



Country  
Report  
Argentina

07

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## Introduction

AngloGold Ashanti has a single operation in Argentina, the Cerro Vanguardia mine, which is a joint venture with Formicruz (the province of Santa Cruz). The mine has a lease area of 514km<sup>2</sup> 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 2,800t per day.

In 2007, Cerro Vanguardia produced 204,000 attributable ounces of gold, equivalent to 4% of group production.

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

## Message from Christopher van Tienhoven

In 2007, Cerro Vanguardia was able to achieve its production goals, reaching an output of 204,000oz and the mine also maintained its safety, environmental and health levels.

Owing to the effort by and teamwork among our people, Cerro Vanguardia S.A. has kept up a momentum of achieving continual improvements during the last three years, thus enhancing the mine's safety record. In recognition of this, Cerro Vanguardia was awarded the Dick Fisher prize for its safety performance for two consecutive years. This prize is awarded each year to the operation within the AngloGold Ashanti group that has made the most progress in the area of safety.

We feel honoured to have received this recognition. At the same time, because this prize is an invitation to keep improving, it encourages us to keep focusing on safety at work, never giving up or being content with our performance. Safety is something that we must work on every day.

We commit ourselves to carry on doing this in 2008 and we have set several objectives. These are to:

- adjust our production practices to comply with the International Cyanide Code;
- reduce dust and rationalise the use of water by optimising and co-ordinating processes;
- improve working conditions to reduce risk;
- proceed with the tasks outlined in the mine closure plan; and
- work responsibly to reduce the occurrence of injuries.

Our geographic location, the shortage of specialised technical personnel, and growing competition from other mining projects have come together to create one of the main challenges Cerro Vanguardia faces today: namely its ability to recruit and train personnel. Nevertheless, 720 employees participated in the 2007 climate survey, offering their views regarding new possibilities for growth and development for themselves and the company as a whole.

Another major challenge Cerro Vanguardia had to face in 2007 was the issue of cost control because of the pressure of growing inflation in Argentina. This situation is also being felt by many other companies operating in the country, which have been forced to revise their cost strategies while dealing with demands for wage increases from the unions.

In November 2007, the government introduced a payment of a 5% export tax on gross sales from Cerro Vanguardia – a tax from which the company had been exempt. In 1996 when Cerro Vanguardia presented its feasibility study to the authorities it was awarded a 30-year Tax Stability Certificate as per the Mining Investment Act. The imposition of the export tax goes against the terms of the Tax Stability Certificate and is currently being contested by the company.

At Cerro Vanguardia S.A., the well-being of all our employees and the surrounding communities has always been a priority. There is no question of the company's wholehearted commitment to investing in both. In 2007, we paid out ARS41,000,000 (\$13,160,000) in salaries alone and over ARS1,250,000 (\$401,000) on donations to the Puerto San Julián community.

Moreover, the relationship between our company and the communities around us has been strengthened, leading to better communication and closer contact for the undertaking of joint projects involving the local schools, the local government and other entities keen to pool their efforts in order to contribute to the growth of the region as a whole.

**Christopher van Tienhoven**  
**Country Manager: Argentina**  
**31 March 2008**





## Corporate profile

AngloGold Ashanti is a leading producer of gold. With its headquarters in Johannesburg, South Africa, the group has 20 operations and a number of exploration programmes in both the established and new gold-producing regions of the world.

In 2007, AngloGold Ashanti produced 5.5Moz of gold from its operations – an estimated 7% of global production – making it the third largest producer in the world. The bulk of its production came from deep-level, underground mines (40%) and surface operations (3%) in South Africa. Contributions from other countries were Australia (11%), Ghana (10%), Mali (8%), Brazil (7%), Tanzania (6%), the United States (5%), Guinea (5%), Argentina (4%) and Namibia (1%).

AngloGold Ashanti's global exploration programme continued to gain momentum in Colombia and the Democratic Republic of Congo (DRC) in particular, and in Australia, Russia, China and the Philippines. Exploration activities are carried out directly by the group or in collaboration with exploration partners and joint ventures.

As at 31 December 2007, the group employed approximately 62,000 people, including contractors, had proven and probable reserves of 73.1Moz of gold and had capital expenditure of \$1,059 million for the year.

In response to an ever-changing socio-economic environment, AngloGold Ashanti has announced its intention to review its current structure and asset base. It remains a values-driven company and these values, the foremost of which is safety, and the group's business principles continue to guide the company, its managers and employees, and form the basis of the company's interaction with all of its business and social partners and other stakeholders – shareholders, employees and their representatives, communities, suppliers, governments and civil society organisations.

AngloGold Ashanti's primary stock exchange listing is on the JSE Limited (Johannesburg). It is also listed on the exchanges in New York, London, Australia and Ghana as well as on Euronext Paris and Euronext Brussels. The group had 277,457,471 ordinary shares in issue and a market capitalisation of \$11.9 billion as at 31 December 2007.

## The way we do business

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 accurately reflect the group's purpose and the way in which it does business. Accordingly, there have been some changes in the group's mission, vision and values since the 2006 report. In line with the revision of the group's strategy that is currently being undertaken, it is likely that there will be further refinements during 2008 as these statements will be reviewed in consultation with management and employees in a way which ensures that this process is inclusive.

## Mission

We create value for:

- Our shareholders
- Our employees
- Our business partners

*through the safe and responsible exploring, mining and marketing of our products.*

## Vision

To be a leading, innovative mining company in respect of safety, the environment, operating efficiency, financial returns and the positive impact that we have on the communities in which we operate.

## Values

People are our business. We treat each other with integrity, dignity and respect.

- Safety is our number one value
- We value diversity and are committed to ensuring that the contribution of every individual is recognised and rewarded
- We take responsibility for our actions and deliver on our commitments
- We strive for continuous improvement and excellence through innovation
- We want communities and the societies in which we operate to be better off for us having been there
- We will respect and protect the environment

Our primary focus is gold but we will pursue value-creating opportunities in other minerals where we can leverage our existing assets, skills and experience.

Production by region



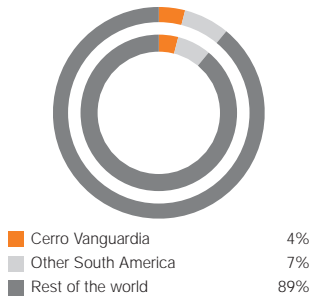
■ South Africa	43%
■ Rest of Africa	30%
■ South America	11%
■ Australia	11%
■ North America	5%

Production by type of operation



■ Underground	54%
■ Open pit	35%
■ Heap leach	8%
■ Surface	3%

Contribution to attributable group production in 2007 (%)



## Cerro Vanguardia

### Background

**Description:** AngloGold Ashanti has an interest of 92.5% in Cerro Vanguardia and the province of Santa Cruz, 7.5%. The mine is 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.

Ore is processed at a metallurgical plant located at the mine which has a capacity of 2,800t per day and includes a cyanide recovery plant. Technology at the plant is based on carbon-in-leach (CIL) processes with the tailings dam incorporated in a closed circuit with plant process so that there is no final discharge.

**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 100,000km<sup>2</sup>. 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.

### Economic and financial performance

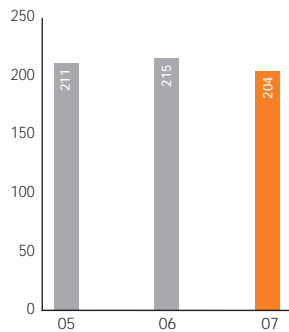
**Operating review:** Attributable production decreased in line with expectations to 204,000oz for the year, mostly as a result of the lower grade mined in the first three quarters of the year.

The highlights for the year were the higher stripping ratio achieved with the extraction of 1.5Mt of additional waste, and the increase in silver production to 420,000oz.

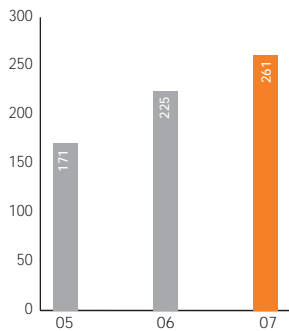
The recovered grade decreased year-on-year from 7.29g/t in 2006 to 6.88g/t as a result of the lower-grade material supplied to the plant.

Total cash costs rose by 16% to \$261/oz (2006: \$225/oz). Increases in the cost of mining supplies, a function of the inflationary impact of higher commodity prices and higher maintenance costs (due to an

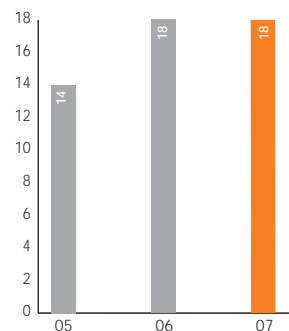
Gold production (000oz) attributable Cerro Vanguardia



Total cash costs (\$/oz) Cerro Vanguardia



Capital expenditure (\$m) attributable Cerro Vanguardia



extension to the useful life of some mine equipment), as well as an increase in workforce and contractor costs, were partially offset by higher silver by-product revenue.

Adjusted gross profit for the year rose by 29% to \$45 million, mainly as a result of the higher prices received for both gold and silver which offset the rise in costs.

Capital expenditure for the year amounted to \$18 million, spent largely on mine equipment and mine and plant infrastructure.

**Growth prospects:** The four-year brownfields exploration programme entered its second year in 2007. The focus of the programme is to determine the extent of, and to delineate, the shallow, high-grade mineral resources. During 2007, 350,000oz of gold were added to the mineral resources.

**Outlook:** Attributable gold production for 2008 is projected to be maintained at a level similar to that of 2007 – between 200,000oz and 205,000oz – at a total cash cost of between \$329/oz and \$339/oz. The recovered grade is also predicted to be similar to the corresponding value achieved in 2007. Attributable capital expenditure of \$22 million is scheduled for 2008, to be spent mostly on the construction of mine and plant infrastructure.

Cerro Vanguardia					
			2007	2006	2005
Pay limit <sup>†</sup>	(oz/t)		0.18	0.13	0.12
	(g/t)		3.48	4.56	4.02
Recovered grade <sup>††</sup>	(oz/t)		0.201	0.213	0.225
	(g/t)		6.88	7.29	7.70
Gold production	(000oz)	100%	220	232	228
		92.5%	204	215	211
Total cash costs	(\$/oz)		261	225	171
	(ARS/oz)		815	665	506
Total production costs	(\$/oz)		394	361	277
	(ARS/oz)		1,007	857	649
Adjusted gross profit	(\$ million)	100%	49	38	33
		92.5%	45	35	31
Adjusted gross profit	(ARS/oz)	100%	153	117	96
		92.5%	141	108	89
Capital expenditure	(\$ million)	100%	20	19	15
		92.5%	18	18	14
Capital expenditure	(ARS million)	100%	62	48	44
		92.5%	58	45	40

<sup>†</sup> 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).

<sup>††</sup> The recovered mineral content per unit of ore treated.

## Payments to government 2007

Argentina		
	\$ (000)	ARS (000)
Dividends	2,671	8,323
Corporate taxation/provision	9,681	30,168
Royalties	11,401	35,528
Other taxes and duties	2,260	7,042
VAT	14,074	43,856
Employee taxes and contributions†	4,604	14,346
<b>Total</b>	<b>44,691</b>	<b>139,263</b>

† Note that employee taxes and contributions include remittances made to government but borne by employees as individual taxation.

## 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 207.6Moz and Ore Reserves of 73.1Moz at 31 December 2007 with Argentina accounting for Mineral Resources of 3.5Moz and Ore Reserves of 1.9Moz.

Mineral Resources and Ore Reserves for Cerro Vanguardia are given in the table below.

### Mineral Resources

as at 31 December 2007	Resource category	Tonnes (000s)	Metric Grade (g/t)	Au (kg)	Tons (000s)	Imperial Grade (oz/t)	Au oz (000s)
Stockpile Full Grade	Measured	9,638	0.76	7,347	10,624	0.022	236
	Indicated	12,161	0.60	7,356	13,405	0.018	237
	Inferred	1,451	0.61	878	1,599	0.018	28
	<b>Total</b>	<b>23,249</b>	<b>0.67</b>	<b>15,581</b>	<b>25,628</b>	<b>0.020</b>	<b>501</b>
Vein Mineral Resources	Measured	1,434	8.04	11,535	1,580	0.235	371
	Indicated	8,984	7.95	71,439	9,903	0.232	2,297
	Inferred	1,452	7.09	10,290	1,601	0.207	331
	<b>Total</b>	<b>11,870</b>	<b>7.86</b>	<b>93,263</b>	<b>13,084</b>	<b>0.229</b>	<b>2,998</b>
Total Mineral Resources	Measured	11,071	1.71	18,882	12,214	0.050	607
	Indicated	21,145	3.73	78,795	23,308	0.109	2,533
	Inferred	2,903	3.85	11,168	3,200	0.112	359
	<b>Total</b>	<b>35,119</b>	<b>3.10</b>	<b>108,845</b>	<b>38,712</b>	<b>0.090</b>	<b>3,499</b>

### Mineral Resources by-product: silver (Ag)

as at 31 December 2007	Resource category	Tonnes (000s)	Metric Grade (g/t)	Au (kg)	Tons (000s)	Imperial Grade (oz/t)	Au oz (000s)
	Measured	11.1	27.15	300.5	12.2	0.792	9.7
	Indicated	21.1	67.94	1,436.6	23.3	1.982	46.2
	Inferred	2.9	65.77	190.9	3.2	1.918	6.1
	<b>Total</b>	<b>35.1</b>	<b>54.90</b>	<b>1,928.1</b>	<b>38.7</b>	<b>1.601</b>	<b>62.0</b>

### Ore Reserves

as at 31 December 2007	Reserve category	Tonnes (000s)	Metric Grade (g/t)	Au (kg)	Tons (000s)	Imperial Grade (oz/t)	Au oz (000s)
Stockpile Full Grade Ore	Proved	46	4.32	197	50	0.126	6
	Probable	-	-	-	-	-	-
	<b>Total</b>	<b>46</b>	<b>4.32</b>	<b>197</b>	<b>50</b>	<b>0.126</b>	<b>6</b>
Vein Mineral Resources	Proved	998	6.17	6,153	1,100	0.180	198
	Probable	7,917	6.58	52,082	8,727	0.192	1,674
	<b>Total</b>	<b>8,915</b>	<b>6.53</b>	<b>58,235</b>	<b>9,828</b>	<b>0.191</b>	<b>1,872</b>
Total Ore Reserves	Proved	1,044	6.08	6,349	1,150	0.177	204
	Probable	7,917	6.58	52,082	8,727	0.192	1,674
	<b>Total</b>	<b>8,961</b>	<b>6.52</b>	<b>58,432</b>	<b>9,878</b>	<b>0.190</b>	<b>1,879</b>

### Ore Reserves by-product: silver (Ag)

as at 31 December 2007	Reserve category	Tonnes (000s)	Metric Grade (g/t)	Au (kg)	Tons (000s)	Imperial Grade (oz/t)	Au oz (000s)
	Proved	1.0	71.37	74.5	1.2	2.081	2.4
	Probable	7.9	112.25	888.7	8.7	3.274	28.6
	<b>Total</b>	<b>9.0</b>	<b>107.49</b>	<b>936.2</b>	<b>9.9</b>	<b>3.135</b>	<b>31.0</b>



## Occupational safety and health

AngloGold Ashanti's foremost value 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 group is committed to:

- complying with all relevant occupational health and safety laws and, in the absence of such standards, to adopting leading practice; and
- providing a working environment that is conducive to safety and health.

Although 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 group'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.

AngloGold Ashanti implements safety and health management systems based on internationally recognised standards and assesses their effectiveness through periodic audits.

Performance in terms of safety and health objectives is measured and the effects of the group'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 group's safety and health principles.

AngloGold Ashanti is progressing with the implementation of Occupational Health and Safety Assessment Series (OHSAS) 18001 at its operations worldwide. 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.

### Managing safety and health

Cerro Vanguardia falls under provincial (No 949) and national (Nos 19587, 25086, 24938 and 24557) safety and health laws. The operation was not in breach of any laws or regulations during 2007.

The mine has drawn up its own Safety and Health Policy which complies 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, which is distributed to all parties involved in and affected by the mine, is updated every year and several employees sit on subcommittees and are thus closely involved in the process.

Overall responsibility for safety and health rests with the heads of these functions who report to a safety, health and environment co-ordinator at Cerro Vanguardia. 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.

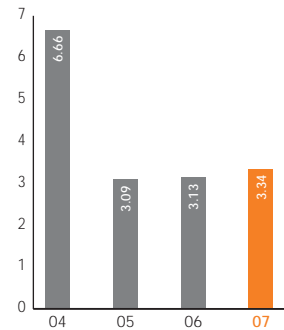
Once again no fatalities were reported at Cerro Vanguardia during 2007. The mine's Lost Time Injury Frequency Rate (LTIFR) at 3.34 per million hours worked is slightly higher than the 2006 figure of 3.13. Shifts lost through injuries increased from 131 in 2006 to 162 in 2007. Management is planning to increase training for new employees to address the rise in lost-time injuries. Among the objectives set by AngloGold Ashanti for 2008 is a 20% reduction in LTIFR.

### Communication and training

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, notices in public places and e-mails.

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. Employees are made aware of occupational diseases and how these can be prevented and they are encouraged to lead healthier lives. For example, they are alerted to the dangers of smoking and drug taking. On average employees spend about 82 hours a year on safety and health training.

LTIFR Cerro Vanguardia per million hours worked



### Risk assessments

Annual risk assessments are conducted by company teams (each trained in a particular area) and are reviewed by the Department of Safety, Health and the Environment. Risks are ranked and the list of controls for each risk assessed. After that it is determined where the largest potential damage lies and how this can be controlled. Rockfalls, the collapse of pits and injuries resulting from the use of dangerous chemicals were among the primary risks identified in 2007.

### Medical surveillance

All employees undergo an annual health examination with those working in areas of greater risk being examined twice a year. The focus is on detecting any signs of occupational disease. In 2007 no cases of occupational illness were recorded.

Cerro Vanguardia has a medical team comprising a doctor, two nurses and a radiologist. The unit is equipped with X-ray and eye-testing facilities. Any patient with medical complications is taken by ambulance to Puerto San Julián which is 150km away.

### Emergency preparedness

A group of 30 volunteer employees make up the mine's 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 and training takes place every year. Cerro Vanguardia has a fire-fighting truck and two ambulances on site.

### Recognition

In November 2007 Cerro Vanguardia was named Mining Company of the Year by *Panorama Minero*, the leading mining magazine in Argentina. This was in recognition of the high standards set by the operation.



## Employment

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 group 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 group seeks to understand the different cultural dynamics in host communities and adapts work practices to accommodate this where possible.

All employees are given the opportunity to participate in training that will improve their workplace competency. AngloGold Ashanti 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 reward individual and team effort in a meaningful way. AngloGold Ashanti works with stakeholders to ensure minimum standards for company-provided accommodation; ensures 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.

### Employment overview

#### Employees and contractors

Operation	2007			2006		
	Employees	Contractors	Total	Employees	Contractors	Total
Cerro Vanguardia	708	309	1,017	623	283	906

There was a 12% increase in employee numbers in 2007 at Cerro Vanguardia because of the transition to owner maintenance of mining equipment.

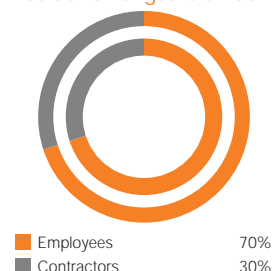
There is a high turnover rate (14% annually) and there are several reasons for this. The mine is isolated – it is approximately 400km from the closest airport – and the weather conditions are harsh. These factors aside, the competition for people with mining skills is fierce given the mining boom both in Argentina and worldwide. Other problems are the shift system and travelling times. Professional and administrative staff are accommodated in San Julián and have to spend four hours a day on travelling.

Cerro Vanguardia is working on strategies to improve the retention of employees.

### Labour relations

Some 68% 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 to 2009. The industrial relations climate is good and management holds monthly meetings with union members.

Employees and contractors at Cerro Vanguardia 2007



## Training and career development

Training at Cerro Vanguardia can be divided into three categories: self-development, safety and technical. In 2007, \$558,000 was spent on training and development with 72,519 hours being allocated to this function. The breakdown of time spent on the three categories was as follows: 20% on self-development, 30% on safety and 50% on technical training.

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 have been formalised at Cerro Vanguardia and the Human Resources Department has started interviewing professionals to understand their expectations and to prepare development plans. An individual's career and the operation's needs are both considered when the annual schedule of training courses and programmes is drawn up. The company recognises that training professionals is important for talent retention.

The mine offers bursaries to employees to complete their schooling and to study for degrees, including postgraduate degrees. The fees are either paid in full or up to 80%. In 2007, 18 employees were on bursaries at a cost to the company of \$57,977.

Scholarships are available to promising students in the Santa Cruz Province taking degrees in the natural resources field. Two students were granted scholarships in 2007 and the number for 2008 has been increased to three.

## Remuneration and employee benefits

Cerro Vanguardia's remuneration structure is based on mean market values. The reward system is focused on team performance. The operation has a performance sharing plan where members of a department can receive up to a maximum of three months' basic salary as a reward.

Health care is provided by an external service provider, Docthos, to employees and their families. In 2007 the cost to the company was \$487,500 (ARS1,520,000). Women are granted four months' maternity leave.

All employees have life insurance and disability cover.

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 50 houses for supervisors and young professionals.

There are hostels on site which accommodated 717 employees (all shift workers) in 2007. Supplied by an external service provider, all meals are provided free of charge.

## Case study

### Companies join forces to fast track unskilled employees

At the end of 2006, Cerro Vanguardia, Sandvik, Minera Santa Cruz, Manatíal Espejo (Triton) and Mina Martha (Coeur), four mining companies and a service supplier operating in Santa Cruz Province, joined forces to develop a new initiative to train local unskilled employees. The need arose in the context of a global mining skills shortage, and particularly the dearth of qualified mining employees in Santa Cruz Province, which has become a significant mining centre. While the province covers the largest area of land in Argentina it has a small population of only 200,000 inhabitants and suffers from a lack of major economic activity.

The companies identified different training stages for new employees. The process to identify common needs resulted in the development of an 11-day course which the local university, University of Patagonia (UNPA), was asked to present. UNPA was very responsive to the request, assisting with the rapid design of the programme and, by April 2007, the first group of employees had started their training.

The programme involved eight courses (undertaken between April and November 2007) for aspiring mining company employees. Each course included theoretical and practical classes, and culminated in a visit to Cerro Vanguardia. The course

comprises 11 modules, covering aspects such as mining and sustainable development; safety and environment; communication; applied mathematics and basic geometry; physics and chemistry; labour relations; computer science; measurement; map reading; general and specific tool handling; and managing and maintaining equipment.

Cerro Vanguardia has actively contributed to the programme by sponsoring a teacher, visits to its facilities and the donation of a hydraulic laboratory. Based on the speed at which the programme was put together, the programme is called "Fast Track". A total of 151 students attended the programme from all the companies during 2007, 52 from Cerro Vanguardia. A further 30 employees are expected to participate in 2008. The total cost of the programme to Cerro Vanguardia during the year was \$35,000.

A second training initiative will begin during 2008, focusing on technical skills training to prepare employees for the maintenance of mining equipment. Cerro Vanguardia changed its operational structure in 2006 to undertake owner mining, so this is an important skills set for the company.



## Case study

### Mining careers for local employees

In late 2006, the University of Patagonia (UNPA), with which Cerro Vanguardia has a very supportive relationship, reached agreement with the Polytechnic University of Madrid to develop a new discipline at UNPA's Puerto San Julián campus to specialise in mining and energy (see box for details on the courses). The qualification obtained is a recognised international qualification.

Cerro Vanguardia decided to support the initiative by offering the opportunity to employees to further their education and job prospects by obtaining a degree while they are working. The main aim is to develop the skills of local employees in particular, to enable them to become future leaders within the company.

The university facilitated attendance of the course by arranging classes to accommodate the shift rosters at the mine, and the company provided paid leave to employees enabling them to attend the classes.

Says Natalia Moscardi, Human Resources Manager at Cerro Vanguardia: "While 24 students started the course at the beginning of the year, only eight students eventually completed it. The course proved to be very demanding, particularly for those with families and other commitments."

She comments that the company will continue to support this initiative in 2008, with 10 employees identified for training.

"An indirect benefit has been that the increased number of students and the introduction of an internationally recognised programme are assisting in the repositioning of UNPA within the region."



The degree course covers the following:

#### First year

- Geology
- Mathematics
- Chemistry
- Graphics
- Topography
- English (technical)

#### Second year

- Environment, health and safety
- Applied mathematics
- Mechanical technology
- Machines and engines
- Electrical engineering
- Mechanical flow
- Economics and legislation

- Structure theory
- Fuels
- Basic electronics

#### Third year

- Mining exploitation
- Technology of exploitation
- Mineral deposits
- Seismics and drilling
- Rock mechanics
- Project management
- Mineral processing
- Prospecting and exploration

#### Fourth year

- Practice in company and final project

## 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 group complies with all applicable environmental laws, regulations and requirements.

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

AngloGold Ashanti ensures that its employees and contractors are aware of its environmental policy, 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.

AngloGold Ashanti's environmental policy guides broad practice 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.

All AngloGold Ashanti operations have ISO 14001-based Environmental Management Systems in place. This formal, rigorous system is comparable across regions in terms of management approach and is a valuable resource at both company and group levels. The group is committed to maintaining conformance with ISO 14001 at all of its operations and to external auditing and certification against this standard.

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. It is committed to having all of its operations audited by an independent third party to demonstrate compliance.



In December 2007, CEO Mark Cutifani set a short- to medium-term target for the group of reducing energy consumption by 15% per ounce of gold produced and a medium- to longer-term target of reducing greenhouse gas emissions by 30% per ounce produced. (*See case study in the Report to Society 2007: AngloGold Ashanti and climate change.*)

### Laws, regulations and requirements

There are a number of national and provincial laws that regulate environmental practices at Cerro Vanguardia, including the National Mining Code (Law No 24585). There were no incidents of non-compliance recorded in 2007.

### 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.

Risks are identified, evaluated and analysed. The risks identified in 2007 were those of dust generation, cyanide usage, the de-watering of pits, fresh water usage and the generation of used oil.

Several internal audits – of projects, of maintenance work and of the metallurgical plant – were undertaken during the year but no major non-conformities were found. An external audit for ISO 14001 was conducted by National Quality Assurance (NQA) from the United States.

In 2007, Cerro Vanguardia spent \$540,000 on environmental management and pollution prevention and \$320,000 on waste disposal, emissions treatment and remediation.

### Communicating with interested and affected parties

Cerro Vanguardia communicates with a number of interested and affected parties: the environmental NGO Oikos, the University of Patagonia, primary schools, secondary schools, the citizens of Puerto San Julián and local authorities.

The mine encourages interested and affected parties to bring any queries or concerns to the attention of management. These may be answered by e-mail or in a meeting. During 2007 the mine gave five public presentations on the environment. The speakers were the managers of safety, health and the environment, the communications manager, and the mine manager.

An 'open door' approach is followed and members of the community are invited to put in a request to tour the mine. Every month a visit for up to 25 people is organised.

### Reporting environmental incidents

An environmental incident is an uncontrolled event (or failure to act on the part of the company) that results in a violation of an environmental law or regulation or established company environmental policy. When an incident occurs at Cerro Vanguardia, it is classified according to its severity. A serious incident has the potential to have a long-term negative impact on the environment, for example, one that:

- causes the deaths of mammals, birds, reptiles or fish; or
- contaminates water; or
- damages the health of humans.

Such incidents would be reported to the relevant authorities in Argentina and to the AngloGold Ashanti Board.

One significant environmental incident occurred at Cerro Vanguardia's tailings dam on 27 February 2007 when a high level of cyanide – 180 ppm CN free – was recorded. The maximum allowed is 150 ppm CN free. Immediate action was taken in the form of controlling dosification in one of the leaching tanks.

### Rehabilitation and closure

Cerro Vanguardia manages 74,275ha of which 230ha has been rehabilitated to date. There is a closure plan in place which was presented to the environmental authorities in 2005. The mine has started the process by closing exploration trenches and boreholes, while disused roads are being re-vegetated. Cerro Vanguardia is not situated in or near an area of high biodiversity.

Current estimated liabilities at Cerro Vanguardia are \$13.6 million – \$6.6 million for rehabilitation and \$7.0 million for decommissioning. There will be provided for by the company over the life of mine.

### Water usage

Cerro Vanguardia draws all its water from the ground. In 2007, the amount withdrawn was 1,036,741m<sup>3</sup>. The volume of water recycled during the year was 290,000KL – 0.28% of the water withdrawn.

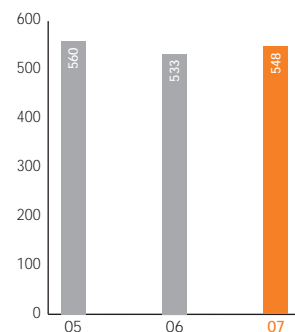
The water circuit at the mine is closed and there are no discharges of water.

### Emissions

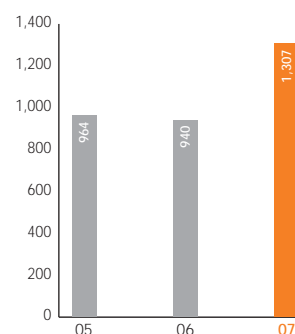
When Cerro Vanguardia purchased trucks in 2007 it chose a model that has a system installed which destroys combustion gases.

AngloGold Ashanti's South American operations (Cerro Vanguardia, and AngloGold Ashanti Brasil Mineração and Serra Grande in Brazil) commissioned a comprehensive baseline study of both direct and indirect greenhouse gas emissions. (See case study below: *Establishing AngloGold Ashanti's carbon footprint in South America.*)

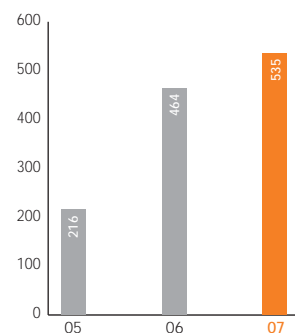
Cyanide usage (000kg)  
Cerro Vanguardia



Water usage (000m<sup>3</sup>)  
Cerro Vanguardia



Energy usage (000GJ)  
Cerro Vanguardia



### Environmental statistics

	Usage		Efficiency <sup>†</sup>	
	2007	2006	2007	2006
Cyanide usage (kg)	548,000	533,333	2.29	2.48
Fresh water usage (m <sup>3</sup> )	1,036,741	939,647	4.04	4.70
Energy usage (GJ)	535,155	463,686	1.99	2.43
GHG emissions <sup>††</sup> (tonnes of CO <sub>2</sub> e)	38,559	33,218	0.14	0.17

† Efficiency calculated as follows:

- cyanide usage per ounce of production (kg/oz);
- water usage per ounce of production (m<sup>3</sup>/oz);
- energy usage per ounce of production (GJ/oz); and
- CO<sub>2</sub>e/oz.

†† Calculated from direct and indirect fossil fuel usage plus emissions of ozone-depleting substances and utilising WRI-WBCSD GHG Protocol Initiative default data, or where available, supplier emission factors.

## Case study

## Establishing AngloGold Ashanti's carbon footprint in South America



In support of its global efforts to understand the group's carbon footprint, AngloGold Ashanti's South American operations undertook the group's first intensive baseline study of both their direct and indirect greenhouse gas (GHG) emissions. (Note that direct emissions are GHG emissions from sources owned or controlled by the group, while indirect emissions are those from imported electricity, heat or steam consumed by the group).

Included in this analysis were the following sites: Cerro Vanguardia; the Lamego, Cuiabá, Córrego do Sítio mines and Queiroz plan (all part of AngloGold Ashanti Mineração Brasil) and the Serra Grande mine in Brazil. The baseline year adopted was the period 1 January to 31 December 2006 and emissions and removals for prior periods were

not considered – this is particularly relevant in the case of extensive reforestation and biodiversity enrichment activities that happened prior to this year, and for deforestation activities before 2006.

The globally accepted Guidelines for National Greenhouse Gas Inventories (2006) published by the Intergovernmental Panel on Climate Change (IPCC) was the main tool applied to the quantification process, which included the following categories of GHG emissions:

- fossil fuel consumption;
- energy consumption;
- land use change;

- solid waste and wastewater treatment;
- the consumption of explosives;
- the consumption of reagents; and
- industrial processes

In total, GHG emissions from the South American operations amounted to 146,000t of carbon dioxide equivalent (CO<sub>2</sub>e) in 2006. The graph below shows the share of emissions from the individual operational units. CO<sub>2</sub> remained the predominant gas even after the other gases were weighted by Global Warming Potential.

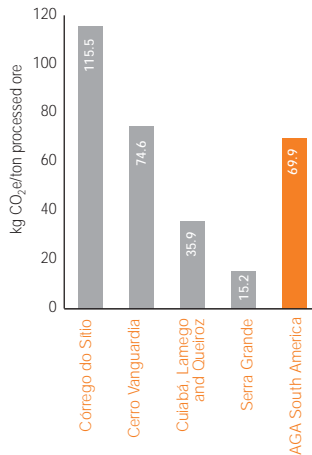
Consumption of fossil fuels (mainly diesel and natural gas) and emissions caused by land use change were the largest contributors to emissions, amounting to 86% of the total.

The director of Environment for AngloGold Ashanti in South America, Dr Willer Pos, said: "We initiated this project because we wanted to

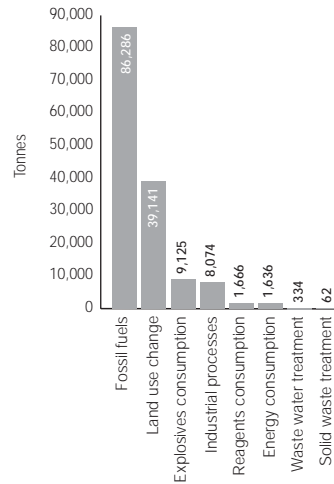
get a good understanding of the sources of our carbon emissions and to be able to report fully in terms of the new GRI G3 guidelines. There is an acute awareness of environmental issues in Brazil, and growing calls on companies to reduce their carbon emissions, even though there are no legal requirements to cut these. We also wanted to be able to identify potential opportunities to reduce emissions and start carbon trading."

He added: "This information is not simply going to be used for reporting; we identified opportunities to reduce our carbon intensity during the study and these are being explored. Possibilities include installing wind turbines at Cerro Vanguardia, substituting diesel with biodiesel, increasing the capacity of the hydroelectric plant, using different explosives and installing solar-powered water heaters."

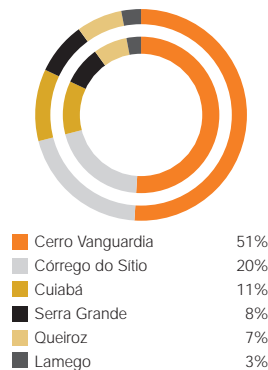
kgCO<sub>2</sub>e/ton of processed ore



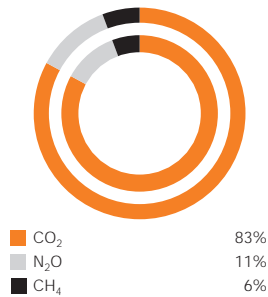
Carbon emissions by activity (Tonnes of CO<sub>2</sub>e)



Share of GHG emissions from individual operational units – 2006



Weighted share of individual GHGs – 2006



## Community

One of AngloGold Ashanti's values relates to the communities in which the group does business. This states that: '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.'

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

- aims to have a positive impact on the people, cultures and communities in which it operates. The group will be respectful of local and indigenous people, their values, traditions, culture and the environment;
- will strive 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 group's operations;
- will undertake social investment initiatives in areas of need where the company can make a practical and meaningful contribution, in particular 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;
- will seek to acquire and use land in a way that promotes the broadest possible consensus among interested people. Where involuntary resettlement is unavoidable, the group will abide by appropriate guidelines for resettlement, where they exist, and will work with the local communities to develop workable plans for any resettlement; and
- will strive 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 to local vendors where appropriate.



At a corporate level, a community relations team develops group policy in respect of community-related issues as well as tools and processes to assist the operations in acting in accordance with the AngloGold Ashanti's business principles and policies. This team has also been responsible for the development of central planning support and reporting systems, particularly with regard to Stakeholder Engagement Action Plans (SEAPs) and Integrated Development Action Plans (IDAPs), which form the backbone of AngloGold Ashanti's community engagement efforts.

Over the coming year, the web-based management system will continue to be rolled out to all operations via a series of workshops and operational visits. The priority remains the full implementation of the two core modules of the system, namely the SEAP and the IDAP. A supporting module on Resettlement and Compensation Practices, including cultural heritage and sacred sites, will be finalised for implementation in 2008. A Human Rights and Security module to bring AngloGold Ashanti in line with the Voluntary Principles on Security and Human Rights was completed during 2007 and will be implemented in 2008.

### **Voluntary Principles on security and human rights**

The Voluntary Principles were developed out of a multi-stakeholder process involving governments, resource companies and non-governmental organisations (NGOs) in late 2000. They were drawn up with the objective of helping companies in the extractive sector to improve their performance in relation to security risk assessment and the control of security operatives, and to improve relations with communities over security issues. Accordingly, they focus on three main areas:

- risk assessment;
- interactions between companies and public security; and
- interactions between companies and private security.

Also at a corporate level, AngloGold Ashanti engages with international advocacy and voluntary bodies, such as the International Council for Mining and Metals (ICMM) and the International Organization for Standardization, to develop standards and best practice. The group is also supportive of and has participated in discussions and programmes initiated by the Council for Responsible Jewellery Practice, the World Gold Council, the Initiative for Responsible Mining Assurance, and the Communities and Small-scale Mining (CASM) initiative.

### **International standards for social responsibility**

The International Organization for Standardization (ISO) has launched the development of an international standard providing guidelines for social responsibility. The guidance standard will be published in 2010 as ISO 26000 and its use will be voluntary. It will not include requirements and will thus not be a certification standard.

The ISO is looking for a middle way that promotes respect and responsibility based on known reference documents without stifling creativity and development. Its aim is to encourage voluntary commitment to social responsibility that will lead to common guidance on concepts, definitions and methods of evaluation.

Industry, government, labour, consumers, NGOs and other stakeholder groups are participating in the social responsibility working group to develop ISO 26000. Joint leadership is being provided by the Swedish Standards Institute (SIS) and the Brazilian Association of Technical Standards (ABNT).

Alan Fine, the group's Public Affairs Manager, represents South African industry at this forum.

AngloGold Ashanti is committed to engaging with NGOs and other stakeholders on issues of mutual concern. The over-arching strategy is to develop relationships based on a mutual recognition of each other's legitimate right to operate.

AngloGold Ashanti's total corporate social investment expenditure in 2007 was \$8 million. Of this amount, \$371,000 (ARS1,156,036) was spent in Argentina.

### **Communicating with stakeholders**

Cerro Vanguardia is open, transparent and proactive in communicating with its stakeholders. Building on these principles, the operation is developing a communication and relationship plan to accommodate the priorities and expectations of all parties. A schedule of events and activities will be followed and visitors to the mine will be asked to complete a survey so that Cerro Vanguardia can measure the extent to which the programme is working.

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

### **Encouraging home ownership**

Given the shortage of housing in San Julián, Cerro Vanguardia encouraged union representatives to establish a housing co-operative which will help employees with the construction of their own houses. The mine has put the new organisation in touch with the Provincial Institute of Urban Development and Housing to ensure that the correct procedures are followed.

### **Promoting local economic development**

Cerro Vanguardia is situated in one of the most isolated and unpopulated gold mining regions of the world. The nearest town is San Julián, with some 8,000 inhabitants.

San Julián 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. Until 1990 the area was a significant cattle farming region but the region's rich farmland 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. This 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 mine as primary sources of employment and economic activity.

This is an issue of concern today and it is likely to be even more of a challenge when the mine reaches 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 which will continue to support this community once mining has ceased. Key among these efforts is the company's support for the San Julián Development Agency.

Since 2004, Cerro Vanguardia has provided support for the agency, contributing some ARS500,000 (\$165,000) a year towards the agency's assessment of the feasibility of various socio-economic development projects.

The agency is currently working on a development plan for Puerto San Julián (2007 to 2020). The community is encouraged to participate through the open forums that are being held and which cover all the possible areas of development. The forums are co-ordinated by the agency and directed by professionals from the University of Patagonia. The plan includes an urban development component to make sure that future infrastructure in the town is developed along the right lines. The plan is expected to be finalised by mid-2008.

### **Purchasing from local suppliers**

In 2007 Cerro Vanguardia set itself the goal of increasing its purchases of goods and services from local suppliers. By December, the operation had spent \$6,900,000 (ARS21,500,000) (2006: \$6,309,000; ARS19,400,000) with suppliers in Santa Cruz Province.



## About this report

AngloGold Ashanti reports to a wide range of stakeholders and business partners, including shareholders, employees, community members and many other interested parties in all of the countries and regions in which it operates. For this reason the Annual Report comprises several documents, in a number of formats.

For the 2007 financial year, the AngloGold Ashanti Annual Report comprises:

- the Annual Financial Statements, a printed version of which is available on request;
- the Report to Society, a web-based document, which may be requested on a CD-ROM. A summarised version of the Report to Society is also available in a printed format; and
- country reports of which this is one. These reports cover every operation within the group and provide a level of detail not possible in the group report. These are available as printed documents on request.

All these reports are available on the corporate website [www.anglogoldashanti.com](http://www.anglogoldashanti.com) or at [www.aga-reports.com](http://www.aga-reports.com)

### Feedback

We welcome feedback on this country report and its contents. A feedback form may be found on the AngloGold Ashanti website at [www.aga-reports.com](http://www.aga-reports.com) or you may e-mail your comments to [amcarlocchia@cvanguardia.com.ar](mailto:amcarlocchia@cvanguardia.com.ar)

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