
Tropicana Gold Project – Economic Benefit Assessment

*Joint venture project of AngloGold Ashanti Australia Ltd and
Independence Group NL*



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Tropicana Gold Project – Economic Benefit Assessment

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June 2009

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Executive Summary

The Tropicana Gold Project is a joint venture between AngloGold Ashanti Australia Ltd and Independence Group NL and is located in the Goldfields Region 330 kilometres east north-east of Kalgoorlie in Western Australia. The Project site is very remote and no significant gold exploration had been carried out in the area before AngloGold Ashanti Australia's efforts.

AngloGold Ashanti Australia and Independence Group currently employ 372 people in the Goldfields Region. Of this workforce 60 people are engaged in exploration activities, 298 are in mining and a further 14 undertake administrative activities. AngloGold Ashanti Australia also has approximately 50 Perth based personnel.

It is anticipated that the Tropicana Gold Project will boost employment in the Goldfields Region by a further 700 jobs during the construction phase which is planned to commence in the second quarter of 2010 and continue for a duration of 30 months. Construction will start with approximately 100 people in 2010 and will peak in 2011 - 2012 at around 700 people. From the direct expansion in the economy under this scenario, flow-on industrial effects in terms of local purchases of goods and services are anticipated and it is estimated that these indirect benefits would result in the gain of a further 681 jobs. Therefore, for every 10 jobs created by the construction sector, a further 9 to 10 jobs could be generated in the broader economy once the flow-on industrial effects are taken into consideration. In addition to this, if the workforce is predominantly local, consumption related economic benefits are anticipated which are estimated to underpin the creation of a further 258 jobs. It is important to note that economic benefits for the Goldfields Region associated with the construction of the Tropicana Gold Project are short-term and limited to the period of construction

Once operational and at full production, the Tropicana Gold Project is anticipated to create up to 407 additional ongoing direct jobs in the Goldfields Region. Based on this level of employment in the Gold mining sector in the Goldfields Region, economic modelling undertaken for this study estimates direct annual output at \$485.6 million. Over a ten year period this equates to a total project output of \$4.85 Billion at current prices; 6 percent higher than AngloGold Ashanti's current project output estimate of \$4.56 Billion, which could vary over time due to fluctuating gold prices and currency exchange rates.

At full production, taking into account all direct and industrial and consumption flow-on benefits the Tropicana Gold Project is estimated to increase output in the Goldfields Region by up to \$613.4 Million. For every 10 people directly employed by the Tropicana Gold Project up to a further 7 jobs could be generated in the Goldfields Region.

When considered in the context of the Western Australian and National economies, with their greater capacities to supply goods and services as inputs to production and service consumption demand, the ratios increase to 17 indirect jobs and 30 indirect jobs, respectively, for every 10 direct jobs created by the Tropicana Gold Project.

The Tropicana Gold Project is anticipated to generate royalties for the Western Australian Government in the order of \$100M over the life of the project. It is also anticipated that the project will contribute between \$300 - 400K dollars annually in rates to the Shire of Menzies and between \$400 - 600K annually in rents to the Department of Mines and Petroleum.

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1 Introduction

1.1 INTENT

This report provides an assessment of the potential economic and employment benefits of the proposed Tropicana Gold Project, in the context of the following defined geographic regions:

- The Goldfields Region
- Western Australia

The REMPLAN¹ economic modelling tool was applied as a resource for this report. Complex input output tables will be compiled at a 109 industry sector level for defined regions listed above.

The Goldfields region is defined by the combined boundaries of the Western Australian Local Government Areas (LGA) of;

- Kalgoorlie/Boulder (C)
- Menzies (S)
- Coolgardie (S)
- Leonora (S)
- Laverton (S)

The report examines the potential economic benefits of the construction phase and the ongoing operation of the project in the context of these defined regions.

1.2 SCOPE

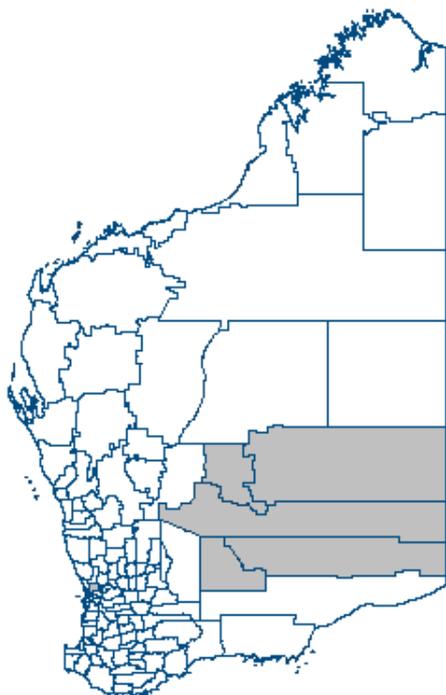
The report is limited to economic considerations in relation to the proposed Tropicana Gold Project. The analysis in this report is expressed in terms of direct and estimated indirect (flow-on) benefits for output, employment, wages and salaries and value-added. The scope of this report does not encompass social and environmental impact considerations.

¹ REMPLAN – Input Output economic analysis system developed at La Trobe University.

www.rempln.com.au

1.3 DEFINED REGIONS

1.3.1 Goldfields Region



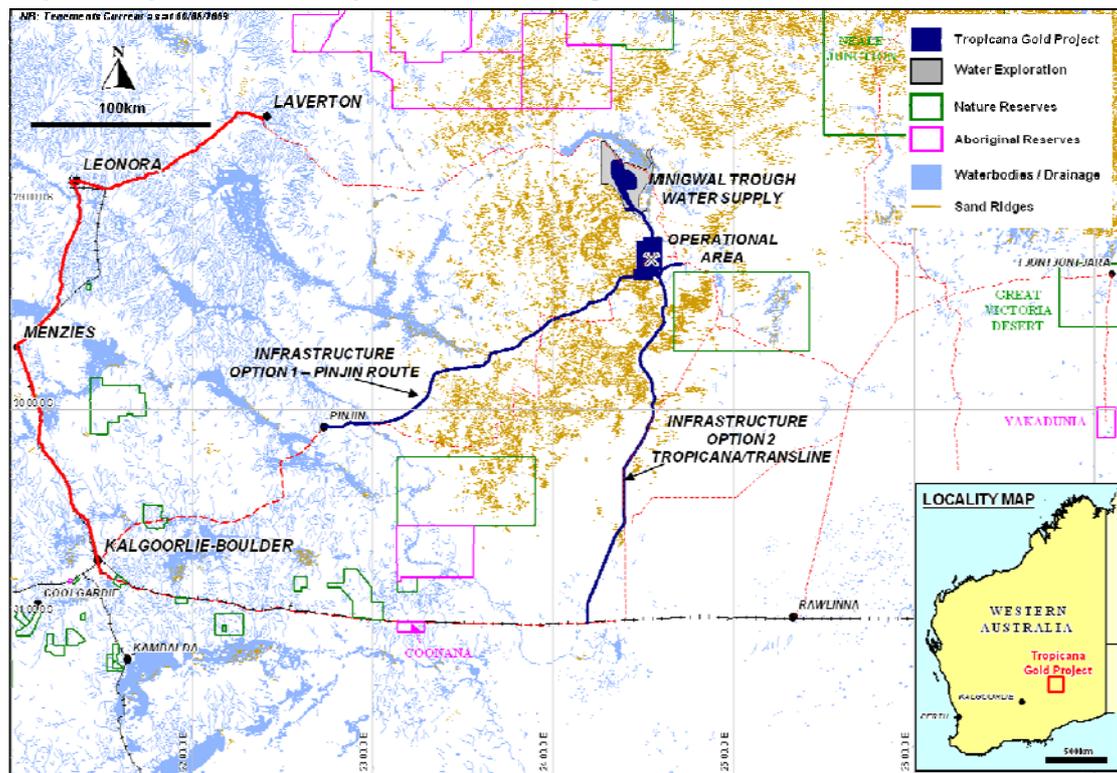
1.3.2 Western Australia



1.4 BACKGROUND

The Tropicana Gold Project is located at the northern end of the Tropicana Joint Venture tenements, and is centred on the Tropicana and Havana deposits. The Tropicana deposit was discovered in 2005 after AngloGold Ashanti Australia followed up an unexplained gold in soil anomaly. The Havana deposit, just to the south of Tropicana, was discovered in 2006.

Map 1 - Tropicana Gold Project, Goldfields Region, Western Australia



The first resource for the project was announced in December 2007 and an increased resource estimate was announced in January 2009.

As at January 2009 the Mineral Resource contained a total of 5.01 million ounces, with 19.9 million tonnes of Measured material grading 2.38 grams/tonne, 31.0 Mt of Indicated material grading 2.06 g/t and 24.3 Mt of Inferred material grading 1.83 g/t.*

In April 2007 the partners agreed to commit to a pre-feasibility study. This study was based on open cut mining of the Tropicana and Havana deposits and was

investigating a range of ore processing rates up to 7 million tonnes per annum. The study is scheduled for completion in the June 2009 quarter.²

The Tropicana Gold Project is anticipated to generate royalties for the Western Australian Government in the order of \$100M over the life of the project based on the 2009 prefeasibility study modelling assumption. It is also anticipated that the project will contribute between \$300 – 400K dollars annually in rates to the Shire of Menzies and between \$400 – 600K annually in rents to the Department of Mines and Petroleum³.

² Source: ‘Tropicana Gold Project – Environmental Scoping Document’ (Feb 2009), AngloGold Ashanti Australia

³ AngloGold Ashanti Australia (June 2009)

2 Tropicana Gold Project Development Scenarios

2.1 DIRECT BENEFIT SCENARIO

Combined, AngloGold Ashanti Australia and Independence Group currently employ 372 people in the Goldfields Region. Of this workforce 60 people are engaged in exploration activities, 298 are in mining and a further 14 undertake administrative activities. AngloGold Ashanti Australia also has approximately 50 Perth based personnel.

It is anticipated that the Tropicana Gold Project will boost employment in the Goldfields Region by a further 700 jobs during the construction phase. The construction phase is planned to commence in the second quarter of 2010 and continue for a duration of 30 months. Construction will start with approximately 100 people in 2010 and will peak in 2011 - 2012 at around 700 people.

Once operational and at full production, the Tropicana Gold Project is anticipated to create up to 407 additional ongoing direct jobs in the Goldfields Region. The anticipated revenue generated from this project would represent around 50 percent of AngloGold Ashanti Australia's gross turnover.

3 Economic Benefit Analysis

3.1 ECONOMIC BENEFIT ANALYSIS

3.1.1 Construction Phase – Goldfields Region

All estimated direct and indirect economic benefits for the Goldfields Region associated with the construction of the Tropicana Gold Project are short-term and limited to the period of construction.

Output

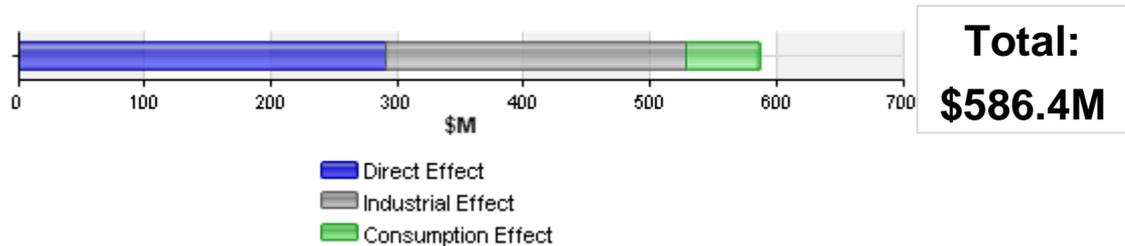
Based on the current structure of the local economy, a construction project employing 700 people in the Goldfields Region would typically correspond to a direct increase in output in the local construction sector of \$289.8 Million per annum (or \$724.5 Million over the 30 month construction phase). From this direct increase in output it is estimated that the demand for intermediate goods and services in the Goldfields economy would rise by \$237.6 Million. These industrial effects include multiple rounds of flow-on effects, as servicing sectors increase their own output and demand for local goods and services in response to the direct change to the economy. These flow-on industrial effects can be expressed as a Type 1 Output multiplier of 1.820. That is, for each dollar of output generated by the construction sector, the broader economy could expand by up to a further \$0.82 once the flow-on industrial effects are taken into consideration.

The increases in direct and indirect output typically correspond to the creation of jobs in the economy. This change in employment would see an increase in the total of wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are estimated at up to \$59.1 Million.

It is important to note that the consumption effects in this case assume that all direct and in-direct jobs are filled by people living and consuming in the Goldfields Region. A predominantly fly-in-fly-out workforce spending much of their income where they reside would substantially reduce estimates in regard to consumption related economic benefits for the Goldfields Region.

Total output, including all direct, industrial and consumption effects is estimated to increase by up to \$586.4 Million. This represents a Type 2⁴ Output multiplier of 2.024. That is, for each dollar of direct output generated the broader local economy could expand by up to a further \$1.02.

Figure 3-1 Construction Phase Output Benefits, Goldfields Region



Employment

From the direct expansion in the economy under this scenario, flow-on industrial effects in terms of local purchases of goods and services are anticipated. It is estimated that these indirect benefits would result in the gain of a further 681 jobs. This represents a Type 1 Employment multiplier of 1.973. That is, for every 10 jobs created by the construction sector, a further 9 to 10 jobs could be generated in the broader economy once the flow-on industrial effects are taken into consideration.

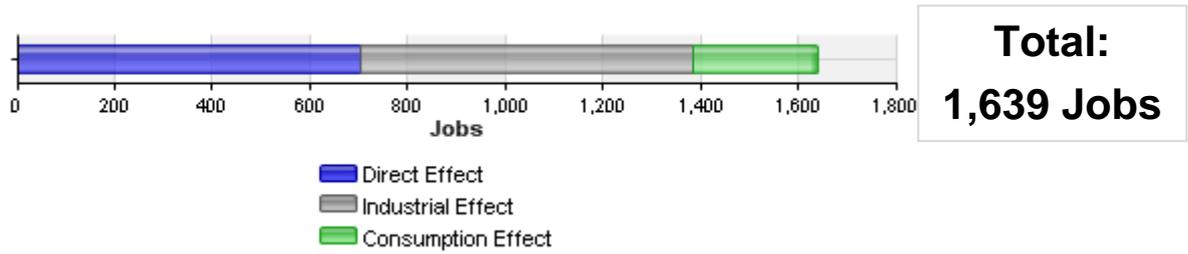
The increase in direct and indirect output and the corresponding creation of jobs in the economy are expected to result in an increase in the wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are estimated to further boost employment by 258 jobs.

It is important to note that a predominantly fly-in-fly-out workforce would substantially reduce estimates in regard to consumption related flow-on benefits for the Goldfields economy.

Total employment, including all direct, industrial and consumption effects is estimated to increase by up to 1,639 jobs. This represents a Type 2 Employment multiplier of 2.341.

⁴ Direct + Industrial + Consumption Effects

Figure 3-2 Construction Phase Employment Benefits, Goldfields Region



Value-added

From a direct increase in output of \$289.8 Million the corresponding increase in direct value-added⁵ is estimated at \$87.1 Million. *Value-Added data represents the marginal economic value that is added by each industry sector in a defined region.* From this direct expansion in the economy, flow-on industrial effects in terms of local purchases of goods and services are anticipated, and it is estimated that these indirect benefits would result in a further increase to value-added of \$92.4 Million. This represents a Type 1 Value-added multiplier of 2.061.

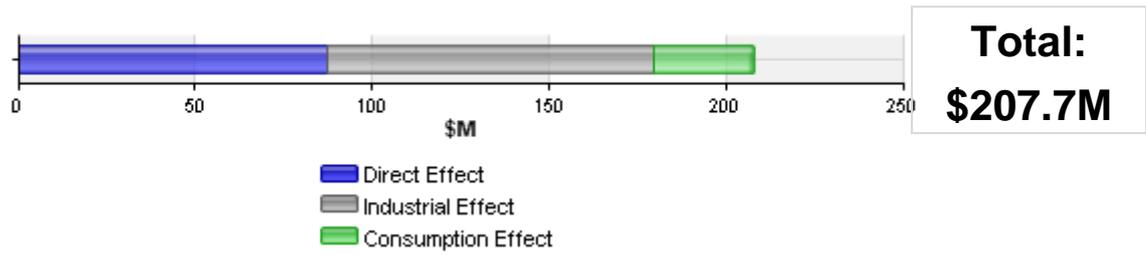
The increase in direct and indirect output and the corresponding boost to jobs in the economy are expected to result in an increase in the wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are expected to further boost value-added by \$28.3 Million.

A predominantly fly-in-fly-out workforce would substantially reduce estimates in regard to consumption related flow-on benefits for the Goldfields economy.

Total value-added, including all direct, industrial and consumption effects is estimated to increase by up to \$207.7 Million. This represents a Type 2 Value-added multiplier of 2.385.

⁵. Value-added can be calculated by subtracting local expenditure and expenditure on regional imports from the output generated by an industry sector, or alternatively, by adding the wages & salaries paid to local employees, the gross operating surplus and taxes on products and production. Value-added by industry sector is the major element in the calculation of Gross Regional Product.

Figure 3-3 Construction Phase Value-added Benefits, Goldfields Region



All estimated direct and indirect economic benefits for the Goldfields Region associated with the construction of the Tropicana Gold Project are short-term and limited to the period of construction.

3.1.2 Construction Phase – Western Australia

As the Goldfields Region is a part of Western Australia the direct benefit scenario in the context of the State is as per section 2.1 above, with the addition of a further 75 Perth based personnel employed by Anglo Gold Ashanti Australia and the lead engineering / construction company⁶.

Table 3-1 Construction Phase – Western Australia – Summary of Results

Impact Summary	Direct Effect	Industrial Flow	Consumption	Total	Type 1 Multiplier	Type 2 Multiplier
		On Effect	Flow On Effect			
Output (\$M)	\$311.58	\$364.05	\$160.79	\$836.42	2.168	2.684
Employment (Jobs)	775	954	593	2,322	2.231	2.996
Value Added (\$M)	\$98.21	\$142.78	\$72.59	\$313.57	2.454	3.193

Once all direct and flow-on benefits have been taken into consideration, it is estimated that at the peak of construction activity the Tropicana Gold Project could support up to 2,322 jobs and add \$313.6 Million to Gross State Product (Value-added). Note that the type 1 and type 2 economic multipliers for the State are higher compared to the Goldfields Region. This is partly a reflection of the greater capacity at the State level to supply intermediate goods and services and to capture consumption expenditure.

Output

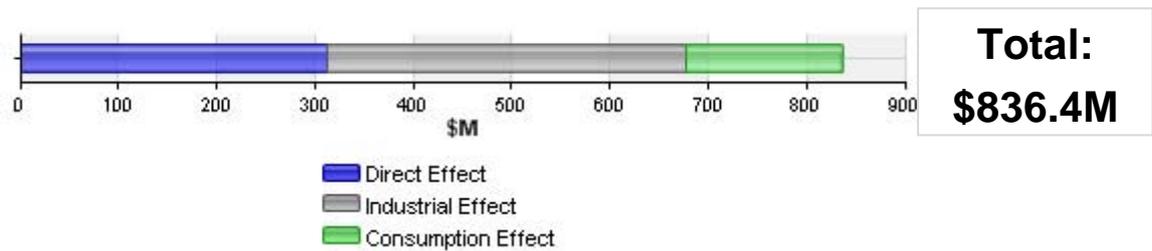
From a direct increase in output of \$311.582 million it is estimated that the demand for intermediate goods and services in Western Australia would rise by \$364.052 million. These industrial effects include multiple rounds of flow-on effects, as servicing sectors increase their own output and demand for local goods and services in response to the direct change to the economy.

The increases in direct and indirect output would typically correspond to the creation of jobs in the economy. Corresponding to this change in employment would be an increase in the total of wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are estimated at \$160.790 million.

⁶ Source: AngloGold Ashanti. For economic analysis purposes these Perth based activities have been classified as ‘technical services’.

Total output, including all direct, industrial and consumption effects is estimated to increase by up to \$836.424 million.

Figure 3-4 Construction Phase Output Benefits, Western Australia



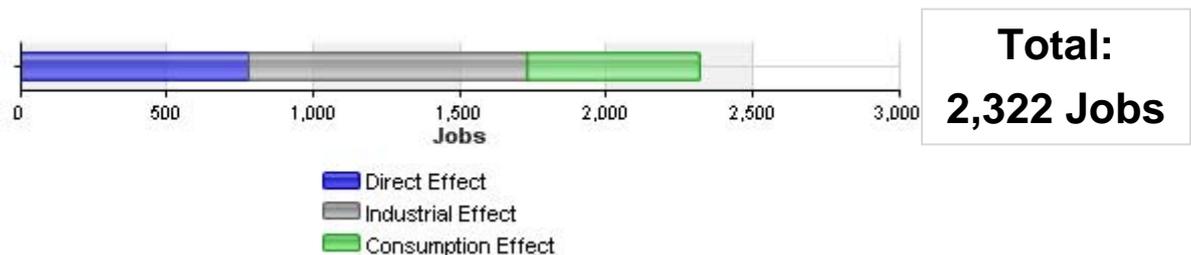
Employment

From the direct expansion in the State's economy under this scenario, flow-on industrial effects in terms of local purchases of goods and services are anticipated. It is estimated that these indirect benefits would result in the gain of a further 954 jobs. That is, for every 10 jobs created by the construction sector, a further 12 jobs could be generated in the broader economy once the flow-on industrial effects are taken into consideration.

The increase in direct and indirect output and the corresponding creation of jobs in the economy are expected to result in an increase in the wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are estimated to further boost employment by 593 jobs.

Total employment, including all direct, industrial and consumption effects is estimated to increase by up to 2,322 jobs. That is, for every 10 jobs created by the construction sector, approximately 19 further jobs could be generated in the broader economy once the flow-on industrial and consumption effects are taken into consideration.

Figure 3-5 Construction Phase Employment Benefits, Western Australia



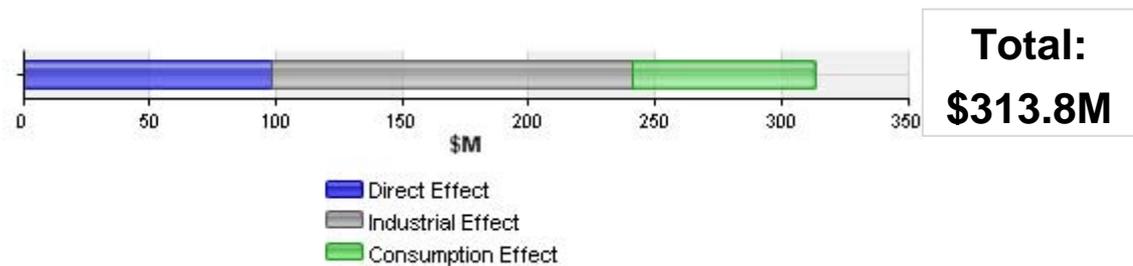
Value-added

Under this scenario the direct increase in value-added is estimated at \$98.206 million. From this direct expansion in the economy, flow-on industrial effects in terms of purchases of goods and services within the State are anticipated and it is estimated that these indirect impacts would result in a further increase to value-added of \$142.776 million.

The increase in direct and indirect output and the corresponding boost to jobs in the economy are expected to result in an increase in the wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the State's economy. The consumption effects under this scenario are expected to further boost value-added by \$72.589 million.

Total value-added, including all direct, industrial and consumption effects is estimated to increase by up to \$313.571 million.

Figure 3-6 Construction Phase Value-added Benefits, Western Australia



3.1.3 Construction Phase – Australia

As a function of the greater capacity at the State level to supply intermediate goods and services and to capture consumption expenditure the estimated economic multipliers under this scenario are higher for Western Australia than for the Goldfields Region. Following this rationale, the estimated economic multipliers in the context of the National economy are higher again. In the Goldfields Region, for every 10 direct construction jobs up to a further 13 jobs could be generated once flow-on benefits are taken into consideration. In the context of the State economy these flow-on benefits expand to approximately 19 jobs, and at the National level the estimate is higher again at 20 jobs⁷.

All estimated direct and indirect economic benefits for Western Australia and Australia associated with the construction of the Tropicana Gold Project are short-term and limited to the period of construction.

⁷ Reflecting a type 2 employment multiplier of 3.023

3.1.4 Operational Phase – Goldfields Region

Output

Once operational the Tropicana Gold Project is anticipated to create an additional 407 direct mining jobs in the Goldfields Region (see Page 8). It is estimated that this additional employment in the ‘non ferrous metals sector’ would typically correspond to an increase in direct output of \$485.6 million. In response to this it is estimated that the demand for intermediate goods and services in the Goldfields economy would rise by \$86.3 million. These industrial effects include multiple rounds of flow-on effects, as servicing sectors increase their own output and demand for local goods and services in response to the direct change to the economy. This represents a Type 1 Output multiplier of 1.178. That is, for each dollar of output generated by the non ferrous metals sector, the broader economy could expand by up to a further \$0.18 once the flow-on industrial effects are taken into consideration.

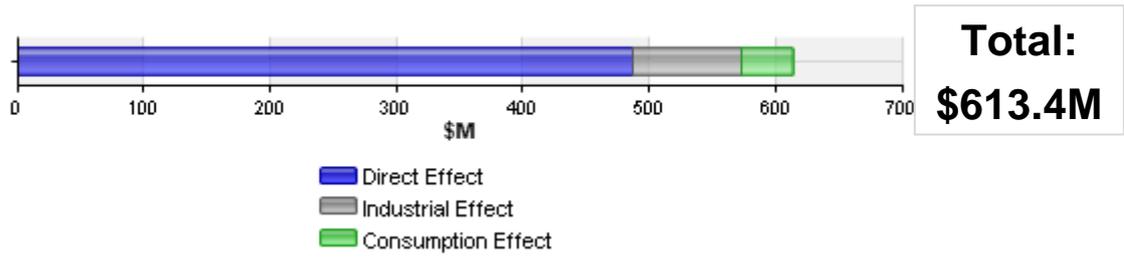
The increases in direct and indirect output would typically correspond to the creation of jobs in the economy. Corresponding to this change in employment would be an increase in the total of wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are estimated at \$41.5 million.

It is important to note that the consumption effects in this case assume that all direct and in-direct jobs are filled by people living and consuming in the Goldfields Region. A predominantly fly-in-fly-out workforce would substantially reduce estimates in regard to consumption related flow-on benefits for the Goldfields economy.

Total output, including all direct, industrial and consumption effects is estimated to increase by up to \$613.4 million. This represents a Type 2 Output multiplier of 1.263. That is, for each dollar of direct output generated the broader local economy could expand by up to a further \$0.26.

The anticipated direct annual output generated by the Tropicana Gold Project of \$485.6 million over a ten year period equates to a total project output of \$4.85 Billion at current prices. This modelling estimate is 6 percent higher than AngloGold Ashanti’s current project output estimate of \$4.56 Billion which could vary due to fluctuating gold prices and currency exchange rates.

Figure 3-7 Operational Phase Output Benefits, Goldfields Region



Employment

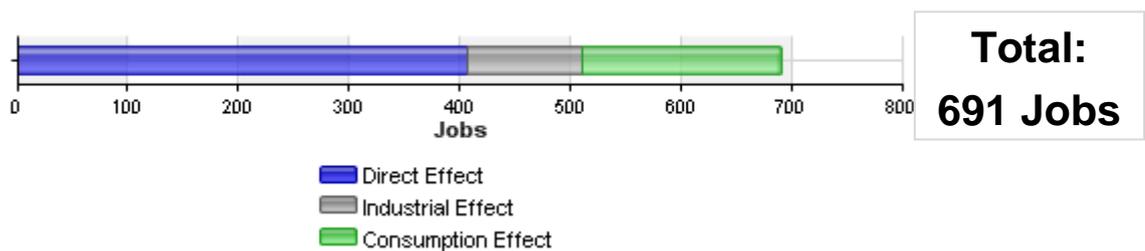
In direct terms the Tropicana Gold Project is anticipated to create 407 jobs generating an annual output of \$485.636 million. From this direct expansion in the economy, flow-on industrial effects in terms of local purchases of goods and services are anticipated. It is estimated that these indirect benefits would result in the gain of a further 103 jobs. This represents a Type 1 Employment multiplier of 1.253.

The increase in direct and indirect output, and the corresponding creation of jobs in the economy are expected to result in an increase in the wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are estimated to further boost employment by 181 jobs.

The consumption effects in this case assume that all direct and in-direct jobs are filled by people living and consuming in the Goldfields Region. A predominantly fly-in-fly-out workforce would substantially reduce estimates in regard to consumption related flow-on benefits for the Goldfields economy.

Total employment, including all direct, industrial and consumption effects is estimated to increase by up to 691 jobs. This represents a Type 2 Employment multiplier of 1.698.

Figure 3-8 Operational Phase Benefits, Employment, Goldfields Region



Value-added

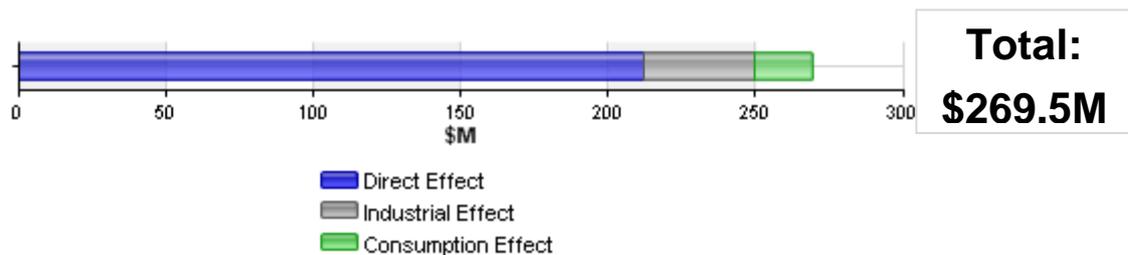
From the direct output generated by the Tropicana Gold Project of \$485.6 million, the corresponding increase in direct value-added is estimated at \$211.8 million. From this direct expansion in the economy, flow-on industrial effects in terms of local purchases of goods and services are anticipated. It is estimated that these indirect benefits would result in a further increase to value-added of \$37.8 million. This represents a Type 1 Value-added multiplier of 1.178.

The increase in direct and indirect output and the corresponding boost to jobs in the economy are expected to result in an increase in the wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are expected to further boost value-added by \$19.845 million.

The consumption effects in this case assume that all direct and in-direct jobs are filled by people living and consuming in the Goldfields Region. A predominantly fly-in-fly-out workforce would substantially reduce estimates in regard to consumption related flow-on benefits for the Goldfields economy.

Total value-added, including all direct, industrial and consumption effects is estimated to increase by up to \$269.5 million. This represents a Type 2 Value-added multiplier of 1.272.

Figure 3-9 Operational Phase Benefits, Value-added, Goldfields Region



3.1.5 Direct Benefit Scenario – Western Australia

As the Goldfields Region is a part of Western Australia, the direct benefit scenario in the context of the State is as per section 2.1 above, with the addition of a further 25 Perth based personnel employed by Anglo Gold Ashanti. At full production the output generated by the Tropicana Gold Project is anticipated to represent approximately 50 percent of AngloGold Ashanti’s gross revenue. Given that AngloGold Ashanti employs 50 personnel in Perth it is assumed that around half this capacity would be allocated to provide corporate, trading and administrative support for the Tropicana Gold Project⁸.

Table 3-2 Operational Phase – Western Australia – Summary of Results

Impact Summary	Direct Effect	Industrial Flow	Consumption	Total	Type 1	Type 2
		On Effect	Flow On Effect		Multiplier	Multiplier
Output (\$M)	\$493.29	\$216.71	\$115.82	\$825.82	1.439	1.674
Employment (Jobs)	432	338	427	1,197	1.782	2.771
Value Added (\$M)	\$215.66	\$88.93	\$52.29	\$356.88	1.412	1.655

Once all direct and flow-on benefits have been taken into consideration, it is estimated that the Tropicana Gold Project at full production could support up to 1197 jobs across the State; 691 jobs in the Goldfields Region and 506 jobs in the rest of Western Australia.

Output

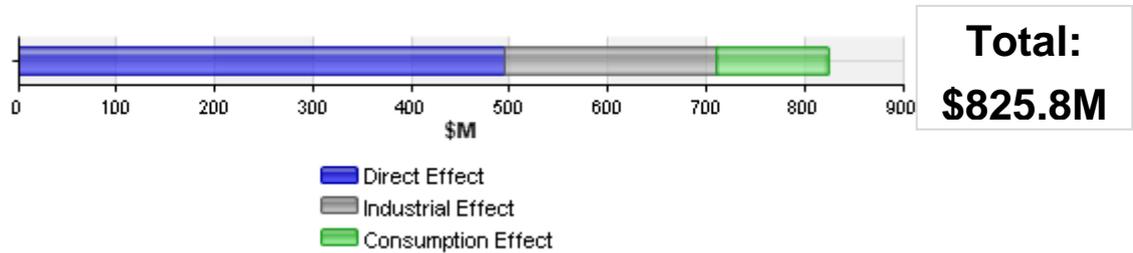
The 432 jobs across the Goldfields Region and Perth are estimated to correspond to a direct increase in output of \$493.289 million, boosting demand for intermediate goods and services in the State economy to the value of \$216.715 million. These industrial effects include multiple rounds of flow-on effects, as servicing sectors increase their own output and demand for local goods and services in response to the direct change to the economy.

The increases in direct and indirect output would typically correspond to the creation of jobs in the economy. Corresponding to this change in employment would be an increase in the total of wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are estimated at \$115.816 million.

⁸ For economic analysis purposes the 25 Perth based personnel have classified as ‘technical services’ and ‘professional services’.

Total output, including all direct, industrial and consumption effects is estimated to increase by up to \$825.821 million.

Figure 3-10 Operational Phase Output Benefits, Western Australia



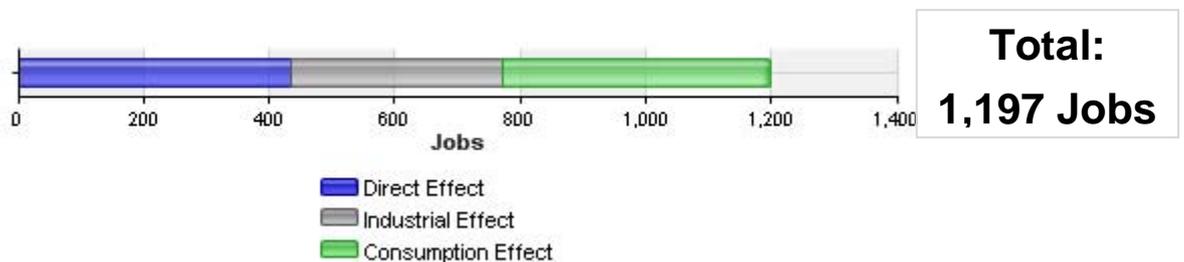
Employment

Under this scenario direct employment in the State economy would increase by 432 jobs. From this direct expansion in the economy, flow-on industrial effects in terms of local purchases of goods and services are anticipated, and it is estimated that these indirect impacts would result in the gain of a further 338 jobs.

The increase in direct and indirect output and the corresponding creation of jobs in the economy are expected to result in an increase in the wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are estimated to further boost employment by 427 jobs.

Total employment, including all direct, industrial and consumption effects is estimated to increase by up to 1,197 jobs.

Figure 3-11 Operational Phase Benefits, Employment, Western Australia



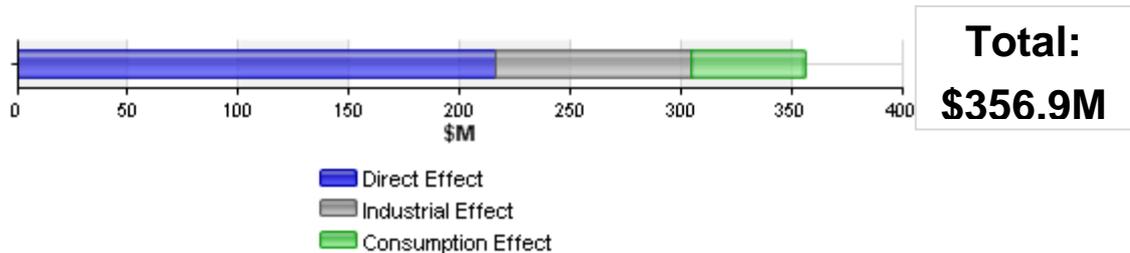
Value-added

From the direct increase in output of \$493.289 million under this scenario the corresponding increase in direct value-added is estimated at \$215.660 million. From this direct expansion in the economy, flow-on industrial effects in terms of local purchases of goods and services are anticipated, and it is estimated that these indirect impacts would result in a further increase to value-added of \$88.931 million.

The increase in direct and indirect output and the corresponding boost to jobs in the economy are expected to result in an increase in the wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are expected to further boost value-added by \$52.285 million.

Total value-added, including all direct, industrial and consumption effects is estimated to increase by up to \$356.876 million.

Figure 3-12 Operational Phase Benefits, Value-added, Western Australia



3.1.6 Operational Phase – Australia

As a function of the greater capacity at the State level to supply intermediate goods and services and to capture consumption expenditure the estimated economic multipliers under this scenario are higher for Western Australia than for the Goldfields Region. Following this rationale, the estimated economic multipliers in the context of the National economy are higher again. In the Goldfields Region, for every 10 direct operational phase jobs close to a further 7 indirect jobs could be generated once flow-on benefits are taken into consideration. In the context of the State economy these anticipated flow-on benefits expand to approximately 17 jobs, and at the National level the estimate is notably higher again at 30 jobs⁹.

⁹ Reflecting a type 2 employment multiplier of 4.035

<p>Analysis commissioned by:</p>	<p>AngloGold Ashanti Australia Ltd On behalf of the Tropicana Joint Venture</p>	
<p>Analysis provided by:</p>	<p>Compelling Economics</p>	
<p>Date:</p>	<p>June 2009</p>	