

OPERATIONAL PROFILE 2018

CERRO VANGUARDIA

ARGENTINA



ANGLO**GOLD**ASHANTI

CERRO VANGUARDIA



Cerro Vanguardia, in which AngloGold Ashanti has a 92.5% stake, is our sole operation in Argentina. Fomicruz, a state company, owns the remaining 7.5%. Located to the northwest of Puerto San Julián, in the province of Santa Cruz, Cerro Vanguardia operates multiple small open pits with high stripping ratios and multiple narrow-vein underground mines. The metallurgical plant, which includes a cyanide recovery facility, has a daily capacity of 3,000t. Cerro Vanguardia has been in operation for 20 years.

Silver is produced as a by-product.

Post year end, we announced that the process to dispose of our interest in Cerro Vanguardia had begun. While Argentina has been a good jurisdiction for AngloGold Ashanti for almost two decades, given the competing demands for limited capital, another owner may be better positioned to extend the life of this asset to the benefit of the local, regional and national economies.

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HIGHLIGHTS

Production levels maintained in 2018

Costs decline on weaker Argentinean peso and improved operating efficiencies

Investment in new mining fleet planned for 2019

Sale of Cerro Vanguardia being considered

**Mineral Resource* (inclusive)
Gold: 2.86Moz
(0.08Moz below infrastructure)
Silver: 76.43Moz**

**Ore Reserve*
Gold: 1.07Moz
Silver: 32.68Moz**

** At 31 December 2018*

Operating performance

Production

Full-year output was maintained at the same level as in 2017, with Cerro Vanguardia producing 282,000oz at a total cash cost of \$476/oz compared to 283,000oz at a total cash cost of \$522/oz in 2017. Production was maintained, mainly because of the higher volumes mined and treated despite the lower underground grade.

Costs and capital expenditure

All-in sustaining costs declined by 16% year-on-year while total cash costs declined by 9%, mainly as a result of the weaker exchange rate following the devaluation of the Argentine peso against the US dollar as well as improved efficiencies. These positive effects were partially weakened by rapidly rising inflation, which ended the year at 47%, mostly related to salary increments. Lower tonnes mined led to unfavourable stockpile movements. A lower average silver price for the year and lower volumes sold also affected costs negatively.

Operational Excellence initiatives at Cerro Vanguardia included underground development optimisation, cost reduction in material and services contracts, workforce recruitment freeze, nitrate and flocculant optimisation, cost reductions in mine drilling steel and cyclone pumps liners, and overhead restructuring.

In September 2018, the government of Argentina introduced the payment of duties on exported goods. In terms of an existing tax stability agreement, Cerro Vanguardia is entitled to a refund of these export duties should the payments result in a higher total tax burden compared to the tax imposed by the tax stability agreement. At 31 December 2018, \$14m was reflected as receivable and impacted free cash flow generated by the operation.

Capital expenditure was lower in 2018 than the previous year, mainly due to reduced Ore Reserve development from underground optimisation and the tailings dam investment made during 2017, which was not necessary in 2018. The lower level of capital expenditure was also partly attributable to the weakness in the Argentine peso against the US dollar in 2018.

Growth and improvement

The mine has been operating for 20 years. Going forward, grades from the open pit mines are expected to be below the current levels, with a resultant decrease in production. Lower production will impact the all-in sustaining cost which is expected to average around \$1,000/oz over the remaining life of mine.

Further cost-saving initiatives and operational improvements are being analysed in order to maintain cost reductions to mitigate the lower

production impact in 2019. Fleet replacement is planned for 2019, which will be made up of five trucks and one loader, to replace the current old 773-truck fleet. Once these are in commission, use of the new vehicles is expected to bring additional savings given lower maintenance and better operational efficiencies.

Sustainability performance

Safety and health

Safety performance improved in 2018. There were no fatalities and the all injury frequency rate improved significantly to 0.76 per million hours worked for the year (2017: 1.77).

Community health education and awareness campaigns are conducted in collaboration with local health authorities. In San Julián, health campaigns run by Cerro Vanguardia included focus on raising awareness of the use of alcohol and potential consequences to the community.

Environment

No environmental incidents were reported in 2018.

Water

As a scarce and shared resource, water management is a key focus area for the company. Variances in water consumption (imports) are influenced by climate, the nature of available water sources, as well as mine

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and processing plant designs. Over the past few years, AngloGold Ashanti has consistently focused on reducing the absolute amount of water imported, as well as the intensity of water use as measured by kilolitres of water consumed per tonne treated.

Cerro Vanguardia faces the challenge of its water consumption exceeding the annual abstraction allocation which was set during a different phase of operation. During 2018, the mine engaged directly with the Santa Cruz Province's Water Resources Directorate to secure approval for an increased allocation.



For further information on AngloGold Ashanti and its work and performance, as a group and in the Americas region, see the <IR> and <SDR>, which are available online at www.aga-reports.com.

Key statistics

CERRO VANGUARDIA	Units	2018	2017	2016
Operating performance				
Cut-off grade ⁽¹⁾	oz/t	0.013	0.083	0.076
	g/t	0.45	2.84	2.60
Recovered grade	oz/t	0.087	0.23	0.25
	g/t	6.49	7.50	7.45
Tonnes treated/milled	Mt	2.7	3.1	2.9
Gold production	000oz	282	283	281
Silver production	Moz	5.9	5.8	4.7
Total cash cost	\$/oz	476	522	563
All-in sustaining cost	\$/oz	652	772	773
Capital expenditure	\$m	36	54	55
Productivity	oz/TEC	20.63	20.97	22.05
Safety performance				
No. of fatalities		0	0	0
All injury frequency rate (AIFR)	per million hours worked	0.76	1.77	2.39
People				
Total average no. of employees		1,775	2,001	1,877
– Permanent		1,179	1,250	1,209
– Contractors		596	751	668
Environmental performance				
Water use	ML	1,596	1,487	1,152
Water use efficiency	kL/t	0.55	0.45	0.37
Energy consumption	PJ	1.87	1.90	1.76
Energy intensity	GJ/t	0.65	0.58	0.56
Greenhouse gas (GHG) emissions	000t	102	106	120
GHG emissions intensity	t CO ₂ e/t	35	32	38
Cyanide use	t	1,074	1,278	1,072
No. of reportable environmental incidents		0	0	0
Total rehabilitation liabilities	\$m	69	66	63
Social performance				
Community investment	\$m	7.7	8.9	5.8
Payments to government	\$m	112.5	151.7	89.8

⁽¹⁾ Based on the Ore Reserve.