

# Review of operations

## Argentina



Cerro Vanguardia		2008	2007	2006
Pay limit	(oz/t)	<b>0.19</b>	0.18	0.13
	(g/t)	<b>6.39</b>	3.48	4.56
Recovered grade	(oz/t)	<b>0.159</b>	0.201	0.213
	(g/t)	<b>5.44</b>	6.88	7.29
Gold production	(000oz) – 100%	<b>166</b>	220	232
	Attributable – 92.5%	<b>154</b>	204	215
Total cash costs	(\$/oz)	<b>608</b>	261	225
Total production costs	(\$/oz)	<b>757</b>	394	361
Capital expenditure	(\$m) – 100%	<b>16</b>	20	19
	92.5%	<b>15</b>	18	18
Total number of employees		<b>1,072</b>	1,017	906
Employees		<b>756</b>	708	623
Contractors		<b>316</b>	309	283

### CERRO VANGUARDIA

#### Description

AngloGold Ashanti has a 92.5% interest in Cerro Vanguardia with Formicruz (the province of Santa Cruz) owning the remaining 7.5%. Located to the north-west of Puerto San Julian in the province of Santa Cruz, Cerro Vanguardia consists of multiple small open pits with high stripping ratios. The orebodies comprise a series of hydrothermal vein deposits containing gold and large quantities of silver, which is produced as a by-product.

Ore is processed at the metallurgical plant which has a capacity of 2,800 tonnes per day and includes a cyanide recovery plant. Technology at the plant is based on conventional leaching process in tanks and carbon-in-leach with a tailings dam incorporated in a closed circuit. The final recovery of gold and silver is achieved through a Meryll Crowe Method with metallic zinc.

#### Safety

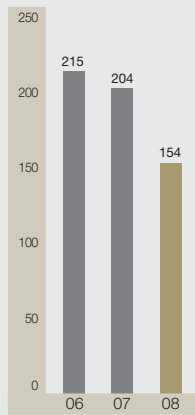
Safety at Cerro Vanguardia deteriorated during the year. The LTIFR for 2008 was 3.98 per million hours worked compared to 3.34 in 2007. As in 2007, there were no fatalities. Corrective action was taken during 2008 to improve safety performance that included conducting safety awareness workshops for the managers responsible for operational safety, and for supervisors and contractors.

#### Operating review

Attributable gold production decreased by 25% to 154,000 ounces for the current year. This decline was mostly as a result of intermittent plant breakdowns that resulted in reduced tonnage throughput and poor grade recovery due to unexpected changes in soil composition. Management changes were implemented resulting in improved plant availability and recovered grade in the latter part of the year.

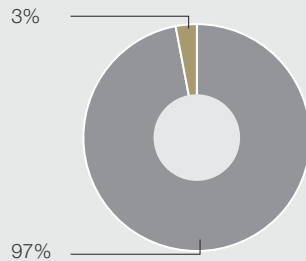
In 2008, total cash costs rose to \$608/oz from \$261/oz in 2007, reflecting chiefly reduced volumes mined and lower grades as well as lower gold and silver production due to periodic plant breakdowns. Additional factors affecting costs were increases in the cost of mining supplies, a function of the inflationary impact of higher commodity prices and higher maintenance costs (due to an extension on the useful life of some mine equipment), as well as an increase in workforce/contractor costs and a decrease in by-product credits resulting from lower silver sales.

Capital expenditure for the year amounted to \$16 million, spent largely on mine equipment, the dispatch system, exploration and plant infrastructure.



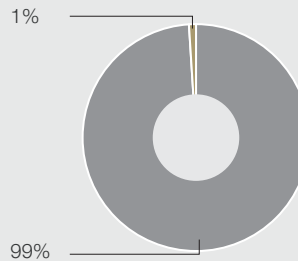
Gold production (000oz)\*  
Cerro Vanguardia

\*Attributable



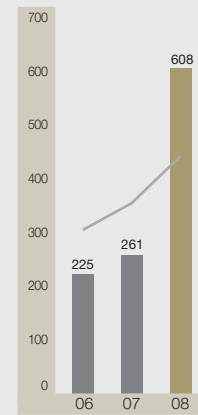
Contribution to attributable  
group production in 2008 (%)

■ Cerro Vanguardia  
■ Rest of the world



Capital Expenditure

■ Cerro Vanguardia  
■ Group



Total cash costs (\$/oz)  
Cerro Vanguardia

■ Total cash costs  
— Group average

### Growth prospects

The four-year brownfields exploration programme entered its third year in 2008. The focus of the programme is to determine the life of mine and to delineate the shallow, high-grade Mineral Resource. In all 300,000 ounces of gold and 8 million ounces of silver were added to Mineral Resources during 2008.

During 2009, Cerro Vanguardia will start the study on underground mining of the current high-grade and high-stripping ratio open-pit reserves. This project will allow Cerro Vanguardia to reduce the stripping ratio from 25:1 to around 15:1, improve the capital efficiency of the current operation and optimise the feed grade. Development is estimated to start during 2009 with production scheduled to begin in 2010. This mining method at Cerro Vanguardia is estimated to produce approximately 560,000 ounces of gold and 6.3 million ounces of silver.

During 2009, the heap-leach study, investigating the treatment of the low-grade resources at Cerro Vanguardia by a small, heap-leaching operation, will be reviewed and updated. This update will also consider synergies with the new underground mining project. The heap-leach project will increase Cerro Vanguardia's gold production by around 25,000 ounces of gold annually, if approved.

### Outlook

Attributable gold production for 2009 is projected to be approximately 160,000 ounces at a total cash cost of between \$410/oz and \$430/oz. Gold recovered grade is predicted to be 6.3 g/t. Attributable capital expenditure of \$20 million is scheduled for 2009, to be spent mostly on the study, development and construction of underground facilities, as well as the improvement of plant infrastructure.



### Daniel Pugnalan

Short Term Mine Planning Assistant  
Cerro Vanguardia, Argentina

"My job is to collate information from the different disciplines here at Cerro Vanguardia, such as topography, geology and drilling – from there we can do short term planning. It gives me great pleasure to see the emphasis the company puts on safety, the protection of the environment and team work."