

OPERATIONAL PROFILE CERRO VANGUARDIA, ARGENTINA



DESCRIPTION

Located to the northwest of Puerto San Julián in the province of Santa Cruz, Argentina, Cerro Vanguardia is 92.5% held by AngloGold Ashanti Limited with the remaining 7.5% held by Fomento Minero de Santa Cruz SE (Fomicruz) on behalf of the province of Santa Cruz. Cerro Vanguardia, AngloGold Ashanti's sole operation in Argentina, is included in the group's Americas region.

The Cerro Vanguardia gold mining operation consists of multiple small open-pits with high stripping ratios, along with more recent shallow underground workings accessing high-grade material. The underground workings, which began production in 2010, account for around 19% of production. The orebodies comprise a series of hydrothermal vein deposits containing gold and large quantities of silver, produced as a by-product. The metallurgical plant has a daily capacity of 3,000t and includes a cyanide recovery facility.

The mining concession holder, Fomicruz, entered into a usufruct agreement on 27 December 1996 whereby Cerro Vanguardia was granted an irrevocable right to exploit the Cerro Vanguardia deposit for a 40-year period which expires on 27 December 2036.

Highlights of the year

Total production at Cerro Vanguardia rose 12% to 237,000oz in 2012 at a total cash cost that increased by 63% to \$640/oz. Attributable production of 219,000oz was equivalent to 23% of the Americas region's production and 6% of group production. The operation contributed 8% to group earnings.

Cerro Vanguardia had an average of 1,884 employees for the year – 1,126 permanent employees and 758 contractors – with a productivity rate of 18.21oz/total employee costed (TEC) (2011: 17.64oz/TEC).

Capital expenditure at Cerro Vanguardia for the year was \$76m, a decrease of 4% on the \$79m spent in 2011, bringing total capital expenditure for the five years from 2008 – 2012 to \$231m.

At 31 December 2012, AngloGold Ashanti had a total inclusive Mineral Resource in Argentina of 4.72Moz (2011: 4.41Moz) and a total Ore Reserve of 2.03Moz (2011: 2.22Moz), equivalent to 2% and 3% respectively of group resources and reserves.

PERFORMANCE IN 2012

Operational performance

Attributable gold production was 12% higher on the year, mainly as a consequence of additional ounces produced by the heap leaching operation. Attributable silver production decreased from 2.67Moz in 2011 to 2.36Moz in 2012. Due to the delays in the heap leaching project we modified the production plan, prioritising high grade gold areas, but with lower silver grades and ounces.

The past year was marked by significant challenges relating to inflationary pressure on input costs and restrictions on equipment imported into Argentina. This caused long delays in the sourcing of some items manufactured outside of Argentina, affecting supply of a variety of spare parts, consumables and capital items.

Despite the fact that more than 90% of Cerro Vanguardia's total expenditure (including labour) is spent within Argentina, these increasingly strict regulations necessitated an aggressive plan to substitute imported equipment with domestically sourced items.

Contribution to production of the Americas region (%)



Notwithstanding the move to local products, the development of a local manufacturing industry for many products will take time, and the availability of several equipment items remains severely affected. An example of the impact of this government regulation was manifest in the plant which failed to run at full capacity due to the unavailability of slurry for the pumping system.

Sharply accelerating inflation drove cash costs higher and created conflict in labour relations in Argentina, particularly among construction workers and truck drivers. These labour relation problems may spread to the mining sector in 2013, placing further pressure on industry-wide input costs which are running ahead of the increase in metal prices.

Cerro Vanguardia is to discuss the increase in royalties, which could place further pressure on the mine's cost structures, with the provincial government in 2013.

The commissioning of the new heap-leach plant was delayed due to factors including bad weather and difficulties in sourcing certain equipment items. Heap-leaching of low-grade ore started in March 2012.

Notwithstanding the array of challenges facing the mine's operation, production levels were well maintained. At year-end, the stockpile was 241,000t in size.

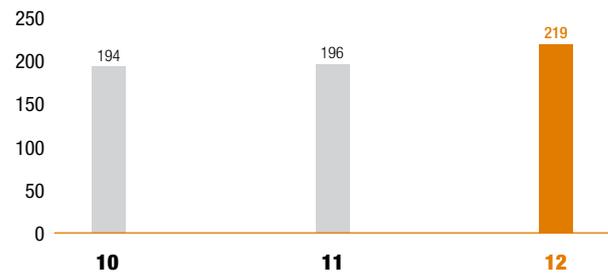
Growth and improvement

The addition of the heap-leach facility has allowed the incorporation of low-grade resources into the process pipeline. It is expected to add yet more heap-leaching ounces in 2013 since the exploration campaign will also focus on determining low-grade resources. Heap-leach production, which stabilised during the last quarter of 2012, is expected to be 33,000oz in 2013, double that of 2012.

Additional operational improvements were:

- Replacement of the mill motor during a planned plant shut-down in October and installation of an improved steel liner, which will allow for increased running periods of up to

Cerro Vanguardia – annual attributable production (000oz)



18 months (previously up to eight months) before new liners need to be installed. This will increase the useful life of the mill and decrease the time taken with ball mill shutdowns. This will also reduce the need for spares and the possibility of accidents, increase the annual availability of the plant while freeing up labour for other tasks;

- The raising of the height of the tailings dam wall began in August 2012 and will be finished in July 2013. The final height of the wall will be 215.5m above sea level. In addition, a new thicker pipeline has been installed from the plant to the tailings dam, resulting in improvement of free board monitoring and the meeting of environmental requirements;
- Major maintenance was undertaken at the power plant to enable increased, more reliable power generation. The engineering was done during the first months of 2012, and the necessary parts installed and changes made to the first generator. Delivery of the exchangers for the remaining generators is expected early in 2013. The generator upgrade was necessary due to the fouling of circuits and a loss of efficiency after 15 years of service; and
- Exploration for lower grade resources. The new heap-leaching process has led to a change in exploration strategy for the next years. Currently, low-grade ore is coming from the stockpiles, but we expect to find new lower grade orebodies of bulk tonnage related mainly to rhyolitic domes and fractured zones.

Exploration

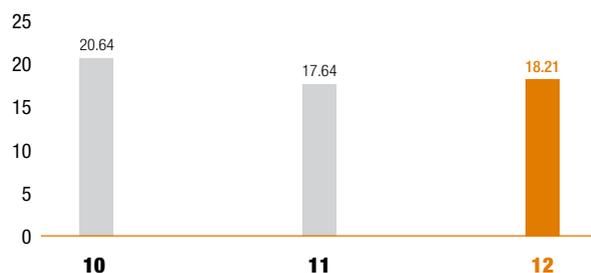
At Cerro Vanguardia, drilling programmes to extend the Mineral Resource continued during 2012. Follow up drilling for vein extensions laterally and at depth was successful, identifying bonanza zones in different veins such as Fortuna and Lucy.

Exploration and Mineral Resource modelling to identify heap-leach material was also active. Target identification based on geophysical surveys (air mag, ground mag and IP) continued and initial drilling was accomplished at the El Volcán project during the year.

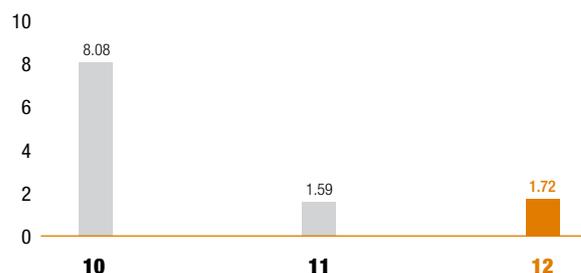
Cerro Vanguardia – key statistics

	Units	2012	2011	2010
Operational performance				
Volume treated/milled	Mt	1.06	1.06	1.07
	Mt	1.7	1.0	1.0
Pay limit	oz/t	0.09	0.11	0.13
	g/t	3.25	3.86	4.36
Recovered grade	oz/t	0.19	0.18	0.18
	g/t	6.48	6.23	6.11
Gold production	000oz	237	212	209
		219	196	194
Silver production	Moz	2.6	2.9	2.8
		2.4	2.7	2.6
Total cash costs	\$/oz	640	393	366
Total production costs	\$/oz	823	581	517
Capital expenditure	\$m	76	79	41
		70	73	38
Productivity	oz/TEC	18.21	17.64	20.64
Safety				
No. of fatalities		1	0	0
All injury frequency rate (AIFR)	per million hours worked	1.72	1.59	8.08
People				
Total average no. of employees:		1,884	1,644	1,242
– permanent		1,126	1,065	883
– contractors		759	579	359
Employee turnover	%	10	8	11
Training and development expenditure	\$000	1,435	1,132	778
Environment				
Total water consumption	ML	923	939	1,057
Water usage intensity	ML/oz	0.004	0.004	0.005
Total energy usage	million GJ	1.60	1.48	1.37
Energy usage intensity	GJ/oz	6.75	6.98	6.56
Total greenhouse gas (GHG) emissions (CO ₂ e)	000t	111	103	95
GHG emissions per ounce of gold	tCO ₂ e/oz	0.468	0.486	0.454
Cyanide used	t	628	444	480
Reportable environmental incidents		0	0	1
Total rehabilitation liabilities	\$m	46.2	38.9	25.7
– restoration		35.8	29.6	19.1
– decommissioning		10.4	9.3	6.6

Cerro Vanguardia – productivity (oz/TEC)



Cerro Vanguardia – AIFR (per million hours worked)



Sustainability performance

Safety

Work continued in 2012 on the mine's safety transformation programme with the implementation of four standards:

- Health, wellness and fitness for work;
- Safe work practices;
- Change management; and
- Emergency response, crisis management and continuity of operations.

Cerro Vanguardia's AIFR remains among the lowest in the company. This performance was overshadowed by a fatal accident which occurred at the Mangas underground operation on 20 January 2012. Several recommendations were applied after this accident, including the formalisation of pre-work safety assessment and authorisation procedures; enhanced risk identification and underground safety resources; a review of safety procedures and support standards; and the development of a set of mandatory safety rules which will be incorporated in the conditions of employment.

An AIFR of 1.72 per million hours worked was recorded as compared to 1.59 in 2011.

Cerro Vanguardia developed control measures to mitigate critical risks which were, in turn, integrated with specific safety training in the 2012 annual safety plan. Safe work procedures for all operations in the underground mine are being retrained and incorporated into training materials for all workers in different shifts. A card system has been developed for the effective roll-out of a formal risk assessment and evaluation process.

Health

In respect of occupational health, surveillance programmes are in place and there were no reported incidences of occupational disease. Training campaigns concerning respiratory protection, skin protection, UV rays and fatigue were conducted during the year. Additionally, annual monitoring programme of risk agents was performed as well as pre-employment and occupational medical examinations.

Stakeholder engagement

Given its association with the provincial government via Fomicruz and its sustainability policies regarding investments to extend the life of the operation, environmental practices, community engagement and contributions to sustainable development in Puerto San Julián (PSJ), Cerro Vanguardia is seen as an example of responsible mining in Argentina and as a model that the national government seeks to support and see replicated.

Cerro Vanguardia continues to build productive relationships with local governments in an effort to align plans for social and economic development. These are manifested through the PSJ Development Agency and the implementation of its development plan for 2007 to 2020. Cerro Vanguardia continues to implement the strategies outlined by the plan in different areas. This plan encompasses wind energy; aquaculture and port development to promote the use of the bay and fisheries; support and training for local entrepreneurs; and tourism projects. During the year, two Cerro Vanguardia suppliers also contributed monetarily to the agency. These new contributions are very important in helping to achieve Cerro Vanguardia's objective of getting suppliers involved in the agency's financial maintenance.

Community

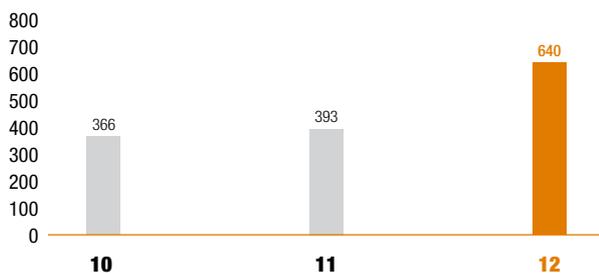
Regular meetings with the mayor of the town and local government were part of the 2012 plan. These meetings were usually held on monthly basis and were very important to build trust and get support from local government in different circumstances (for example: union conflicts).

During 2012, a Social Investment Plan was implemented in line with the agreement with the Mayor of the town of Puerto San Julián and the Development Agency of Puerto San Julián (signed in April 2010) which establishes an annual contribution in social investment to the community of Puerto San Julián, based on Cerro Vanguardia's financial results.

The two main social investments projects for 2012 were the construction of a water bottling plant and the funding of a commercial seaweed venture.

Cerro Vanguardia – total cash costs

(\$/oz)



Environment

In terms of Cerro Vanguardia's environmental obligations, the management of water discharges is critical. Several improvements were effected in 2012, including completion of a water treatment plant for water emanating from underground workings. As a result of these improvements, the total amount of solids in water is expected to decline and the hydrocarbons contained in the discharge will be separated and treated.

Several environmental training courses were given in the operational areas, resulting in no reportable incidents during 2012. In addition, the mine provided environmental training for the communities of Puerto Deseado and Puerto San Julián. This extended to local hospitals, fire brigades and law enforcement officials.

Energy shortfalls were experienced owing to delays in the receipt of certain spare components needed for power generation, resulting in a delayed overhaul to the energy plant. Mobile generating equipment had to be rented until the situation return to normal. The energy plant is now functioning and there is no need to rent equipment.

Cerro Vanguardia undertook major environmental developments in 2012. The heap-leach area, which uses cyanide, began normal operations in the second half of January 2012. Perimeter fences were constructed around the pregnant solution pools and the contingency pond. In order to comply with Article 22 of the National Environmental Law (No 25.675), and at the request of the Ministry of Mining, a one-year environmental insurance policy was obtained from Prudencia Seguros.

In February 2012, the director of fauna for the province of the Santa Cruz, visited Cerro Vanguardia for the second time, together with the provincial director of soil conservation. This visit aimed to investigate the possibility of reintroducing the Patagonian mara, an indigenous hare-like rodent, and to discuss final details regarding animal transfer. The Patagonian mara is a native species once emblematic of the area which has been decimated throughout Santa Cruz. Eight Patagonian maras were transferred to Cerro Vanguardia and released into the natural environment. At the moment, the maras are breeding successfully in the wild.

This visit was followed in March by a presidential visit, the first ever such visit to a mining company. The President of Argentina, Cristina Fernández de Kirchner, who was accompanied by national ministers, government officials and journalists, made special mention in her speech of the mine's strong environmental practices, establishing Cerro Vanguardia as an important example to other operations in the country.

A community and environment review programme (CERP) corporate audit was successfully conducted and recommended the application of five new standards for water management, chemical management, waste management, air quality management and soil management.

Water: The volume of water consumed has been maintained below the limit imposed by the environmental authorities. The volume of water consumed by Cerro Vanguardia in 2012 was 923,104m³, which was 23% below the 1,200,000m³ limit imposed by the province's water resource authorities.

In an effort to further conserve water, various alternatives for injecting the excess water extracted have been evaluated in areas near the mine, including two permeability methodologies (concentric circles and drainage trenches) in different areas on Cerro Vanguardia's east side.

In order to optimise the water recovered from the tailings management facility, a process to improve uptake and sedimentation to feed three plastic tanks connected together in cascade was evaluated and implemented. This system allows for a reduction in the approach speed of the water upstream of the outlet structure of each tank and consequently reduces particle entrainment into the process. Water is sent to the last tank by a pump with a nominal volume of 110m³/h. The circuit design command is through a control system that monitors the levels in the tanks and can be operated remotely from the control room, by telemetry.

The fresh water line was changed in order to allowing a greater flow of fresh water from a pit mine to the process plant. This enabled the recovery of 293,060m³ of water in 2012, 33% of the water sent to the tailings dam.

Waste: Organic waste is being collected for use in a vermicompost project. The organic waste that comes from

vegetables used in the kitchen is collected and processed by Californian worms, which generate organic compost that is used in the re-vegetation project at Cerro Vanguardia.

Hazardous waste is treated off site by certified operators. In order to reduce the volume of hazardous waste generated a, waste management training was given in the operational area.

Cyanide: Management and staff employed in the recently commissioned heap-leach operation were trained in the effective management of the risks associated with cyanide handling and management as per the requirements of the International Cyanide Code. Cerro Vanguardia received its Cyanide Code certification in August 2011.

Following certification, efforts focused on fulfilling the commitments made by the continuous process improvement. This resulted in a change in the feeding of the cyanide recovery plant and a reduction in the amount of cyanide to be destroyed. To enhance the reliability of the detoxification process tanks were installed tanks and lines of sodium hypochlorite and hydrogen peroxide to dose in the last stage of rewash.

Construction of the new heap-leaching plant took into account the Responsible Care Health and the Environment criteria in order to be included in the recertification of the code in 2014.

Cyanide transportation remains a particular area of environmental focus at Cerro Vanguardia. The cyanide

storage area was expanded to 190m², with features identical to original design.

Closure and rehabilitation: During 2012, the restoration provision totalled \$35.8m and decommissioning totalled \$10.4m, to give a rehabilitation liability for Cerro Vanguardia of \$46.2m.

In an effort to keep planning current, Cerro Vanguardia's rehabilitation and closure plans were reviewed internally while the rehabilitation plan was also considered by an independent external consultant.

Approximately 20ha of degraded land was recovered and a rock waste dump re-vegetated following a reduction in its slope and distribution of remaining topsoil on its top. A new project for spreading indigenous flora has been launched. To this end, a 25m x 6m greenhouse was built with a humidity chamber to allow for the reproduction of species. Seedlings are also being reproduced through cuttings. Around 4,500 seedlings of native species have been made so far, experimenting with various materials and methods of sowing and rooting. The construction of a courtyard outside the greenhouse is planned to take the seedlings out in the spring and make them stronger. As the plants become stronger, they will be transferred to the reconditioned waste rock dump to start the re-vegetation trials.

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Additional information from a country perspective can be obtained from the Argentina country fact sheet, which is available at www.aga-reports.com.