	(62)	333
Cancelled	(408)	320
Converted	(514)	315
Outstanding at December 31, 2011	1,533	315
Exercisable at December 31, 2011	-	-

A summary of the salient features of the award of E ordinary shares to employees is presented below:

	2011	2010	2009
Total intrinsic value of awards outstanding at period end (R millions) [1]	43	-	-
Intrinsic value of awards exercised (R millions)	6	- [2]	- [2]
Weighted average remaining contractual term (years)	1	1	2

(1) The options outstanding at December 31, 2010, and 2009 had no intrinsic value as the share price at year end was lower than the weighted average exercise price.
(2) Less than R1 million.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

27. **ANGLOGOLD LIMITED SHARE INCENTIVE SCHEME AND PLANS** *(continued)*

	2011	2010	2009
Compensation expense related to the ESOP scheme recognized ($ millions)	12	12	12
As at December 31, the unrecognized compensation cost related to unvested awards of the ESOP scheme amounted to ($ millions)	9	8	16
Unrecognized compensation cost is expected to be recognized over the remaining scheme term (years)	3	3	4

Weighted average exercise price is calculated as the initial grant price of R288 plus interest factor less dividend apportionment up to April 2011. After that date the exercise price is calculated at the restructured price of R320 less dividend apportionment.

Cash Settled Share Incentive Scheme

Ghana Employee Share Ownership Plan (Ghana ESOP)

A memorandum of understanding was signed with the Ghanaian employees on April 28, 2009 to introduce the Ghana ESOP under defined rules.

In terms of the rules of the scheme, every eligible employee is entitled to 20 AngloGold Ashanti Limited share appreciation rights (phantom shares), which will be paid out in four equal tranches, commencing May 2009 and ending in May 2012.

The value of the rights are equal to the value of AngloGold Ashanti Limited American Depositary receipts (ADR s) as listed on the New York Stock Exchange, converted into Ghanaian Cedis at the prevailing US dollar exchange rate.

The share price on the day of issue as of April 29, 2009 was $32.15, whilst the share price used in the payment of the third tranche was $49.24 per share (second tranche in 2010: $39.50 per share, first tranche in 2009: $28.46 per share).

The award of share appreciation rights to employees

A summary of share appreciation rights showing movement from the beginning of the year to the end of the year, is presented below:

	Number of rights (000)
Outstanding at January 1, 2011	49
Exercised	(24)
Forfeited (terminations)	(1)
Rights outstanding at December 31, 2011	24
Rights exercisable at December 31, 2011	-

	2011	2010	2009
	$	$	$

Compensation expense related to Ghana ESOP scheme recognized ($ millions)	- [1]	2	2
The liability recognized in the consolidated balance sheet in respect of unexercised rights was as follows	1	2	

(1) Less than $1 million.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

28. **SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION**

AngloGold Ashanti Holdings plc (IOMco), a wholly-owned subsidiary of AngloGold Ashanti, has issued debt securities which are fully and unconditionally guaranteed by AngloGold Ashanti Limited (being the Guarantor). See Note 18 and Note 20. IOMco is an Isle of Man registered company that holds certain of AngloGold Ashanti s operations and assets located outside South Africa (excluding certain operations and assets in the United States of America and Namibia). The following is condensed consolidating financial information for the Company as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009, with a separate column for each of AngloGold Ashanti Limited as Guarantor, IOMco as Issuer and the other subsidiaries of the Company combined (the Non-Guarantor Subsidiaries). For the purposes of the condensed consolidating financial information, the Company carries its investments under the equity method. The following supplemental condensed consolidating financial information should be read in conjunction with the Company s consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

28. **SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION** *(continued)*

ANGLOGOLD ASHANTI LIMITED

Condensed consolidating statements of income

FOR THE YEAR ENDED DECEMBER 31,

(In millions)

	2011	**2011**	**2011**	**2011**	**2011**
	$	**$**	**$**	**$**	**$**
	AngloGold Ashanti	**IOMco**	**Other subsidiaries**	**Consolidation adjustments**	**Total**
	(the Guarantor)	(the Issuer)	(the Non-Guarantor Subsidiaries)		
Sales and other income	2,709	1	4,108	(176)	6,642
Product sales	2,561	-	4,009	-	6,570
Interest, dividends and other	148	1	99	(176)	72
Costs and expenses	2,417	99	1,453	552	4,521
Production costs	1,115	-	1,862	-	2,977
Exploration costs	19	18	242	-	279
Related party transactions	(12)	-	-	-	(12)
General and administrative expenses/(recoveries)	249	27	32	(21)	287
Royalties paid	73	-	120	-	193
Market development costs	5	-	4	-	9
Depreciation, depletion and amortization	354	-	435	-	789
Impairment of assets	14	-	3	-	17
Interest expense	5	69	104	-	178
Accretion expense	12	-	16	-	28
Employment severance costs	9	-	6	-	15
Loss/(profit) on sale of assets, realization of loans, indirect taxes and other	574	(15)	(1,175)	573	(43)
Non-hedge derivative loss and movement on bonds	-	-	(196)	-	(196)
Income/(loss) before income tax provision	292	(98)	2,655	(728)	2,121
Taxation expense	(333)	(2)	(370)	-	(705)
Equity income /(loss) in associates	62	(3)	-	-	59
Equity income/(loss) in subsidiaries	1,465	808	-	(2,273)	-
Income/(loss) from continuing operations	1,486	705	2,285	(3,001)	1,475
Preferred stock dividends	(61)	-	(61)	122	-
Net income/(loss)	1,425	705	2,224	(2,879)	1,475
Less: Net income attributable to noncontrolling interests	-	-	(50)	-	(50)
	1,425	705	2,174	(2,879)	1,425

Net income/(loss) attributable to AngloGold Ashanti	

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

28. **SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION** *(continued)*

ANGLOGOLD ASHANTI LIMITED

Condensed consolidating statements of income

FOR THE YEAR ENDED DECEMBER 31,

(In millions)

	2010	**2010**	**2010**	**2010**	**2010**
	$	**$**	**$**	**$**	**$**
	AngloGold Ashanti	**IOMco**	**Other subsidiaries**	**Consolidation adjustments**	**Total**
	(the Guarantor)	(the Issuer)	(the Non-Guarantor Subsidiaries)		
Sales and other income	2,348	(2)	3,233	(177)	5,402
Product sales	2,207	-	3,127	-	5,334
Interest, dividends and other	141	(2)	106	(177)	68
Costs and expenses	4,130	1,120	2,818	(3,047)	5,021
Production costs	1,091	-	1,565	-	2,656
Exploration costs	14	12	180	-	206
Related party transactions	(15)	-	-	-	(15)
General and administrative expenses	164	6	44	14	228
Royalties paid	38	-	104	-	142
Market development costs	7	-	7	-	14
Depreciation, depletion and amortization	352	-	368	-	720
Impairment of assets	73	-	18	-	91
Interest expense	7	69	75	-	151
Accretion expense	10	-	12	-	22
Employment severance costs	19	-	4	-	23
Loss/(profit) on sale of assets, realization of loans, indirect taxes and other	2,041	1,033	(16)	(3,061)	(3)
Non-hedge derivative loss and movement on bonds	329	-	457	-	786
(Loss)/income before income tax provision	(1,782)	(1,122)	415	2,870	381
Taxation expense	(1)	(1)	(253)	-	(255)
Equity income/(loss) in associates	63	(23)	-	-	40
Equity income/(loss) in subsidiaries	1,907	373	-	(2,280)	-
Income/(loss) from continuing operations	187	(773)	162	590	166
Preferred stock dividends	(75)	-	(76)	151	-
Net income/(loss)	112	(773)	86	741	166
Less: Net income attributable to noncontrolling interests	-	-	(54)	-	(54)

Net income/(loss) attributable to AngloGold Ashanti	112	(773)	32	741	112

The accompanying notes are an integral part of these Consolidated Financial Statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

28. **SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION** *(continued)*

ANGLOGOLD ASHANTI LIMITED

Condensed consolidating statements of income

FOR THE YEAR ENDED DECEMBER 31,

(In millions)

	2009 $ AngloGold Ashanti (the Guarantor)	2009 $ IOMco (the Issuer)	2009 $ Other subsidiaries (the Non-Guarantor Subsidiaries)	2009 $ Consolidation adjustments	2009 $ Total
Sales and other income	1,775	(38)	2,273	(56)	3,954
Product sales	1,665	-	2,119	-	3,784
Interest, dividends and other	110	(38)	154	(56)	170
Costs and expenses	2,073	625	2,777	(623)	4,852
Production costs	862	-	1,367	-	2,229
Exploration costs	6	14	130	-	150
Related party transactions	(18)	-	-	-	(18)
General and administrative expenses/(recoveries)	96	(121)	149	34	158
Royalties paid	-	-	84	-	84
Market development costs	5	-	5	-	10
Depreciation, depletion and amortization	277	-	338	-	615
Impairment of assets	4	-	4	-	8
Interest expense	4	67	52	-	123
Accretion expense	6	-	11	-	17
Employment severance costs	10	-	4	-	14
Loss/(profit) on sale of assets, realization of loans, indirect taxes and other	12	665	(10)	(657)	10
Non-hedge derivative loss and movement on bonds	809	-	643	-	1,452
(Loss)/income before income tax provision	(298)	(663)	(504)	567	(898)
Taxation benefit/(expense)	112	(2)	(77)	-	33
Equity income/(loss) in associates	98	(10)	-	-	88
Equity (loss)/income in subsidiaries	(673)	(383)	-	1,056	-
(Loss)/income from continuing operations	(761)	(1,058)	(581)	1,623	(777)
Preferred stock dividends	(64)	-	(65)	129	-
Net (loss)/income	(825)	(1,058)	(646)	1,752	(777)
Less: Net income attributable to noncontrolling interests	-	-	(48)	-	(48)
Net (loss)/income attributable to AngloGold Ashanti	(825)	(1,058)	(694)	1,752	(825)

The accompanying notes are an integral part of these Consolidated Financial Statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

28 **SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION** *(continued)*

ANGLOGOLD ASHANTI LIMITED

Condensed consolidating balance sheets

AT DECEMBER 31,

(In millions)

	2011 $ AngloGold Ashanti (the Guarantor)	2011 $ IOMco (the Issuer)	2011 $ Other subsidiaries (the Non-Guarantor Subsidiaries)	2011 $ Consolidation adjustments	2011 $ Total
ASSETS					
Current Assets	833	2,469	3,486	(4,157)	2,631
Cash and cash equivalents	388	458	266	-	1,112
Restricted cash	1	-	34	-	35
Receivables, inter-group balances and other current assets	444	2,011	3,186	(4,157)	1,484
Property, plant and equipment, net	1,940	-	4,183	-	6,123
Acquired properties, net	167	-	612	-	779
Goodwill	-	-	198	(16)	182
Other intangibles, net	9	-	22	-	31
Other long-term inventory	-	-	31	-	31
Materials on the leach pad	-	-	393	-	393
Other long-term assets and deferred taxation assets	4,362	3,558	815	(7,720)	1,015
Total assets	7,311	6,027	9,740	(11,893)	11,185
LIABILITIES AND EQUITY					
Current liabilities including inter-group balances	889	1,550	2,992	(4,512)	919
Other non-current liabilities	49	-	46	(32)	63
Long-term debt	33	994	1,446	-	2,473
Derivatives	-	-	93	-	93
Deferred taxation liabilities	641	-	596	5	1,242
Provision for environmental rehabilitation	147	-	506	-	653
Other accrued liabilities	-	-	35	-	35
Provision for pension and other post-retirement medical benefits	170	-	15	-	185
Commitments and contingencies	-	-	-	-	-
Equity	5,382	3,483	4,011	(7,354)	5,522
Stock issued	13	5,269	897	(6,166)	13
Additional paid in capital	8,740	435	219	(654)	8,740
Accumulated deficit	(2,575)	(2,220)	(3,521)	5,741	(2,575)
Accumulated other comprehensive income and reserves	(796)	(1)	6,277	(6,276)	(796)
Total AngloGold Ashanti stockholders equity	5,382	3,483	3,872	(7,355)	5,382
Noncontrolling interests	-	-	139	1	140
Total liabilities and equity	7,311	6,027	9,740	(11,893)	11,185

The accompanying notes are an integral part of these Consolidated Financial Statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

28. **SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION** *(continued)*

ANGLOGOLD ASHANTI LIMITED

Condensed consolidating balance sheets

AT DECEMBER 31,

(In millions)

	2010	**2010**	**2010**	**2010**	**2010**
	$	**$**	**$**	**$**	**$**
	AngloGold Ashanti (the Guarantor)	**IOMco** (the Issuer)	**Other subsidiaries** (the Non-Guarantor Subsidiaries)	**Consolidation adjustments**	**Total**
ASSETS					
Current Assets	1,169	2,265	3,869	(5,306)	1,997
Cash and cash equivalents	152	114	309	-	575
Restricted cash	1	-	9	-	10
Receivables, inter-group balances and other current assets	1,016	2,151	3,551	(5,306)	1,412
Property, plant and equipment, net	2,197	-	3,729	-	5,926
Acquired properties, net	217	-	619	-	836
Goodwill	-	-	197	(17)	180
Other intangibles, net	-	-	17	-	17
Other long-term inventory	-	-	27	-	27
Materials on the leach pad	-	-	331	-	331
Other long-term assets and deferred taxation assets	3,328	736	914	(3,904)	1,074
Total assets	6,911	3,001	9,703	(9,227)	10,388
LIABILITIES AND EQUITY					
Current liabilities including inter-group balances	1,293	1,587	6,116	(7,992)	1,004
Other non-current liabilities	52	-	71	(54)	69
Long-term debt	39	1,044	1,519	-	2,602
Derivatives	-	-	176	-	176
Deferred taxation liabilities	720	-	471	9	1,200
Provision for environmental rehabilitation	176	-	354	-	530
Other accrued liabilities	-	-	38	-	38
Provision for pension and other post-retirement medical benefits	165	-	15	-	180
Commitments and contingencies	-	-	-	-	-
Equity	4,466	370	943	(1,190)	4,589
Stock issued	13	4,587	897	(5,484)	13
Additional paid in capital	8,670	363	219	(582)	8,670
Accumulated deficit	(3,869)	(4,580)	(4,350)	8,930	(3,869)

Accumulated other comprehensive income and reserves	(348)	-	4,055	(4,055)	(348)
Total AngloGold Ashanti stockholders equity	4,466	370	821	(1,191)	4,466
Noncontrolling interests	-	-	122	1	123
Total liabilities and equity	6,911	3,001	9,703	(9,227)	10,388

The accompanying notes are an integral part of these Consolidated Financial Statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

28. **SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION** *(continued)*

ANGLOGOLD ASHANTI LIMITED

Condensed consolidating statements of cash flows

FOR THE YEAR ENDED DECEMBER 31,

(In millions)

	2011 **$** **AngloGold Ashanti** (the Guarantor)	**2011** **$** **IOMco** (the Issuer)	**2011** **$** **Other subsidiaries** (the Non-Guarantor Subsidiaries)	**2011** **$** **Consolidation adjustments**	**2011** **$** **Total**
Net cash provided by/(used) in operating activities	1,158	11	1,503	(122)	2,550
Net income/(loss)	1,425	705	2,224	(2,879)	1,475
Reconciled to net cash provided by/(used) in operations:					
Loss/(profit) on sale of assets, realization of loans, indirect taxes and other	577	(15)	(1,108)	573	27
Depreciation, depletion and amortization	354	-	435	-	789
Impairment of assets	14	-	3	-	17
Deferred taxation	212	-	87	-	299
Other non cash items	(1,709)	(789)	199	2,184	(115)
Net increase in provision for environmental rehabilitation, pension and other post-retirement medical benefits	36	-	153	-	189
Effect of changes in operating working capital items:					
Net movement in inter-group receivables and payables	146	108	(254)	-	-
Receivables	14	-	(27)	-	(13)
Inventories	23	-	(267)	-	(244)
Accounts payable and other current liabilities	66	2	58	-	126
Net cash used in investing activities	(552)	(103)	(948)	-	(1,603)
Increase in non-current investments	(32)	(98)	(132)	-	(262)
Net associates and equity accounted joint ventures loans advanced	-	(5)	(20)	-	(25)
Additions to property, plant and equipment	(529)	-	(864)	-	(1,393)
Expenditure on intangible assets	(10)	-	(6)	-	(16)
Proceeds on sale of mining assets	6	-	13	-	19
Proceeds on sale of investments	-	-	91	-	91

Proceeds from disposal of subsidiary	9	-	-	-	9
Net loans receivable repaid	4	-	-	-	4
Cash of subsidiary disposed	-	-	(11)	-	(11)
Change in restricted cash	-	-	(19)	-	(19)
Net cash (used)/generated by financing activities	(282)	436	(595)	122	(319)
Net changes in short-term debt	(99)	-	(10)	-	(109)
Issuance of stock	10	202	(202)	-	10
Share issue expenses	(1)	-	-	-	(1)
Net changes in long-term debt	-	(50)	-	-	(50)
Debt issue costs	-	-	-	-	-
Cash effects from hedge restructuring	-	-	-	-	-
Dividends (paid)/received	(192)	284	(383)	122	(169)
Net increase/(decrease) in cash and cash equivalents	324	344	(40)	-	628
Effect of exchange rate changes on cash	(88)	-	(14)	-	(102)
Cash and cash equivalents - January 1,	152	114	320	-	586
Cash and cash equivalents - December 31,	388	458	266	-	1,112

The accompanying notes are an integral part of these Consolidated Financial Statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

28. **SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION** *(continued)*

ANGLOGOLD ASHANTI LIMITED

Condensed consolidating statements of cash flows

FOR THE YEAR ENDED DECEMBER 31,

(In millions)

	2010 $ AngloGold Ashanti (the Guarantor)	2010 $ IOMco (the Issuer)	2010 $ Other subsidiaries (the Non-Guarantor Subsidiaries)	2010 $ Consolidation adjustments	2010 $ Total
Net cash provided by/(used) in operating activities	116	(1,129)	2,202	(151)	1,038
Net income/(loss)	112	(773)	86	741	166
Reconciled to net cash provided by/(used) in operations:					
Loss/(profit) on sale of assets, realization of loans, indirect taxes and other	2,071	1,033	(21)	(3,061)	22
Depreciation, depletion and amortization	352	-	368	-	720
Impairment of assets	73	-	18	-	91
Deferred taxation	119	-	19	-	138
Cash utilized for hedge book settlements	(993)	-	(1,618)	-	(2,611)
Other non cash items	(1,522)	(1,973)	4,021	2,169	2,695
Net increase in provision for environmental rehabilitation, pension and other post-retirement medical benefits	36	-	95	-	131
Effect of changes in operating working capital items:					
Net movement in inter-group receivables and payables	10	580	(590)	-	-
Receivables	(27)	3	(129)	-	(153)
Inventories	(11)	-	(204)	-	(215)
Accounts payable and other current liabilities	(104)	1	157	-	54
Net cash used in investing activities	(943)	(42)	(902)	-	(1,887)
Increase in non-current investments	-	(42)	(116)	-	(158)
Proceeds on disposal of associate	1	-	-	-	1
Net associates and equity accounted joint ventures loans advanced	(3)	-	-	-	(3)
Additions to property, plant and equipment	(424)	-	(549)	-	(973)
Proceeds on sale of mining assets	60	-	9	-	69
Proceeds on sale of investments	-	-	142	-	142
Cash effects from hedge restructuring	(577)	-	(407)	-	(984)
Net loans receivable advanced	-	-	(6)	-	(6)
Change in restricted cash	-	-	25	-	25
Net cash generated/(used) by financing activities	729	707	(1,357)	151	230
Net changes in short-term debt	126	(1,000)	(285)	-	(1,159)
Issuance of stock	798	310	(310)	-	798
Share issue expenses	(20)	-	-	-	(20)
Net changes in long-term debt	-	1,044	789	-	1,833
Debt issue costs	-	(13)	(26)	-	(39)

Cash effects from hedge restructuring	(49)	-	(1,017)	-	(1,066)
Dividends (paid)/received	(126)	366	(508)	151	(117)
Net decrease in cash and cash equivalents	(98)	(464)	(57)	-	(619)
Effect of exchange rate changes on cash	19	-	86	-	105
Cash and cash equivalents - January 1,	231	578	291	-	1,100
Cash and cash equivalents - December 31,	152	114	320	-	586

The accompanying notes are an integral part of these Consolidated Financial Statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

28. **SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION** *(continued)*

ANGLOGOLD ASHANTI LIMITED

Condensed consolidating statements of cash flows

FOR THE YEAR ENDED DECEMBER 31,

(In millions)

	2009 $ AngloGold Ashanti (the Guarantor)	2009 $ IOMco (the Issuer)	2009 $ Other subsidiaries (the Non-Guarantor Subsidiaries)	2009 $ Consolidation adjustments	2009 $ Total
Net cash provided by/(used) in operating activities	326	(481)	727	(129)	443
Net (loss)/income	(825)	(1,058)	(646)	1,752	(777)
Reconciled to net cash provided by/(used) in by operations:					
Loss/(profit) on sale of assets, realization of loans, indirect taxes and other	12	665	(2)	(657)	18
Depreciation, depletion and amortization	277	-	338	-	615
Impairment of assets	4	-	4	-	8
Deferred taxation	(141)	-	(58)	-	(199)
Cash utilized for hedge book settlements	-	-	(797)	-	(797)
Other non cash items	946	(1,685)	3,540	(1,224)	1,577
Net (decrease)/increase in provision for environmental rehabilitation, pension and other post-retirement medical benefits	(3)	-	22	-	19
Effect of changes in operating working capital items:					
Net movement in inter-group receivables and payables	27	1,571	(1,598)	-	-
Receivables	(5)	(3)	(36)	-	(44)
Inventories	(23)	-	(146)	-	(169)
Accounts payable and other current liabilities	57	29	106	-	192
Net cash (used)/generated in investing activities	(398)	(344)	474	-	(268)
Increase in non-current investments	-	(344)	(99)	-	(443)
Net associates and equity accounted joint ventures loans advanced	(2)	-	-	-	(2)
Additions to property, plant and equipment	(386)	-	(633)	-	(1,019)
Proceeds on sale of mining assets	-	-	1,142	-	1,142
Proceeds on sale of investments	-	-	81	-	81
Cash effects from hedge restructuring	(11)	-	(7)	-	(18)
Net loans receivable repaid	1	-	-	-	1
Change in restricted cash	-	-	(10)	-	(10)
Net cash generated/(used) by financing activities	103	1,174	(1,103)	129	303
Net changes in short-term debt	-	(764)	(89)	-	(853)
Issuance of stock	306	693	(693)	-	306
Share issue expenses	(11)	-	-	-	(11)
Net changes in long-term debt	-	674	222	-	896
Debt issue costs	-	-	(14)	-	(14)

Cash effects from hedge restructuring	(83)	-	118	-	35
Dividends (paid)/received	(109)	571	(647)	129	(56)
Net increase in cash and cash equivalents	31	349	98	-	478
Effect of exchange rate changes on cash	46	-	1	-	47
Cash and cash equivalents - January 1,	154	229	192	-	575
Cash and cash equivalents - December 31,	231	578	291	-	1,100

The accompanying notes are an integral part of these Consolidated Financial Statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

29. **SUBSEQUENT EVENTS**

Disposal of AGA-Polymetal Strategic Alliance

On February 8, 2012, the transaction to dispose of the AGA-Polymetal Strategic Alliance consisting of AGA-Polymetal Strategic Alliance Management Company Holdings Limited, Amikan Holding Limited, AS APK Holdings Limited, Imitzoloto Holdings Limited and Yeniseiskaya Holdings Limited to Polyholding Limited was completed. The consideration received for the disposal was $20 million. These assets were fully impaired as at December 31, 2011.

Acquisition of First Uranium (Proprietary) Limited (South Africa)

On March 2, 2012, AngloGold Ashanti agreed to acquire First Uranium (Proprietary) Limited (South Africa) (FUSA), a wholly owned subsidiary of Toronto-based First Uranium Corporation (FIUC) and the owner of Mine Waste Solutions (MWS), a recently commissioned tailings retreatment operation located in South Africa s Vaal River region and in the immediate proximity of AngloGold Ashanti s own tailings facilities, for a cash consideration of $335 million. The transaction will be funded from cash reserves and debt facilities, is subject to various conditions and approvals.

Corporate taxation rate amendment

In Ghana, the Internal Revenue Amendment Act, 2012 received assent by the President on March 5, 2012 and was gazetted on March 9, 2012. The amendment increases the income tax rates for mining companies from the current 25 percent to 35 percent with effect from January 1, 2012. In terms of the stability agreement between AngloGold Ashanti and the government of Ghana which was ratified by Parliament on February 18, 2004 and amended in February 2007, the corporate tax rate during the duration of the agreement until April 26, 2019 for its Ghanaian operations, will be a maximum of 30 percent. The increase in the corporate tax rate to 30 percent (January 2012 to April 2019) and to 35 percent (beyond April 2019) is estimated to have an unfavorable impact on the taxation liability of the Ghanaian operations.

Pamodzi Gold (Orkney) (Proprietary) Limited claim

On March 16, 2012, Pamodzi Gold (Orkney) (Proprietary) Limited (Pamodzi) (in provisional liquidation) and four others issued summons against AngloGold Ashanti in the North Gauteng High Court, Pretoria, demanding the return of about R89.5 million (approximately $11.1 million) paid by Pamodzi to AngloGold Ashanti less than six months prior to the winding-up of Pamodzi. Plaintiffs further allege that AngloGold Ashanti took possession of some 26.9 kilograms of gold owned by Pamodzi in March 2009 and demand either that the gold be returned or that reimbursement be provided in the amount of R7.1 million (approximately $0.9 million).

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

ANGLOGOLD ASHANTI LIMITED

/S/ Srinivasan Venkatakrishnan

Name	:	Srinivasan Venkatakrishnan
Title	:	Chief Financial Officer
Date	:	April 23, 2012

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Exhibits to Form 20-F

Exhibit Number	Description	Remarks
Exhibit 19.1	Memorandum and Articles of Association of AngloGold Limited as in effect on May 15, 2009	Incorporated by reference to Exhibit 3.1 of AngloGold s automatic shelf registration statement on Form F-3 filed with the Securities and Exchange Commission on August 31, 2009
Exhibit 19.4.1.1	AngloGold Limited Share Incentive Scheme in effect April 4, 2003	Incorporated by reference to Exhibit 19.4(c) of AngloGold s annual report on Form 20-F filed with the Securities and Exchange Commission on June 28, 2002
Exhibit 19.4.1.2	Bonus Share Plan in effect on May 6, 2008	Incorporated by reference to Exhibit 19.4.1.2 of AngloGold s annual report on Form 20-F filed with the Securities and Exchange Commission on May 19, 2008
Exhibit 19.4.1.3	Long-Term Incentive Plan in effect April 29, 2005	Incorporated by reference to Exhibit 19.4.1.3 of AngloGold Ashanti s annual report on Form 20-F filed with the Securities and Exchange Commission on March 20, 2006
Exhibit 19.4.1.6	Sale and Purchase Agreement dated January 27, 2009 among AngloGold Ashanti Australia Limited, AngloGold Ashanti Limited, Saddleback Investments (Pty) Ltd, Newmont Boddington (Pty) Ltd, Newmont Mining Corporation, Newmont Australia Limited and BGM Management Company (Pty) Ltd.	Incorporated by reference to Exhibit 19.4.1.6 of AngloGold s annual report on Form 20-F filed with the Securities and Exchange Commission on May 5, 2009
Exhibit 19.6	Statement regarding how loss/earnings per share information was calculated	See note 8 to the consolidated financial statements
Exhibit 19.8	List of AngloGold Ashanti Limited subsidiaries	
Exhibit 19.12.1	Certification of Mark Cutifani, Chief Executive Officer of AngloGold Ashanti Limited, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
Exhibit 19.12.2	Certification of Srinivasan Venkatakrishnan, Chief Financial Officer of AngloGold Ashanti Limited, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	

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Exhibit Number	Description	Remarks
Exhibit 19.13	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
Exhibit 19.15.1	Consents of Ernst & Young Inc., independent registered public accounting firm	
Exhibit 19.15.2	Consent of KPMG, independent registered public accounting firm	
Exhibit 19.16	Report on MSHA violations in terms of the Dodd-Frank Act	