

## Review of operations – Argentina



AngloGold Ashanti has a single operation in Argentina, **Cerro Vanguardia**. In 2006, the mine produced 215,000 attributable ounces of gold at a total cash cost of \$225 per ounce.

**Description:** Cerro Vanguardia is located to the north-west of Puerto San Julián in the province of Santa Cruz. AngloGold Ashanti has a 92.5% interest in the mine with the province of Santa Cruz holding the remaining 7.5%. Cerro Vanguardia consists of multiple small open pits with high stripping ratios.

**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 100,000 square kilometres. 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 150 to 200 metres, 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.

## Review of operations – Argentina *cont*

Cerro Vanguardia	2006	2005	2004
Pay limit oz/t	0.13	0.12	0.12
Pay limit g/t	4.56	4.02	4.05
Recovered grade oz/t	0.213	0.225	0.222
Recovered grade 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
Total production			
costs \$/oz	361	277	274
Capital expenditure			
\$ million (100%)	19	15	13
\$ million (92.5%)	18	14	12
Total number of employees	906	946	791
Employees	623	487	389
Contractors	283	459	402

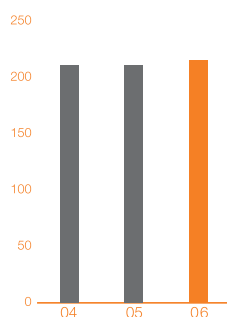
They are typical of epithermal, low-temperature, adularia-sericite character and consist primarily of quartz in several forms as massive quartz, banded chalcedonic quartz and quartz-cemented breccias. Dark bands in the quartz are due to finely disseminated pyrite, now oxidised to limonite. The veins 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.

### Operating review

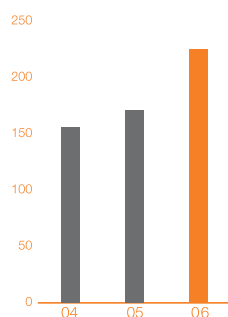
At Cerro Vanguardia, attributable gold production increased by 2% to 215,000 ounces. While the yield varied over the course of the year as anticipated, the average grade in 2006 was 7.3g/t compared with an average grade of 7.7g/t in 2005. Ore throughput, however, increased by 8% to 1 million tonnes in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

Total cash costs rose by 32% to \$225 per ounce, mainly as a result of higher local inflation and increases in both commodity prices and

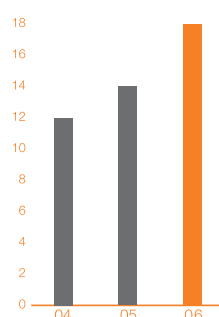
Gold production (000oz) (attributable) Cerro Vanguardia



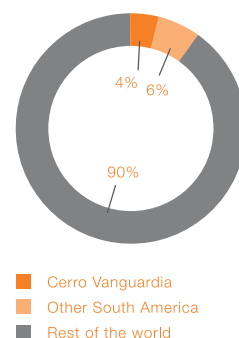
Total cash costs (\$/oz) Cerro Vanguardia



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



Attributable contribution to AngloGold Ashanti production in 2006 (%)



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 the loss on 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 have so far been encouraging, with 39,000 metres of reverse circulation drilling and 14,000 metres of diamond drilling having been completed in 2006.

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, 9.5 million tonnes of this material had 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 200,000 ounces, mainly as a result of anticipated lower grades. Total cash costs are expected to rise to approximately \$260 per ounce. 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 65,000 metres are expected to be drilled overall.

