

06

Country Report
Argentina
Cerro Vanguardia



ANGLOGOLD ASHANTI



Contents

3. Message from Christopher van Tienhoven
4. Our profile
5. Our mission, values and business principles
6. Background
7. Economic and financial performance
9. Government remittances
9. Mineral resources and ore reserves
10. Occupational safety and health
12. Human resources
 - Case study: Strike points the way for new climate of co-operation*
15. Environment
16. Community
 - Case study: Fostering partnerships in Patagonia*

About this report

AngloGold Ashanti is committed to reporting to a broad range of stakeholders on its operational and financial performance as well as its economic, social and environmental performance.

For the 2006 financial year, AngloGold Ashanti's Annual Report comprises:

- the Annual Financial Statements, which are available on request or at (www.aga-reports.com); and
- the Report to Society, which is available as a printed document, and a more extensive Report to Society on our website (www.aga-reports.com) which includes additional information, including case studies and country reports, of which this is one.

Together these reports seek to present a fair and balanced reflection of the group's operation and performance, its objectives, values, business principles, and the major issues and challenges that it is facing.

** Throughout this report, dollar or \$ refers to US dollars, unless otherwise stated.*



Introduction

AngloGold Ashanti has a single operation in Argentina, the Cerro Vanguardia mine, which is a partnership with Formicruz (representing the province of Santa Cruz). The mine has a lease area of 514km² and, since the first gold was poured in September 1998, throughput has steadily increased from 1,800t per day (the original design capacity of the plant) to the present level of 2,700t per day.

Message from Christopher van Tienhoven

In 2006 Cerro Vanguardia experienced a turning point in its history. In the first half of the year, for the first time, the company had to face a salary-related strike followed by sabotage activity which jeopardised production and the operation's security. Through the efforts of employees, production levels were recovered and objectives were met in the second half of the year.

The strike taught the company's young management team a hard lesson: the need to improve and deepen internal communication at all levels and to set up regular activities geared to fostering continuing dialogue with management.

With the conflict over, the company decided to look to the future. An investment of \$5 million in an exploration campaign was successfully developed and commitment to Puerto San Julián and the whole of Santa Cruz Province was renewed through a life-of-mine extension of another 10 years. The exploration campaign in 2007 will be one of the most prominent in Argentina, with \$6 million dedicated exclusively to brownfields exploration.

Environment, safety and health

With regard to the environment, the company was re-certified under ISO14000 and at the end of the year received a recommendation from the independent audit team to pursue certification under international OHSAS safety standards.

Another objective achieved was the consolidation of the company's own maintenance team and the acquisition of the world's most advanced truck technology. Delivery of our trucks is expected during the first months of 2007.

Building relationships

Cerro Vanguardia strengthened its relationship with the Puerto San Julián community by boosting communication and exchange channels in the interests of tackling projects together. One of the initiatives that deserves mentioning in this respect was the undertaking of an extensive training intervention focusing on improving professionalism in the education sector. The acceptance of this proposal also made it possible to organise a workshop for all the elementary schools in the region, which enriched the exchange and paved the way for the continuation of this endeavour.

Also in relation to training, a mining and environment course was run for the benefit of the province's regional education professionals, a course that was declared to be in the interests of the Provincial Education Council through the passing of a resolution to this effect. This training, which was well received by the more than 50 teachers who participated, ended with a visit to Cerro Vanguardia to give practical examples of the issues discussed.

Cerro Vanguardia places a high value on giving support to higher education and on the potential for

the exchange of knowledge and resources. This was demonstrated by a variety of initiatives throughout 2006.

The mine presented several items of equipment to the local arm of the Universidad Nacional de Patagonia Austral (UNPA) in Puerto San Julián for its laboratory and computers for its information centre which is used not only by university staff members and students, but also by members of the public. Still in the field of tertiary education, a research project entitled the 'Destruction of Cyanide Complexes Generated during Gold Leaching by Application of Ion-Exchange Resins' was started with UNPA and San Luis University. This will continue in 2007.

During the year a programme called Open Doors Mining was started with members of the Cerro Vanguardia training and development team and professionals from the different operational areas visiting universities in northern Argentina, with a view to enhancing the existing internship programme. This will be consolidated during 2007 to ensure that the professionals of the future view mining as an excellent career opportunity.

The Training and Development Department also devised specific programmes for the development of middle managers and supervisors within the company and signed an agreement with UNPA for distance learning programmes geared to employees.

A major decision made during 2006 was to establish closer links with local and regional suppliers and, as a result, Cerro Vanguardia nominated a representative to sit on the Puerto San Julián Chamber of Commerce. This is a further step towards the mine becoming an integral part of the community in which it is situated.

Interest in mining and its increasing development was shown during the 2006 Open Company programme, which attracted around 400 visitors, including educators, students, community representatives and members of the general public.

Further evidence of our growing relationship with the community was the decision to expand and refurbish the Puerto San Julián Athletic Club – to be fitted with a gymnasium, a children's recreation area, a convention centre and a ballroom with capacity for 650 people and open to the community at large.

The Development Agency, created through a Cerro Vanguardia initiative in 2004, received a major boost through the agreement with the municipal administration for the launching of a strategic plan for San Julián with the participation of all community sectors.

Christopher van Tienhoven
Country Manager: Argentina
20 March 2007



ARGENTINA

Country Report 2006

AngloGold Ashanti is one of the world's leading gold producers, with a varied portfolio of assets and orebody types in key gold-producing regions around the world. At the end of 2006, the company had 21 operations located in 10 countries (South Africa, Argentina, Australia, Brazil, Ghana, the Republic of Guinea, Mali, Namibia, Tanzania and the United States) on four continents, together with a substantial project pipeline and a focused, global exploration programme.

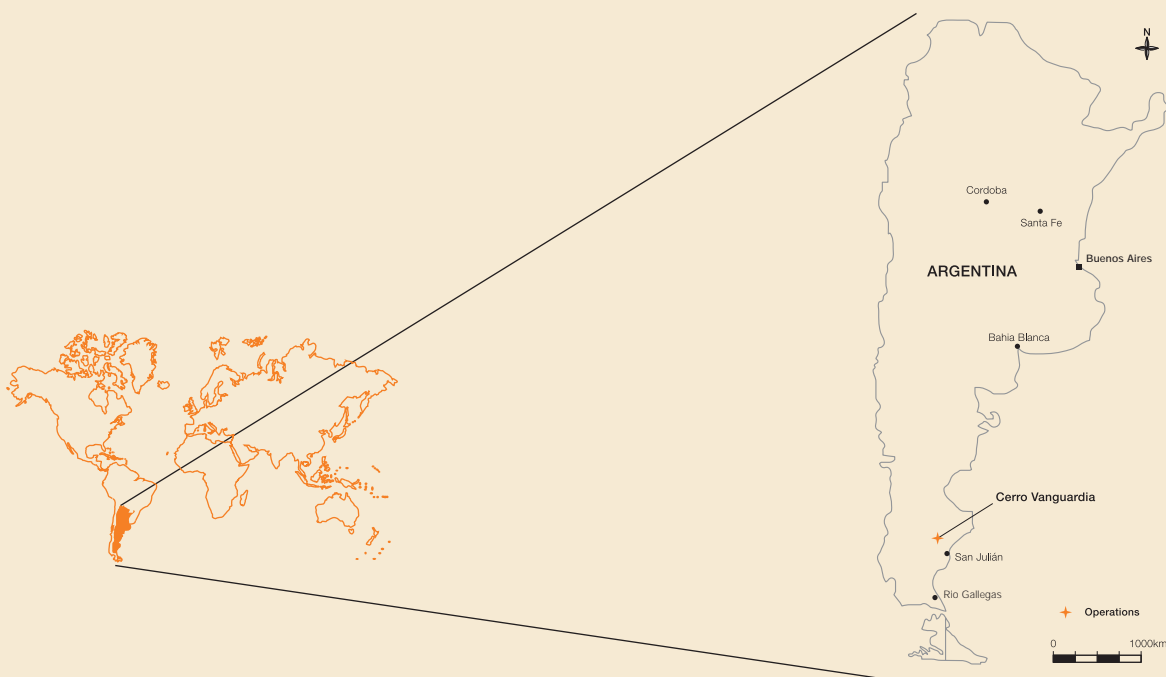
AngloGold Ashanti produced 5.6Moz of gold in 2006, of which 2.6Moz (46%) came from deep level hard-rock operations in South Africa and the balance of 3Moz (54%) from the shallower and surface operations around the world. Greenfields exploration is under way in Western Australia, Colombia and the Democratic Republic of Congo (DRC), and through exploration partnerships and joint ventures in Alaska, Russia, China, the Philippines and Laos. The group employed 61,453 people around the world.

The Cerro Vanguardia mine is the group's only operation in Argentina, and one of three in South America (the others being in Brazil). The South American operations contributed 10% towards AngloGold Ashanti's overall production in 2006.

In 2006, total gold production at Cerro Vanguardia was 232,000oz (215,000oz attributable to AngloGold Ashanti). Also, in 2006, the mine employed on average 906 people (623 employees and 283 contractors).

AngloGold Ashanti is a values-driven organisation and our values and business principles underpin all that we do. This applies equally to our approach to sustainable development. Thus, our values guide our relations with all those that have an interest in the business – our stakeholders – and inform our business principles that govern those relationships. We measure our performance against our stated values and business principles and report our progress against these in this document.

ur profile





AngloGold Ashanti's mission, values and business principles were developed in consultation with employees and are reviewed as part of an ongoing process to ensure that they more accurately reflect the group's purpose and the way in which it does business.

Our mission & values

AngloGold Ashanti's mission

Our business is gold. We consistently strive to create value for everyone with a stake in our company, by finding and mining gold and by developing the market for our product.

Our values

AngloGold Ashanti consistently strives to generate competitive shareholder returns. We do this by replacing profitable gold reserves and by continuously improving the performance of our key resources – our people, our assets and our product. We conduct ourselves with honesty and integrity.

We provide our employees with opportunities to develop their skills while sharing risks and rewards in workplaces that promote innovation, teamwork and freedom with accountability. We embrace cultural diversity.

Every manager and employee takes responsibility for health and safety; and together strive to create workplaces that are free of occupational injury and illness.

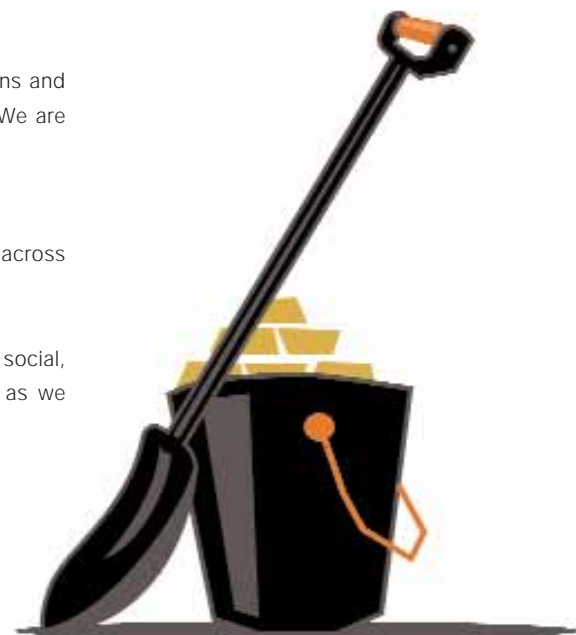
We strive to form partnerships with host communities, sharing their environments, traditions and values. We want communities to be better off for AngloGold Ashanti having been there. We are committed to working in an environmentally responsible way.

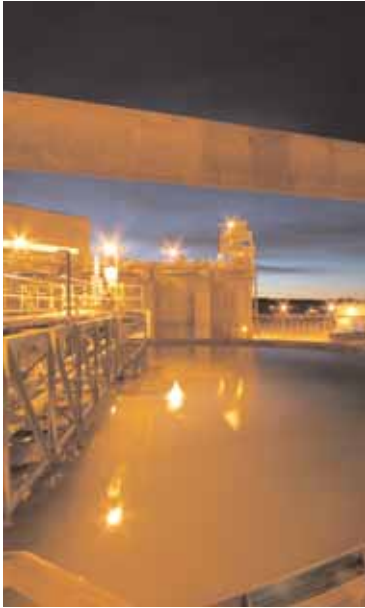
Our business principles

We live our values through our business principles. These principles are applicable across AngloGold Ashanti and in all the countries in which we do business.

They inform the way in which we go about achieving our mission, balancing key economic, social, environmental and ethical values. These business principles which will evolve over time as we interact with our stakeholders, both internal and external, are:

- AngloGold Ashanti – a responsible and ethical corporate citizen
- AngloGold Ashanti and the environment
- AngloGold Ashanti as an employer – safety and health
- AngloGold Ashanti in the community
- AngloGold Ashanti as an employer – labour practice





CERRO VANGUARDIA

Background

Ownership: AngloGold Ashanti has a 92.5% interest in the Cerro Vanguardia mine following the acquisition of an additional 46.25% in July 2002. The province of Santa Cruz holds the remaining 7.5%.

Location: Situated to the north-west of Puerto San Julián in the province of Santa Cruz.

Mining and processing: Mining operations consist of multiple small open pits with high stripping ratios. The orebodies comprise a series of hydrothermal vein deposits containing vast quantities of silver, which is produced as a by-product.

Geology: The oldest rocks in this part of Patagonia are of 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 100,000km². 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 mineralisation at Cerro Vanguardia occurs within a vertical range of about 150m to 200m 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° to the east; while the other set strikes about N75W and the veins dip 60° to 80° to the south.

They 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 oxidised to limonite. The veins show sharp contacts with the surrounding ignimbrite, which hosts narrow stockwork zones that are weakly mineralised, and appear to have been cut by a sequence of north-east trending faults that have southerly movement with no appreciable lateral displacement.

ARGENTINA

Country Report 2006

Economic and financial performance

Operating performance: At Cerro Vanguardia attributable gold production increased by 2% to 215,000oz. While the yield varied over the course of the year as anticipated, the average grade in 2006 was 7.3g/t compared with an average grade of 7.7g/t in 2005. Ore throughput, however, increased by 8% to 1Mt in 2006.

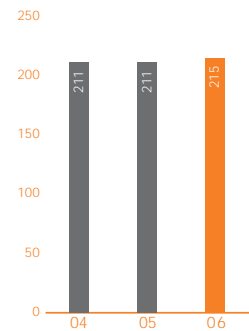
Total cash costs rose by 32% to \$225/oz, mainly as a result of higher local inflation and increases in both commodity prices and mine maintenance costs. The higher mine maintenance cost was associated with a programme undertaken this year to improve the availability of mine equipment.

Gross profit adjusted for the effect of unrealised non-hedge derivatives and other commodity contracts increased by 13% to \$35 million, primarily as a consequence of the improved price received.

Capital expenditure was 29% higher year-on-year at \$18 million, mainly owing to the purchase of new and replacement mine equipment and expenditure related to the heap-leaching project currently under way.

Growth prospects: During 2006 Cerro Vanguardia began an accelerated four-year brownfields exploration programme, the focus of which is shallow, high-grade mineral resources. Results so far have been encouraging, with 39,000m of reverse circulation drilling and 14,000m of diamond drilling having been completed in 2006.

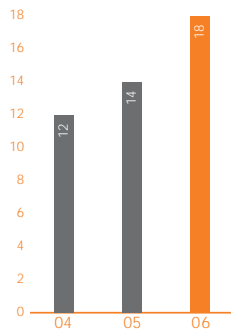
Gold production (000oz)
(attributable)
Cerro Vanguardia



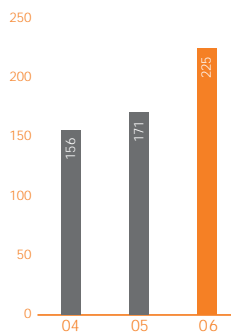
ARGENTINA

Country Report 2006

Capital expenditure (\$m)
(attributable)
Cerro Vanguardia



Total cash costs
(\$/oz)
Cerro Vanguardia



Since 1998 Cerro Vanguardia has been stockpiling low-grade material with the intention of treating it through an industrial-size heap-leach operation. As of December 2006, 9.5Mt of this material has been stockpiled and a pre-feasibility study to confirm the viability of the heap-leach pad was initiated during the year. The feasibility stage of this project will begin in the early part of 2007.

Outlook: In 2007 attributable production at Cerro Vanguardia is expected to decrease marginally to about 200,000oz, mainly as a result of anticipated lower grades. Total cash costs are expected to rise to approximately \$260/oz. Capital expenditure will also increase to around \$23 million (\$21 million attributable), largely owing to the start of construction of the heap-leach project facilities. The exploration effort will continue according to the original programme initiated in 2006 and 65,000m are expected to be drilled overall.

| Cerro Vanguardia | | 2006 | 2005 | 2004 |
|---------------------------|---------------------|-------|-------|-------|
| † Pay limit | oz/t | 0.13 | 0.12 | 0.12 |
| | g/t | 4.56 | 4.02 | 4.05 |
| †† Recovered grade | oz/t | 0.213 | 0.225 | 0.222 |
| | g/t | 7.29 | 7.70 | 7.60 |
| Gold production | 000oz (100%) | 232 | 228 | 229 |
| | 000oz (92.5%) | 215 | 211 | 211 |
| Total cash costs | \$/oz | 225 | 171 | 156 |
| | ARS/oz | 665 | 506 | 468 |
| Total production costs | \$/oz | 361 | 277 | 274 |
| | ARS/oz | 857 | 649 | 595 |
| Capital expenditure | \$ million (100%) | 19 | 15 | 13 |
| | ARS million (100%) | 48 | 44 | 39 |
| Capital expenditure | \$ million (92.5%) | 18 | 14 | 12 |
| | ARS million (92.5%) | 45 | 40 | 36 |
| Total number of employees | | 906 | 946 | 791 |
| Employees | | 623 | 487 | 389 |
| Contractors | | 283 | 459 | 402 |

† The grade of a unit of ore at which the revenue from the recovered mineral content of the ore is equal to the total cash cost including Ore Reserve development and stay-in-business capital. This grade is expressed as an in-situ value in grams per tonne or ounces per short ton (before dilution and mineral losses).

†† The recovered mineral content per unit of ore treated.

ARGENTINA

Country Report 2006

Sustaining operations

As a mining company exploiting a set of finite resources, it is incumbent on AngloGold Ashanti to:

- incur capital expenditure, both to prolong the viability and sustainability of existing operations, and to develop access to new reserves;
- undertake exploration, both greenfields and brownfields, to identify and possibly develop new operations; and
- acquire projects and operations that might extend the production profile of the group in years to come.

A part of the process of sustaining operations is the protection of the company's assets to ensure their profitable and sustainable use and to encourage local economic development. See the case studies on our website at www.aga-reports.com/06/case-studies.htm



Government remittances

Taxation of \$13 million was provided for and royalties of \$11.2 million paid in Argentina in 2006. Dividends of \$1 million were paid in 2006 to our partners, Formicruz.

Mineral resources and ore reserves

Ore Reserves and Mineral Resources are reported in accordance with the minimum standard described by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004 edition), and also conform to the standards set out in the South African Code for the Reporting of Mineral Resources and Mineral Reserves (the SAMREC 2000 Code). Mineral Resources are inclusive of the Ore Reserve component unless otherwise stated.

AngloGold Ashanti had Mineral Resources of 181.6Moz and Ore Reserves of 66.9Moz in December 2006 with Argentina accounting for Mineral Resources of 3.7Moz and Ore Reserves of 1.6Moz.

| | Resource category | Metric | | | Imperial | | |
|---------------------------------|-------------------|---------------|-------------|----------------------------|---------------|--------------|-----------------------------|
| | | Tonnes (000) | Grade (g/t) | Contained gold grams (000) | Tons (000) | Grade (oz/t) | Contained gold ounces (000) |
| Cerro Vanguardia | | | | | | | |
| Ore reserves* | Proved | 855 | 7.09 | 6,060 | 942 | 0.21 | 195 |
| (as at 31 December 2006) | Probable | 6,863 | 6.22 | 42,701 | 7,565 | 0.18 | 1,373 |
| | Total | 7.7 | 6.32 | 48.8 | 8.5 | 0.184 | 1.6 |
| Mineral resources* | Measured | 11,388 | 2.35 | 26,716 | 12,549 | 0.07 | 859 |
| (as at 31 December 2006) | Indicated | 17,452 | 3.24 | 56,598 | 19,238 | 0.09 | 1,820 |
| | Inferred | 10,382 | 3.03 | 31,433 | 11,444 | 0.09 | 1,011 |
| | Total | 39,219 | 2.93 | 114,747 | 43,232 | 0.09 | 3,689 |

*Attributable to AngloGold Ashanti



Occupational safety and health

One of AngloGold Ashanti's core values relates to the safety and health of employees. It states that every manager and employee takes responsibility for health and safety; and all strive to create workplaces that are free from occupational injury and illness.

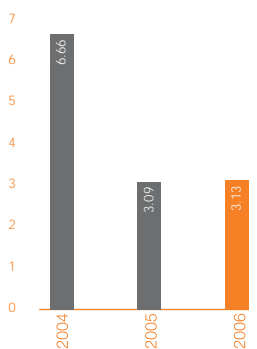
The company is committed to complying with all relevant occupational health and safety laws, to implementing safety and health systems based on internationally recognised standards, and to providing a working environment conducive to safety and health. While safety and health is regarded as a prime responsibility of management (from executives down to supervisors), AngloGold Ashanti strives for employee involvement and consults with employees to gain their commitment.

All the necessary resources – a system of medical surveillance and the provision of protective equipment, for example – are made available to enable compliance with the company's safety and health principles. Deliberate breaches in standards and procedures are not tolerated and risk assessments are conducted to anticipate, minimise and control occupational hazards.

Performance in terms of safety and health objectives is measured and the effects of the company's operations monitored on a regular basis. AngloGold Ashanti communicates openly on safety and health issues with employees and other stakeholders and ensures that at all levels employees receive appropriate training. Contractors are required to comply with the company's safety and health principles.

Following the liquidation of the South African-based National Occupational and Safety Association (NOSA), which was used by a number of operations in terms of specifications for safety management systems and external auditing and certification, the company is moving towards the implementation of an alternative specification, Occupational Health and Safety Assessment Series (OHSAS) 18001. The series provides both a framework for identifying business risks associated with safety and health, and guidelines for implementation and achieving certification. The series has international acceptability which facilitates benchmarking. In December 2006 Cerro Vanguardia became the first AngloGold Ashanti operation to receive OHSAS 18001 certification.

LTIFR – Argentina
(per million man-hours worked)



Managing safety and health

Once again no fatalities were reported at Cerro Vanguardia during 2006. The mine's Lost Time Injury Frequency Rate at 3.13 per million man-hours worked is only marginally higher than the 2005 figure of 3.09. Shifts lost through injuries went down from 283 in 2005 to 131 in 2006.

Cerro Vanguardia falls under Argentina's national safety and health legislation and regulations. The operation has drawn up its own Safety and Health Policy which is in line with AngloGold Ashanti's safety and health principles. The policy stipulates that each employee must assume responsibility for his/her own safety and the safety of those affected by his/her actions. It spells out that no objective is important enough to justify operations in which the safety and health of employees and contractor's staff are not adequately managed. The document makes provision for the continuous revision of risks and places great emphasis on training and communication. The policy is distributed to all parties involved in and affected by the mine.

Training in safety and health forms part of the induction process for new employees. This includes training in first aid, fire prevention and key aspects of the emergency plan. Further training is given that is specific to an employee's task/s and workplace. Altogether, employees spend about 22 hours a year on safety training.

ARGENTINA

Country Report 2006

Each department has its own safety representative and there is a monthly Safety and Health Committee meeting. Although there is no formal involvement by the union in the safety and health committee, informal interaction takes place frequently. There is one safety and health employee representative on each work shift in every area of the mine which means that nearly 4% of employees are directly involved.

Employees are kept informed of safety and health developments through daily pre-shift safety meetings, their representatives on the safety and health committee, items carried in the newsletter and notices in public places.

Risk assessments

Annual hazard identification and risk assessments are conducted by company teams and these are subject to internal and external audits. Geotechnical parameters, in particular, are considered leading indicators in monitoring the effects of the company's operational activities in the safety and health of its employees, and remediation measures have been implemented to mitigate the risks posed when mining Cerro Vanguardia's orebody – unique among AngloGold Ashanti's surface operations. Because the gold-bearing rock occurs in vertical veins, mining is carried out in multiple small open pits with steep slope walls that have angles of around 65°. The hazard identification and risk assessment process of indicating possible risks and proposed control measures has been instrumental in reducing the number of lost-time injuries at the mine.

Medical surveillance

Occupational health is monitored through medical surveillance programmes which are conducted for new employees, those returning to work after sick leave of three days, transfers and those leaving the company. All employees undergo an annual health examination. Apart from administering first aid for minor injuries, Cerro Vanguardia is able to handle more serious cases at its mobile ICU which is manned by two medical teams, each comprising a doctor, two nurses and a radiologist, who work on weekly shifts. A full-time ambulance service is also on standby to transfer casualties to hospital if necessary.

Emergency preparedness

A high priority is placed on emergency preparedness and action plans are in place to deal with hazardous events. Situated in a remote part of the country, Cerro Vanguardia has its own emergency brigade which is ready 24 hours a day to respond to fire, the mishandling of dangerous chemicals and other crises. Emergency drills are carried out on a monthly basis.



Human resources

One of AngloGold Ashanti's core business principles is that employees are provided with opportunities to develop their skills while sharing risks and rewards in workplaces that promote innovation, teamwork and freedom with accountability. The company embraces cultural diversity.

AngloGold Ashanti is committed to upholding the Fundamental Rights Conventions of the International Labour Organization (ILO), ensuring the implementation of fair employment practices by prohibiting forced, compulsory or child labour. It is also committed to creating workplaces that are free of harassment and unfair discrimination.

The company seeks to understand the different cultural dynamics in host communities and adapts work practices to accommodate this where doing so is possible.

All employees are given the opportunity to participate in training that will improve their workplace competency. The company is committed to developing motivated, competent and experienced teams of employees through appropriate recruitment, retention and development initiatives. An emphasis is placed on the identification of potential talent, mentoring and personal development planning.

Remuneration systems are aimed at rewarding individual and team effort in a meaningful way. AngloGold Ashanti works with stakeholders to ensure minimum standards for company-provided accommodation; assures access to affordable health care for employees and, where possible, for their families; and is committed to prompt and supportive action in response to any major health threats in the regions where the company operates.



ARGENTINA

Country Report 2006

Employment overview

During 2006 AngloGold Ashanti employed 906 people at Cerro Vanguardia: 623 employees and 283 contractors. There are no remuneration or benefits disparities with regard to race, gender or people with disabilities.

Some 69% of employees belong to a union, the Asociación Obrera Minera Argentina (AOMA). As is the case with most of AngloGold Ashanti's operations, the mine has a collective bargaining agreement in place. The most recent wage agreement came into effect in April 2005 and runs for a period of four years. In July 2006 a new child care allowance was instituted for female employees. A strike occurred during 2006 (*see case study on page 14: Strike points the way for new climate of co-operation*) and much has been learnt in the way of co-operation going forward.

Training and career development

In 2006, \$250,000 was spent on training at Cerro Vanguardia where 209 courses were attended by 3,529 participants. This means that on average during the year employees spent 34 hours in training. The fields covered included the operation of heavy equipment, maintenance, safety, information technology, safety, geology and English language.

AngloGold Ashanti's Talent Management Programme identifies and develops the group's management for the future. The programme has three areas of intervention: the development, retention and monitoring of talent. Talent management and career planning initiatives are in the process of being formalised at Cerro Vanguardia to bring the mine in line with the company. Career development is a priority at Cerro Vanguardia where the progress of employees is monitored with the Human Resources Department conducting regular interviews. The mine also offers bursaries to employees to complete degrees or undertake post-graduate studies in mining, geology, administration and the environment.

In South America AngloGold Ashanti has a scholarship programme which covers the cost of graduate and post-graduate courses (mostly in language and mining-related disciplines) at recognised universities. A total of \$567,000 was spent on this programme in 2006. In Argentina scholarships are available to promising students in the Santa Cruz Province taking degrees in the natural resources field.

Remuneration and employee benefits

Cerro Vanguardia's remuneration structure is market related. The operation has a performance sharing plan where members of a team can receive up to a maximum of two months' basic salary as a reward, depending on the results of the company and the area of the mine concerned. In the case of a small group of senior employees, individual targets are agreed between the employee concerned and his/her manager. Bonuses paid are then based on the individual's performance contract and the company performance sharing scheme.

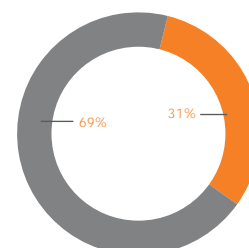
Health care is provided by an external service provider to employees and their families. In 2006 the cost to the company was \$359,742.

Because the mine is in a remote area, many employees are sourced from outside the immediate area of operations. Cerro Vanguardia has 42 houses for managers and senior professional staff in neighbouring Puerto San Julián. In addition, the mine rents 49 houses for supervisors and young professionals. Home ownership is encouraged through a housing loan scheme. This involved an amount of \$253,630 in 2006.

There are hostels on site which accommodated 343 employees (all shift workers) in 2006. Supplied by an external service provider, all meals are provided free of charge.

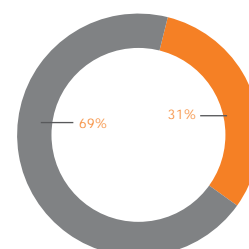


Contractors vs employees at the Cerro Vanguardia operations



- Contractors
- Employees

Percentage of employees who are unionised



- Unionised
- Non-unionised



Case study

Strike points the way for new climate of co-operation

A strike in the second quarter of 2006 has proved to be a catalyst for increased understanding and interaction between management and employees at the Cerro Vanguardia (CVSA) mine in Argentina.

The mine, which is 92.5% owned by AngloGold Ashanti with the remainder owned by Formicruz (which in turn is owned by the Santa Cruz Province) is a significant economic hub in this remote region of Patagonia and is the single largest private sector employer for the community of Puerto San Julián, a town located some 150km away.

Shift workers from Santa Cruz's main cities, including Puerto San Julián, Caleta Olivia and Rio Gallegos, live on site for most of the week, while office workers travel the two-hour journey to work on a daily basis.

The strike, which coincided with an increase in populist political activity in the country was not co-ordinated or supported by the union, the Asociación Obrera Minera Argentina (AOMA), which represents close to 70% of the workforce. Demands by striking employees related primarily to salaries, recognition of seniority, and tax compensation. What made dealing with the strike even more problematic was the fact that the strike was conducted independently of the union and hence no formal structures for leadership or channels of communication existed.

In total, some 200 employees were involved in the strike, which resulted in two days of work being lost in April and a further week being lost in May. Of great concern to the company was the fact that the strike was accompanied by acts of sabotage of mining equipment, which resulted in material damages in the order of \$3.5 million. A total of 30 employees were dismissed as a result of the sabotage.

With hindsight, the management of CVSA has recognised that greater interaction with the union on material issues, improved internal communication structures and addressing fears relating to insecurities following recent organisational changes (the mine recently took over the maintenance of its own vehicle fleet and, in so doing appointed additional skilled employees to its workforce, many of whom could not be sourced locally from San Julián), could have prevented the build-up of tensions that contributed to the strike. Accordingly, greater emphasis is being placed on:

- strengthening the relationship with the union. The company believes that a strong and representative union which acts in the best interests of the majority of employees and actively engages with management, is in the interest of both the company and employees. This approach has been integral to AngloGold Ashanti's labour relations strategy in South Africa since the 1970s, in its previous form as an operating division of Anglo American;
- encouraging a culture of communication and breaking down the barriers between management and employees, reinforcing participation in formal information meetings, and encouraging opportunities for informal interaction and integration;
- increasing the active and visible presence of the mine within the community while at the same time encouraging the community to establish partnerships with the company and to take joint responsibility for its future;
- placing greater emphasis on local procurement where this is possible; and
- the visible institution of the right of representation and consistency of outcomes within the industrial relations policies and procedures of the company.

In addition, the company has stepped up its efforts to provide developmental opportunities for local employees through its active involvement with the University of Patagonia (UNPA) and in the development agency which is aimed at stimulating economic activity and development in the town of Puerto San Julián during the life of the mine and after mining operations have ceased. (See case study on page 18: *Fostering partnerships in Patagonia*).

Environment

AngloGold Ashanti is committed to working in an environmentally responsible way, recognising that the long-term sustainability of its business is dependent upon good stewardship in both the protection of the environment and the efficient management of the exploration and extraction of mineral resources. The company seeks to comply with all the applicable environmental laws, regulations and requirements.

Committed to establishing and maintaining management systems to identify, monitor and control the environmental aspects of its activities, and makes sure it has the financial resources available to meet its reclamation and environmental obligations. AngloGold Ashanti works continually to improve its environmental performance and to prevent pollution from its operations.

The company ensures that its employees and contractors are aware of its environmental policy and communicates and consults with interested and affected parties on the environmental aspects of its activities, and participates in debate on environmental matters at international, national and local levels.

The group environmental policy guides the broad practices of the company while site-specific policies, which are required to be consistent with group policy, direct and regulate each operation in accordance with local conditions, requirements and regulations.

AngloGold Ashanti has formally adopted ISO14001 certification as the standard for the company's environmental management system. The International Standards Organization (ISO) is a voluntary, not-for-profit network of national standards institutes from 146 countries. ISO14001 focuses on environmental management systems. Certification is based on regular auditing by an appropriately accredited external body. Cerro Vanguardia was re-certified against the more recent ISO14001: 2004 on 19 May 2006.

AngloGold Ashanti was party to the development of the International Cyanide Management Code for the Manufacture, Transport and Use of Cyanide in the Production of Gold and was one of the first signatories to the code in November 2005. Signatories to the code must have their operations audited by an independent third party to demonstrate their compliance by 2008. An audit for compliance with the Cyanide Code at Cerro Vanguardia is scheduled for the third quarter of 2007.

Laws, regulations and requirements

There are a number of federal and state laws that regulate environmental practices at Cerro Vanguardia: the federal water law 9433/97 regulates the use and discharge of water as does the state water law 13199/98; the environmental law 9438/81 regulates environmental impact studies; the forest law 4771/65 regulates activities in forested areas; and the law of environmental crimes 9605/98 regulates environmental crimes and their penalties.

Managing environmental issues

The head of the environmental management discipline in South America participates in the AngloGold Ashanti Environmental Steering Committee which identifies and debates critical environmental issues facing the company, and develops appropriate responses to these challenges.

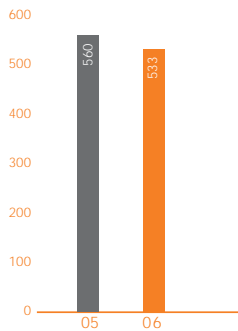
At an operational level, management of environmental issues and compliance with company policy and government regulations is largely a line function. Line management is, in turn, supported by on-site environmental professionals who ensure that the company fulfils its obligations to act in an environmentally responsible manner while at the same time achieving efficient and effective management of its mineral resources.



ARGENTINA

Country Report 2006

Cyanide usage
(000kg)



Rehabilitation and closure

An amount of \$16.0 million has been set aside to cover liabilities, \$6.7 million for rehabilitation and \$9.3 million for decommissioning, for the closure of Cerro Vanguardia.

Key indicators

Key indicators of environmental performance for AngloGold Ashanti are:

- the use and management of cyanide;
- efficient use of resources, including water and energy;
- mine closure planning and the rehabilitation of disturbed lands; and
- the prevention of pollution, through proper waste management, and hazardous waste management practices.

In recent years, increasing attention has also been focused on issues relating to:

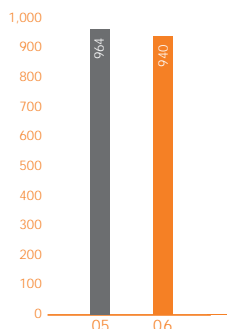
- climate change and greenhouse gas emissions; and
- biodiversity.

Further information may be found on our website, including a detailed breakdown of environmental performance against the GRI 2002 indicators (www.aga-reports.com/06/GRI.pdf).

Cerro Vanguardia – environmental statistics

| Operation | Usage (kg) | | Efficiency usage per ounce of production (oz) | |
|-------------------------|------------|---------|---|------|
| | 2006 | 2005 | 2006 | 2005 |
| Cyanide (kg) | 533.333 | 560.000 | 2.30 | 2.46 |
| Water (m ³) | 939,970 | 964,307 | 4.05 | 4.23 |
| Energy (GJ) | 208,599 | 215,718 | 0.90 | 0.95 |

Fresh water usage
(000m³)



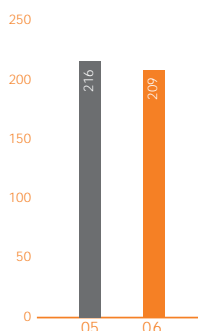
Community

One of AngloGold Ashanti's values relates to the communities in which the company does business. This states that the company strives to form partnerships with host communities, sharing their environments, traditions and values; that it wants communities to be better off for AngloGold Ashanti having been there; and that it is committed to working in an environmentally responsible way.

With respect to communities, the company subscribes to the business principles summarised below. AngloGold Ashanti:

- aims is to have a positive impact on the people, cultures and communities in which it operates. The company will be respectful of local and indigenous people, their values, traditions, culture and the environment;
- strives to ensure that surrounding communities are informed timeously of, and where possible are involved in, developments that affect them, throughout the life cycle of the company's operations;
- undertakes social investment initiatives in the areas of need where the company can make a practical and meaningful contribution, in particular to those areas of education and health care relevant to AngloGold Ashanti's business activities, and those most likely to be sustainable after operations have closed;
- encourages its employees to make themselves available for participatory and leadership roles in the community;
- seeks to acquire and use land in a way that promotes the broadest possible consensus among interested people. Where involuntary resettlement is unavoidable, the company will

Total energy usage
(000GJ)



ARGENTINA

Country Report 2006

abide by appropriate guidelines for resettlement, where they exist, and will work with the local communities to develop workable plans for any resettlement; and

- strives to contribute to the sustainable economic development of host communities through procurement activities; the contribution of redundant assets to the community; assistance in the establishment and growth of small- to medium-sized sustainable enterprises; and the outsourcing of goods and services from local vendors where appropriate.

AngloGold Ashanti is committed to engaging with non-governmental organisations (NGOs) and other stakeholders on issues of mutual concern.

The company has developed a Human Rights policy which it has asked several external agencies to comment on prior to approval by the Executive Committee. It is expected that this policy will be implemented in a phased approach by the end of 2007.

Community policy and practices in Argentina

While subscribing to AngloGold Ashanti's mission and values, Cerro Vanguardia has developed its own statements to express its particular commitment to shareholders, employees and the community affected by the operation. Its mission includes the goal of interacting with surrounding community and its vision says that Cerro Vanguardia wants to be recognised by that community for, among other things, its track record in the fields of safety, the environment and social responsibility.

Employees are made aware of the mine's community policies and programmes primarily through newsletters and other in-house publications.

Engaging with the community

There is regular liaison with the community on various issues. October 2006 saw the start of a formal interaction with a San Julián initiative that concentrates on the environment. Cerro Vanguardia has offered to organise presentations about its environmental activities and the first, on the use of water, was well received.

The mine is planning a strategic meeting to formulate a media relations plan and a system of regular briefings to keep the surrounding communities informed about the operation and its life cycle.

Social investment activities

Social investment initiatives are undertaken in communities surrounding current operations. The main areas that receive attention are those of education, community development, health care, the environment, and arts and culture. Total social investment expenditure in Argentina in 2006 was \$234,000.

Encouraging economic development

In 2006 Cerro Vanguardia spent \$11.7 million with suppliers in Santa Cruz Province. The company has started meeting with local businesses to discuss opportunities for these enterprises to sell their goods and services to the mine.

Over and above the number of employees, it is estimated that the operation has created a further 1,950 jobs in the country.

The mine's remote location in southern Argentina, and its expected remaining life of mine which was until recently nine years, has resulted in a challenging situation in which the local communities are overly dependent on Cerro Vanguardia for employment and economic activity. The case study below examines the measures the company has taken, working together with the affected communities, and the programmes it has initiated to provide sustainable development for the future.





Case study

Fostering partnerships in Patagonia

AngloGold Ashanti's Cerro Vanguardia (CVSA) mine is located in one of the most remote and unpopulated gold mining regions of the world. The mine is a partnership between AngloGold Ashanti and Formicruz (which is owned by the Santa Cruz province in which the operation is located). The nearest town to CVSA is San Julián, with some 7,500 inhabitants.

San Julian is one of the oldest port towns in Argentina and, although the region is steeped in history, its remote location means that it remains off the main tourist routes. Up until 1990 the area was a significant sheep farming region. But the region was sorely affected when, in 1991, Mount Hudson in southern Chile – the site of one of the largest 20th century volcanic eruptions, sent millions of tonnes of volcanic ash into the atmosphere which left a trail of barren land over large tracts of Patagonia. The result has been a lack of economic activity and socio-economic stagnation in San Julián, with an over-dependence on the both the province and the CVSA mine as primary sources of employment and economic activity.

While this is an issue of concern today, this is likely to be even more of a challenge in the future – in 10 years' time – when the mine is anticipated to reach the end of its life.

While the company is an active participant in the community and supports a number of social investment projects which are of immediate benefit to the community, the mine is focused on delivering longer term benefits to the community in a number of ways and which will continue to support this community once mining has ceased. Key amongst these efforts are the company's support for the San Julián Development Agency and the company's partnership with the University of Patagonia, both of which received substantial support in 2006.

Development agency

Since 2004, CVSA has provided support for the San Julián Development Agency, contributing some ARS500,000 per year towards the agency's ability to assess the feasibility of various socio-economic development projects.

Says AngloGold Ashanti, "Although we were initially a bit disappointed with the progress that was made with the development agency – there was little initiative or sense of ownership by the local community – we were never discouraged with the project. It was also very important that CVSA did not simply step in and run the process – this needed to be a community-based initiative which was supported by CVSA and not the other way around. During the first year it was very difficult to manage the differences between the partners in the development agency, considering the dissimilar professional origin of them (CVSA, local businessmen and political representatives). This led to a disparity of criteria towards the future, which demanded a lot of work. Finally, after that work was done, the partners in the development agency – CVSA, local business and the local municipality – took the decision in 2005 that we needed to recruit a specialist and dedicated manager to oversee the agency. Following a nationwide search and close on 90 applicants we identified Alejandro Ramos as the new manager and, since his appointment in March 2006, steady progress has been made in doing the groundwork for the agency."

CVSA is more confident that now, with the appropriate leadership in place, the development agency will take advantage of the support of CVSA during its current life of mine to plan for the future.

ARGENTINA

Country Report 2006

Says Alejandro Ramos of the task ahead: "Our first step is to get the support of the community and local government and actively engage with them to get recognition both for the need of local economic development and the role that they and such an agency can play."

One of the things that Ramos is very keen on is to capitalise on the natural resources in the area for economic development – for example, the agency is looking at the possibility of developing a farming industry around 'choique' (similar to the ostrich) and 'guanaco' (similar to the llama), and hardy enough to survive the harsh climate. Alejandro uses the example of the ostrich leather, feather and particularly meat industries that have sprung up in other places around the world, or the wool industry relating to llamas in Peru.

"Where the agency can help is in the commissioning of research for example, or in developing a business plan," he notes.

The San Julián Development Agency is the only one of its kind in the province of Santa Cruz and could serve as a model for development in the future.

University of Patagonia

The relationship with the University of Patagonia (UNPA) is one which CVSA hopes will benefit the local community and mine employees alike by providing access to recognised and accredited educational qualifications in their home town and often while already employed.

Says Natalia Moscardi, Human Resources Manager at CVSA, "Our relationship with the UNPA is a symbiotic one and our support for UNPA not only provides scope for our employees to grow, but also provides an opportunity for other people in the area to improve their skills and qualifications and to become part of an employment pool in the future."

UNPA provides both distance learning and satellite campuses in San Julián and four neighbouring towns and offers courses in administration, health care and nursing, mining, tourism, and natural sciences. Distance learners make up about 70% of the student body. The UNPA has also endeavoured to make further education affordable, tapping into both national funding for education and by providing scholarships.

UNPA students at the University of San Luis, a traditional mining province are currently undertaking research into the destruction of cyanide used in the gold leaching process through the application of resin.

Other areas of support

There are numerous other examples of support and interaction with the community, such as:

- CVSA's involvement with the Instituto Maria Auxiliadora, an 81-year-old convent school providing education to 320 children between the ages of 4 and 15. Apart from the lack of space being a huge challenge to the school (there is a waiting list for entry), the lack of teachers is a common problem in the area. The school is open to all community members, including children of CVSA employees.
- Support for the local hospital, bringing first-class health care to local residents of San Julian, in partnership with local government.
- CVSA's partnership with the historical Sporting Club, renovating and upgrading a number of buildings.



Contact details

Natalia Moscardi

Tel: +54 29 6249 6040

Fax: +54 29 6249 6048

E-mail: nmoscardi@cvanguardia.com.ar

General e-mail enquiries:

investors@anglogoldashanti.com

Website:

www.anglogoldashanti.com

Feedback

We welcome your feedback on our Report to Society 2006 and this country report. A feedback form may be found on our website at www.aga-reports.com