Gold Fields
31/01/2008

Second Quarter Results Conference Call

Operator	Good afternoon and welcome to the Goldfields second quarter results conference. All participants are now in listen-only mode. There will be an opportunity for you to ask your questions at the end of today's presentation. If you should need any assistance during the conference then please signal an operator by pressing star and then zero. Please also note that this conference is being recorded. I would now like to turn the conference over to Willie Jacobsz. Please go ahead, sir.
Willie Jacobsz	Thank you, Dylan. Good afternoon, ladies and gentlemen, and welcome to this quarter 2 conference call of Gold Fields. We are going to follow the normal process with Ian Cockerill, our Chief Executive Officer, doing an introduction. Then Nick Holland will briefly talk about the financial results and then we will hand it over to Terence Goodlace to give you an overview of the situation in South Africa, whereafter Glen Baldwin will give you an overview of the international operations and then John Munro will give a brief introduction to the development projects. In particular the Cerro Corona project. After that we will take questions. I now hand over to Ian Cockerill.
Ian Cockerill	Willie, thank you very much. Good afternoon, or good morning everybody and welcome to our results presentation. Now I know that the first thing on all your minds will be what is the situation with power here in South Africa, but we will address that later in the call. Terence will give you a full description on that. But initially let me just give you a brief overview of the December quarter results. There was a quarter, I would say, characterised by sharply rising gold prices, several safety related stoppages in our South African operation which did impact the output there, particularly at Driefontein. But the key stats for the quarter are as follows. Our attributable production was down to 960 000 ounces. That's down about 3%. But still a lot higher than the guidance that we did give late last year. Cash costs rose by 3% in Rand terms, but on the back of the strengthening Rand we are actually up 8% in Dollar terms to $467 per ounce. The stronger gold price certainly helped on the operating line with profits rising to $300 million from the $242 million in the previous quarter. We also sold our interest in the Essakane project in Burkina Faso to our joint venture partner for $201 million as well as control of the Choco 10 mine in Venezuela to Rusoro, and that was for $532 million at the time of the sale. Net earnings, excluding gains and losses on Forex, financial instrument and exceptional items rose from $57 million in the September quarter to $88 million in this quarter. But perhaps most pleasing about this result is that despite a small drop in production we are certainly seeing a translation of the higher received price into our bottom line earning. Finally, the slippish trend which was observed in the Cerro Corona project that occurred towards the end of 2007 certainly appears to have been reversed and we've made good progress over the Christmas period giving us confidence of the revised commission date at mid-year will be achieved. John will be giving us a

	very comprehensive update on the project as it stands now. Now clearly the South African power situation has cast a pall over the whole of the South African economy and particularly on the mining sector and during his part of the presentation Terence will give you a sense of what our response is going to be to this debacle. Now whilst we would normally pay a dividend this quarter, after much debate and bearing in mind the continual flux around the power supply to our South African operation, the Board has decided to act prudently and not to pay a dividend, but this decision is based solely on the power situation. As you are aware, we were told by Eskom that our power levels will be increased to 80% last Tuesday and we were given an undertaking that a further increase is going to be allowed this evening to 90%, and that's on the assumption that load shedding elsewhere in the country was achieved. Sadly I have to tell you that after lunch today and after we gave our results presentation this morning we were informed by Eskom that this is no longer possible and we remain restricted to 80% of our normal average demand. And I think that this reinforces, or this fact helps reinforce the prudent stance that we have made on the dividend declaration for this quarter. And so with that very brief introduction, let me hand you over to Nick who will give you a summary of the group financials.
Nick Holland	Thank you, Ian, and good afternoon. Looking through our income statement for the quarter we can see that our revenue is up appreciably this quarter and that's mainly because of the increase in the gold price. We've seen our revenue go up to $800 million for the quarter. That's in the bag of $100 per ounce increase in the gold price and that more than offset the 3% drop in production that you heard Ian refer to. We've also seen our operating costs go up around about $45 million and most of that is due to the strengthening of the Rand. We've seen the Rand strengthen to R6.76 during the quarter which causes that impact. In Rand terms, however, our costs have been well-controlled and only went up by 1½% quarter on quarter. Our operating profit, pleasingly with the increased gold price we have received, as I mentioned, has gone up by 24% to $300 million for the quarter. Looking further down through the income statement, the other highlight is to indicate is that we have generated what we call exceptional gains of $204 million during the quarter. That's due to the sale of Essakane. Essakane was sold during the quarter for $201 million. You can recall that was an exploration project in Burkina Faso and because all of the expenditure we've incurred on that, being principally exploration expenditure, was written off. All of those proceeds effectively report into earnings. The other thing I've mentioned is that because we sold the Venezuelan operations during the quarter and we also sold those for total proceeds of $414 million, generating a profit of $11 million because we've sold those during a quarter. What we've done in terms of international financial reporting standard is restate all of the previous quarters that we had Venezuela in our results and have also excluded it from our results in the current quarter and merely aggregated all of the

	earnings, revenue costs, etcetera, and put it onto one line together with the profit on disposal and call that profit from discontinued operations. And you will see in the income statement that comes to around about $16 million for the two. I know I mentioned $11 million of that is due to the profit on the sale of Venezuela. So those of you trying to reconcile our ounces produced to the previous quarter and not getting the right numbers, the last quarter we showed a million ounces attributable and because we've taken Venezuelan operations out and we've stated the previous quarter, the comparative now drops to 986,000 ounces and of course the 960,000 ounces we report this quarter also excludes roundabout 17,000 ounces from Choco 10. So I think pleasing that we were able to make those sales and generate good cash flow. I will talk about the impact of that in a moment. So after all of those items the net earnings of $281 million were generated for the quarter compared to $60 million in the previous quarter. But, of course, net earnings have been distorted by things like the exceptional gain, the discontinued operations as well as varied derivative valuations that you will see in the accounts, and if you strip all of those out, in fact our earnings were $88 million compared to $57 million in the previous quarter. Still a substantial increase. If we look at cash flow from operations you will see the cash flow was showing as $175 million for the quarter, the cash flow from ops, and given our strong operating profit of $300 million you might well say, "Well, why isn't that higher?" We've had working capital build-ups during the quarter of about $80 million and that's principally just the timing of when we received our gold sales and when we pay our accounts payables and that is in the process of already reversing in this quarter. So a lot of that will come back in this quarter. Capital for the quarter, very, very substantial at $363 million and that's pretty close to the all time highs, and that's because we are endeavouring to complete major projects in Peru which took up $93 million during the quarter and we also finalised the purchase of the Uncle Harry's ground, which was ground that we bought to the east of South Deep. That cost us $57 million, and then Tarkwa, which is the CIL expansion, should be finished roundabout September, October. There's a high spend there of about $28 million at the moment. So that's the reason for that high spend and I would expect that in the second half of the year we are going to see a reduction of that. The only other thing I would like to mention is the fact that we are having these production impacts which Terence is going to mention to you. It is having an impact on the business and one of the things we are doing is reassessing our capital burn rates throughout the business. As I mentioned, our capital burn rate will reduce in the second half of the year once we bring Corona into production and we get the Tarkwa expansion completed. I think the good news about Corona is that it will actually turn from a cash burn which, as I mentioned earlier, was about $93 million this quarter into a cash generator as that operation gets up to full production. And then we will have a very material impact on the overall cash flow, because it is taking an investment at the moment and

	turning that into a return which will certainly help us. And the higher Rand gold price is also that we are experiencing at the moment. It would help to soften some of the impact of these production problems caused by the power which Terence will talk to. Lastly, there was a royalty rate imposed in South Africa. Or rather a new draft that is likely to have been imposed in 2009. That has been placed before Parliament for ratification at the end of February. We do have possibilities to comment on that. Effectively it is a profit based royalty that replaces what we thought was going to be a fixed royalty on gross revenue of 1½% just on South African operations. The new formula now means that we will probably pay about 4% of gross revenue versus the 1½%. A very substantial increase. We are going to be making representations and submissions to the National Treasury here to reconsider the level of this and hopefully we will get some kind of positive outcome on that in the month to come. So with that I'm going to hand you over to Terence Goodlace.
Terence Goodlace	Thank you, Nick, and good afternoon everybody. First up in terms of the South African operations, I would just like to talk health and safety and to say that it remains a key imperative for us if we look at our overall long-term trends as measured by the fatality injury frequency rate, the serious injury frequency rate and the loss injury frequency rate. We do note that we are improving over time. However, we were very disappointed with what happened at Kloof this last quarter with the fatality. Importantly we have, over the last six months, completely rewritten health and safety plans and these are at various stages of implementation but remain a very core part, cornerstone of our business. If we look at the fatalities per se, our fatality injury frequency rate was 0.28 per million man hours worked. As I said a little earlier, Kloof was a disappointment where we had five accidents which resulted in eight deaths and ultimately ended up in the mine wide stoppage by the Department of Minerals and Energy which obviously affected production, but also affected safety in a positive way. We are being subject to the presidential audit and so far we have had two presidential audits. One at Drie's and one at Kloof mine. If we move onto production, at the South African operations a decrease from 689,000 ounces to 657,000. Basically the effect on production was affected by the one-day national strike by the National Union of Mineworkers, mine closes at both Driefontein and Kloof related to the fatal accident as well as a two-day interruption that affected us at Beatrix where there was labour unrest. At Driefontein production decreased by 8% due to a combination of the mine closures and lower underground yields. The lower underground yields were as a result of increased dilution from the western part of the mine. Gold production at Kloof decreased by 2% as a result of lower underground tons due to the impact of the lost shifts. In total we lost some six days of Kloof's production to safety-related issues. This was also affected by two underground fires which affected us. At Beatrix gold production was similar quarter on quarter with low volumes mined and processed,

offset by a slight increase in yield. At South Deep gold production decreased 9%. This was mainly as a result of a decrease in underground volumes and yield. Because of a previously reported reduction in mining activity on the conventional Ventersdorp contact, Reef Horizon, where a major fault on the western side of the ore body was intersected in the September 2007 quarter. This horizon is now largely depleted and has in effect stopped. In addition trackless volumes were lower as a result of surface fan failure which affected underground temperatures and curtailed entry and mining activities for some 35 days. This did affect our newly established long haul open stoping area. On the cost side, operating costs increased from $298 million to $321 million, an increase of 3%, and this increase was mainly due to increased contractor costs, increased sweepings and secondary support costs, as well as repair and maintenance. Included in the costs were also additional voluntary shifts and an increase in training. Total cash costs at the South African operation increased from $413 per ounce to $465. The margin at the South African operation increased from 36 to 37% as a result of the high gold price. In terms of capital spent, the South African operations increased from 104 to $124 million in the December quarter. Most of this was in and about expenditure at Driefontein and at South Deep as well as increased expenditure on all reserve development.

With that I would like to talk through the current power situation. As Ian had mentioned earlier, our power was interrupted last Thursday night and since then we haven't produced anywhere near what our throughput is. We had an announcement on Thursday night which resulted in, at shell production in power demand, and we dropped from our normal 600 megawatt to 300 megawatt as a result of an instruction from the Eskom power utility. Since then we have gradually increased. We have had many emergency meetings with Eskom, the power utility, and at present we are still at 80% of our normal power usage. So the current situation is such that we are not able to fully operate all of our mines and we are only operating some selected sections of the various mines and that is also with limited success because we are juggling power around to suit.

If we look at the effect of these power cuts, the power cuts per se can be very material and I think one of the things that really concerns us is just what level of power we are ultimately going to get to produce at all the mines in this country, not just Gold Fields. The letter that we received this afternoon which said that we can no longer go to 90% has in effect stopped us in our build-up and has raised serious questions about what the long-term power availability is going to be at our minds. You may ask what we are doing about it. I think the first thing that we have done is we have analysed which are the higher margin and which are the lower margin shafts within the Gold Fields group, and based upon that we know which operations we should maintain and which operations would be affected should there be a continual or a permanent reduction in power. Suffice it to say there would be a material impact on our production as well as our employment should the current situation persist. If we are to look at what other thing we can

Speaker	Narrative
	do about power, we can obviously pursue aggressive energy savings, but at this stage that is not going to assist the South African minds in terms of the overall high, the overall quantum that are required to be effective. The other key component, the question that can be asked is what we are going to achieve in this current quarter. This has become even more difficult with the announcement today. We had said at the quarterlies earlier today that we would be some 20% down on the current performance as reported in the December quarter. But who knows what the actual numbers are going to be with the current situation as far as power is concerned? We are moving to have additional emergency meetings with Eskom as soon as we can and relay the seriousness of the situation. Not only to Gold Fields but also to the rest of the mining industry who in my opinion are the sacrificial lamb in terms of power cuts for this country. So with that I would like to hand you over to Glen.
Glen Baldwin	Good afternoon. The international operations have provided a consistent overall performance for the quarter with managed gold production up to 362,000 ounces. The cash costs were kept steady on a quarter by quarter basis at around $470 an ounce, but the operating margin increased from 30% to 38%. During the quarter Tarkwa had three fatal accidents which were obviously very disappointing. However, Damang, St Ives and Agnew all remain facial injury-free in requisition by Gold Fields. We remain committed to the principles of zero high and continue to drive behaviour on each side to eliminate all accidents. At Tarkwa the increase in production was reflected nicely and a reduction in cash cost. The rain abated during the second half of the quarter and therefore we have a higher outlook for production in this quarter coming. The CIL expansion project which will deliver more gold in 2009 at Tarkwa is progressing well. However, the total project cost is expected to increase from $126 million to about $151 million. The main reasons for this change: our foreign exchange variances, cost escalation and miner scope changes. We still expect the project to be completed in the September quarter, but it may be pushed out by a month or two. Just depending on what happens with supplies from South Africa. At Damang the production was lower, mainly due to the lower than expected grade from the stock piles. The costs were up because of this lower grade material being treated, coupled with a steep change upwards in the mining contracted cost. The outlook for Damang for the next quarter will only remain steady due to the recent failure of the in-pit ramp and the main pit cut-back. Fortunately we had put remedial actions in place a couple of months ago, so therefore this failure has been minimised which means that we will also expect similar total costs this quarter. At St Ives the quarter's production was in line with the forecast as we continued to develop the new projects which include Cave Rocks and Belleisle underground and a Leviathan open pit. These projects will provide the backbone of the St Ives production from the middle of the year when we expect it to be back at more acceptable production levels and deliver more consistently. In the next quarter we

	also expect cash costs to remain similar. At Agnew production was slightly lower due to processing Songvang pit high grade stock piles which reduces throughput. The cash costs were maintained in the quarter, however. We do expect them to increase significantly in the next quarter due to the treatment of low grade stock piles and higher tonnages from underground. Overall we expect the total cost in this next quarter to remain similar, thereby protecting the margin. The low grade stockpiles will be fully depleted in this financial year at Agnew which will then see a reduction in quarterly production from around 50,000 ounces to 35,000 ounces because the production will come from underground sources only. We will maintain the accelerated exploration programme at Agnew and we aim to improve our open pit opportunities to increase the base load of the mine. We are still confident with the exploration programmes we have in place at both St Ives and Agnew. In closing, we expect production to continue improving in quarter three and we will continue to drive the total cost equation to maximise the margin. I will hand you over to John to talk about Cerro Corona.
John Munro	Right, good morning. In terms of Cerro Corona I think an important introduction comment is that our sense is, as Ian said, we are starting to feel that we are getting ahead on this project. We've got a long way to go to get into production now in the middle of the year, but the remedial measure taken post the extension of time and the increasing budget spoken about late last year are starting to gain some traction. Looking at the various elements of the project, the community side of things remain stable on the Cerro Corona site and as you are aware, Peru remains fairly tricky from an overall community and mining point of view. In terms of operations, the only significant activity carrying on is the mining operations with some 7.9 tons were moved in a quarter and about half of these was mined from the quarries being used for construction of the tailings dam embankment or tailings facility embankment and the bulk of the balance was weight coming out of the surface mine. So mining operations continue at a similar rate to previous quarters. Moving on then to the construction of the project and focusing on the plant area, you will recall that the part of the schedule and the cost overrun announced at the end of the last year was attributed to some poor performance of some of the major contracting in the plant area. In December of last year revised arrangements and a revised plan was agreed with some of the contractors and we have seen very good performance against that plan in January of this year. So, so far during this month we have made some of the deadlines that we agreed with this contractor and are starting to relieve some of the areas from the mechanical construction to allow electrical and instrumentation completion and then allow these areas to move into commissioning. At this stage the most critical area in terms of plant construction remains the flotation building. Clearly the most complicated from a piping and instrumentation point of view and a lot of effort is being focused on

making sure that this is completed on time. In terms of procurement, there are no major outstanding items. We are tracking vary carefully a capacitive bank that is required for one of the sub-stations on the national grid. This is a late requirement imposed on us by the regulator and at this stage is not expected to affect start-up, but the only area, procurement, that is at this stage regarded as semi-critical. Staying on the power front, with the growth of power consumption in the north of Peru, the Peruvian regulators took some action at the end of last year which not only necessitated the installation of the capacity I referred to, but also the limiting of power to us and to one of the other projects in the region until the end of March. And so until that period we will be limited to some 3 megawatt maximum draw on the Cerro Corona site. That is due to the upgrading of the coastal power line that feeds this region.

At this stage that limitation on power will not affect the construction and the precommissioning activities. It would only become critical if that date slipped by about six weeks, which at this stage we do not expect, but clearly something we are watching very carefully. The other area of construction that was contributing to the changes announced at the end of the last year was the construction of the very large tailings management facility embankment. This is the valley-fill tailings dam and this is the embankment that will contain those tailings. The critical part at this stage is not that the TMF will affect the start-up of the plant. You actually need very little water to start the plant. The more critical thing is to ensure that we have about ½ million cubes of water contained in this dam by the time the rain stops in May of this year, because we have a dry season from then through to October, November. And so we need the 500,000 cubes to bridge that period. Obviously the dam wall will have to be referred in height by then to impound this volume of water. So that is a critical nature of the TMF construction.

In terms of the actual construction itself, we previously spoke about the production of engineered materials that are required for the filter zones in the TMF embankment being critical. A lot of progress has been made since December of last year in improving the mining and crushing and screening these materials. The point that this step is no longer critical and we are actually producing stockpiles of these that are then waiting for the subsequent zone in the tailings dam which is the impermeable clay zones. So the construction is now really focused on the placement of these clay zones. That is complicated at the moment by continued wet weather. It is the particularly rainy season in Peru at the moment. The rain obviously affects the QA/QC on the placement of these clays. At this stage we are laying about 4,000 cubic metres per week on the critical clay zone. That would take 15 weeks to get to the right height to impound a half a million cubic metres of water. And we would like to raise that rate to at least 6,000 cubic metres per week, which would then drop it to about 10 weeks. We have a number of measures in place to work around the wet conditions and need to see those coming to fruition in the next two to three weeks to ensure that the TMF water collection stays off the critical path for this project and doesn't affect us in the dry season.

Speaker	Narrative
	So then putting this together in terms of schedule, we remain on track for the commissioning of this plant in the middle of the fourth quarter of this fiscal year, i.e. around May of 2008. And the critical part from that at this stage run through the completion of the construction of the flotation plant. That is the most critical part from a construction point of view overall. The TMF, as I said, does not affect a start-up but is critical to have at the right height by the time the rains ends in May and we are obviously watching the power situation very carefully to make sure that does not become critical. Then on to capital construction cost, we said at the end of last year this will increase to some $420 million including a $20 million contingency. We have utilised some of this contingency since we last reported on this project. But the bulk, and that's some $13 million or the $20 million contingency has been used, but more than half of that usage has been to make sure that we stay on schedule for instance in restructuring and re-resourcing some of the construction activities, particularly in the plant but also in the TMF embankment. So at this stage we continue to forecast capital construction costs for this project of $421 million. I won't go into detail, but we obviously have a lot of activities under way at Cerro Corona at the moment, turning our attention now to making sure that when this plant is complete that the commissioning and then ramp up to full operations occur smoothly. At this stage with the commissioning on ore due in the month of May, we expect that it will be at least three, more likely four months before this plant reaches full capacity. That takes us into the beginning of Q2F2009. It is very hard to forecast how rapidly the plant will be commissioned, but we think that's the middle of the road estimate. So in summary I think that the project has made good progress since the disappointing news last year. There are still risks. Particularly, I think, in the placement of the clays in the tailings dam and also maintaining the schedule on the construction. But at this stage those look like they are in good shape. I think in conclusion it is worth emphasising again how important this project is to Gold Fields. In the slides that are on the website and the talk that we gave this morning, we refer to the significance of the EBITDAR contribution that this project could make at current prices, and that's calculated around US$200 million per annum on a simple EBITDAR basis and against the background… I have commonly spoken about EBITDAR for the rest of Gold Fields of about $1 billion. It is obviously a very significant contribution and getting this project into production in the middle of this year is critical for this company. Thank you.
Ian Cockerill	Thanks very much, John. Well, I think as you've heard from some of my colleagues certainly the power situation here in South Africa is frankly dire and it would appear that we are going to be restricted for at least the foreseeable future to somewhere between the current 80% and hopefully we can move back at least to 90% of our normal average power consumption. Whilst there is always going to be some scope for

Speaker	Narrative
	energy thrifting, but the company we have been engaged in, in that exercise for some time. So I think really it is going to be unreasonable to expect much benefit from this avenue going forward and certainly over the short term. However, longer term there will obviously be scope for a change and approach to energy usage and we have to seek those opportunities as and where they arrive. But basically we've determined within a power rationed environment our production priorities have to be directed towards the higher margin material. Now, this may well result in some production being sacrificed to the overall. The group maximises earning potential against the available power. As things stand we will be concentrating our efforts at Driefontein, at the 4, 5, 2 and 1 shaft which is basically what was referred to as the old east Driefontein. But Kloof, it is our intention to concentrate production at main 3, 4 and 7 shaft. At Beatrix it seems as if a 90% power limit probably wouldn't even allow us to mine Beatrix 4 shaft, as well as the rest of Beatrix. So 4 shaft may well have to be put on temporary hold. At South Deep, it was our intention anyway to close down the VCR section as the ore above 95 level was depleted. But even with this power situation that we find ourselves in, we will certainly continue to prioritise critical ore reserves, de-stress mining and infrastructural development. South Deep is a critical component of Gold Fields future and certainly needs to be prioritised as such. But in the meantime our international operations will continue apace. Certainly our forecast for the next quarter is for an overall improvement of approximately 3% with slightly higher costs when compared to this quarter. For our local ops, I would love to but I really can't give you an accurate forecast other than to say as things currently stand we are likely to see South African production in the third quarter down by between 20 to 25%, because we simply did not reach the stable situation with regard to power as yet. Although as [unclear] we are back into our operations and we are slowly trying to rebuild the productive base. Finally, whilst behind the original schedule it is pleasing to see, as John said, that Cerro Corona has made good progress. Not only the Tellings dam wall, but we are still looking good for a mid-year start-up, which is definitely going to benefit Gold Fields as it will demonstrate our commitment to further global diversification and it is going to add welcome low cost, high margin outfits to our portfolio followed a quarter or so later by the expansion at Tarkwa which will be completed. So whilst we may be down in South Africa overall, in the March quarter we will be receiving a much higher price for that lower production as well as better prices for our international ounces. However, we will naturally keep shareholders and analysts up to date with developments as they occur, because clearly this is going to be an exceptional quarter and I think it would be appropriate for us to give more regular updates as to how things are going. And with that let me open the floor to any questions you may have.
Operator	Thanks very much. Ladies and gentleman, at this time if you would like to ask a question, please press star and then one on your touch-tone

Speaker	Narrative
	phone. If you then decide to withdraw your question, please press star and then two to remove yourself from the list. Our first question comes from Shane Hunter of BJM. Please go ahead.
Shane Hunter	Well, good afternoon. First of all apologies if I'm asking this question. I only came in actually part way through the call. But it is just with regard to some information you put out this morning on your release where you were saying the KA project from Kloof had to be put on hold. So I just wondered if you could explain what's happening here.
Terence Goodlace	Hi Shane, it is Terence.
Shane Hunter	Hi, Terence.
Terence Goodlace	Ja, we have completed the drilling of the KA4 and KA5 hole, surface exploration holes and based upon that information we've decided not to continue with the decline as was originally envisaged. As you will recall, I think it was in June, we had actually stopped the decline pending the result of that KA4 and KA5 faults.
Shane Hunter	Okay, does that mean that now the whole project has now been cancelled? Is that what you're saying?
Terence Goodlace	It will be morphed into something else. We still have a large portion of the KA ground below 45 level at 4 shaft and we are looking at an alternative access via the 4 sub-vertical system.
Shane Hunter	Okay, thank you.
Operator	Our next question comes from Victor Flores of the HSBC. Please go ahead, sir.
Victor Flores	Ja, thank you. Good morning Ian, everybody. I have a question with respect to South Deep and I quote from the press release: "The strategic review has come to the conclusion that the current scope of mining activity at South Deep will have to be changed." Now I'm not sure what the word "changed" is. But reading on the press release, what I assume you're saying is that you will have to actually close down the current production at South Deep in order to do the ongoing development that you need for the long term. Is that a correct interpretation, and if not, could you point me in the right direction?

Speaker	Narrative
Terence Goodlace	Hi, Victor. Terence. The word "changed" is important. I think the first thing is that the VCR horizon has been depleted above 95 level. So that's the first change. We are no longer going to be depleting the narrow reef horizon above 95 level. The other aspect is that we really do need to concentrate on finishing the shelf system. It is a five year project. We are sitting with a twin shelf system which is not fully equipped and will always be a constraint and that is the reason why we used the word "changed".
Ian Cockerill	I think also Victor, the de-stress mining that was originally undertaken, you know the de-stress to relieve the massive was also a labour-intensive process. We have now made the conclusion decision to move that over to a mechanised process. So effectively South Deep as you know it today will become an exclusively mechanised operation, not partially mechanised and partially labour-intensive.
Victor Flores	Okay, but I mean I'm sort of chasing after what specifically this means in terms of production in cost for the operation and what I'm hearing is that because of the need to work on the development we shouldn't anticipate production to be what it has been in the past few quarters, going forward.
Terence Goodlace	Yes, Victor, that is correct. At this stage we will continue with the trackless mining as we know it. We are continuing with the de-stress mining as we know it, in a conventional way. We still need to equip ourselves to move over to mechanise de-stress mining. The VCR which contributed something like 200 kilograms per month, I don't know what that is now, offhand, that has come out of the equation.
Victor Flores	Okay, great. Thank you. And then unfortunately I'm going to have ask about the power. One of the comments in the press release is that obviously power is an issue but also the impact of the Christmas holidays and what not. If production were to be down 20% for the quarter, how much of that would be power and how much of it would be, you know, other extraneous items?
Terence Goodlace	It is about three-quarters. That would be due to the power. And the other 25% would be normal [unclear]. In fact, in the presentation, Victor, we said that this current quarter we were looking at 20% to 25%. Assuming we got back to 90% in a steady state, we will be looking at somewhere, say, between 15% to 20% reduction. So it is about a quarter of the loss will be due to the normal seasonal fluctuation, but the vast majority of the production loss is still attributable to the power situation.
Victor Flores	Okay, and then just a follow-up on this whole power thing. It is sort of

Speaker	Narrative
	hard to translate, I guess, mentally what 80% of normal power means. You know, one would automatically assume that 80% of power means you lose 20% of your production. But it sounds like it is actually much more disruptive than that. Can you give us a sense of what a, you know, 20% cut in power actually means in terms of its impact on the operations?
Terence Goodlace	Victor, I think that the first thing we need to understand is that a typical deep level South Africa mine has a very high base load, and that's just to keep the basic machinery going in terms of ventilation, keeping your mind cool, as well as pumping of water to surface. That base load, as I say, is between 50% and 55% of our usage. So if you use the numbers that we currently have at our disposal, we use, as an example, 600 megawatt of average power between the four mines every day. 300 of that would be our base load with doing nothing. So it is only the increment above the 50% or 55% that we can start utilising in the actual mining operation. The other important component is, if we look at the total distribution of power on a mine, only 10% is actually used in the mining process. All of the other is effectively overhead. So on an incremental basis, when we start talking about 70%, 80%, 90% or 100% we assume the base load and then we add the incremental power required to operate specific shelves. And that's how we come to the equations and what we've actually put out in the press.
Ian Cockerill	I think the bottom line, Victor, is that a 10% reduction in overall power actually equates to 20% of the power available for mining activity over and above the base load to keep the mine operational. So it is not a direct linear relationship, you know. It is probably magnified two times.
Victor Flores	Ian, thank you. That's what I was after. There's a bit of a magnifying effect, if you will. So maybe 2:1 or something like that.
Ian Cockerill	Ja.
Victor Flores	And I'm sure it is not linear but that's what I was after. A 10% cut in power has an inordinate impact on your ability to produce, or the industry's ability to produce.
Ian Cockerill	I mean at 90% of normal power we will probably have about six to seven shafts that would be at risk. And that would be equivalent to about 20% of our production.
Victor Flores	Ja, okay, great. Thank you so much. I will let somebody else jump on with questions. Thank you.

Speaker	Narrative
Operator	Our next question comes from Murray Pollock of Pollock & Company. Please go ahead.
Murray Pollock	Hi there. Thanks very much. The power thing, if South African economy continues to grow will the mining industry continue to be somebody put up the sacrificial lamb? What would be the longer term expectations for South African power generation? One half of the question. Because this is clearly an ominous sort of thing. Secondly, I think a couple of years ago Gold Fields announced plans to spend an awful lot of money to develop Driefontein at depth for mining, you know, 20 years forward, but very, very deep, very, very expensive, lots of ventilation, refrigeration and so on. Will this affect… if the problems can only get worse, will this affect those sorts of capital expenditure plans? I mean, should we be cutting back on those? Thank you.
Ian Cockerill	I think the answer to your second question, Murray, is that all of our capital projects need to be reviewed against the backdrop of what is likely to be a much more expensive power environment going forward. I think that's the first question. Also our existing operation that we need to look at, you know. Can they afford to be operated at prices that may be significantly higher for power? Probably roundabout somewhere between 11% and 12% of South African cost is power related. So if there is going to be a significant increase in power costs in South Africa, clearly your marginal material is going to be impacted. I think as far as the growth in South Africa is concerned, you know, I'm not an economist. If I look at the facts, there is a built programme underway in South Africa so the construction of increased base-load power generation. But like all these things it is going to take a long time to get that up. It clearly has been delayed longer than it should have been. We will get there eventually and I think over time the power installation will catch up with the demand which exist there. What is going to happen in the interim where we have this constrained power supply? To be perfectly honest with you, Murray, I'm just a mining engineer, I don't understand what the shortfall really will be, you know. What the impact is going to be on the economy. I would say my instincts tell me it has to have some impact on the economy. It has to pull back on growth to a certain extent. It has to have an influence on people's investment models. How much or how little that is, I will leave that to the experts to decide.
Murray Pollock	Thank you.
Operator	Thank you, sir. Our next question comes from a Barry Cooper of IBC World Markets. Please go ahead.
Barry Cooper	Good day everyone. Nick, I was wondering if you could tell me what is

Speaker	Narrative
	the after effects of the two unusual items with respect of the selling of Venezuela and Burkina Faso assets.
Nick Holland	I think the good news, Barry, is that there is no tax effect on those particular sales. We've been able to structure those sales so that the proceeds flow straight through to us.
Barry Cooper	Okay, so then the R61 million taxes in the quarter, I think that's the figure, then how does that relate to the profits which, when you back that up, are a 50% tax rate almost?
Nick Holland	Barry, I will have to get back to you on that particular point. Can I phone you offline?
Barry Cooper	Sure, that will be fine. Second question, and I don't know whether you will want to answer this one or not, would you hazard a guess that if the production is down 10% that same multiplier of two times might be applicable to the cost, given your fixed cost nature of the business?
Nick Holland	Well, certainly if the production comes off, Barry, in the short term the costs aren't going to change much because in the short term the costs are quite fixed in this business. You know, clearly there will be some impact on stores. Possibly there will be impact on bonuses and overtime, stuff like that. But I wouldn't factor in a significant drop in cost in the short term. Clearly in the medium to longer term that's going to result in a whole repositioning of the business and that's the exercise that we are currently engaged in.
Barry Cooper	Right, okay. Thanks a lot then.
Operator	Ladies and gentlemen, a reminder that if you would like to ask a question please press star and then one now. We will just pause a moment to see if there are any further questions. We have a question from Farouk Ahmed of National Bank Financial. Please go ahead.
Farouk Ahmed	Hi guys. I just had a question actually just to follow up on that cost question. If going forward you are going to be strategically mining out of key areas of the South African mines, do you think that will actually help your cost structure and that maybe it will provide higher grades or anything like that?
Ian Cockerill	Farouk, I think the honest answer to that is, like as Nick says, clearly in a power constrained environment we will be focusing in on the higher

	margin material or material which is easier to mine and give us the profitability. Because clearly we've got to optimise and maximise earnings with the power that we've got available to us. What the net impact to that is going to be, because as Nick says, there is a very high fixed cost element in our business. Obviously that is, we have to factor that in and calculate what it is going to mean. I would say though that if you look at the last quarter, you know, we were at just over R170,000 a kilogram. You know, as we speak now we are R226,000 a kilogram. It is well over 30% higher Rand receive price for gold. So with the sort of drop in production that we are getting I think it is fair to suggest that we can sustain a fairly sharp drop in production from South Africa and obviously the higher price will help us overcome that drop in production. Plus, you know, with this group having a fairly substantial portion of its production coming from international operations which are not impacted by the power, you know, you would see that higher price accrue to those ounces as well. So you need to do your own calculations and see what the impact is on that.
Farouk Ahmed	Okay, thanks.
Ian Cockerill	I think if we can take the last question now because we need to move on to some other call. So I don't know if you can have one more question if there is. If not we will do a wrap-up.
Operator	Thank you. Our final question comes from Alex Rekovitz [?] of Nevsky Capital. Please go ahead.
Alex Rekovitz	Hi, sorry, I have some connection problems. If there is a repetition I apologise. Do you give a four-year capital expenditure guidance?
Ian Cockerill	Look, certainly the next quarter would be similar to the quarter we have just gone through. So I don't think you're going to see much change out of the same figure we've given you, which was about $363 million. That's for the March quarter. For the June quarter you're probably going to see something similar again, not far off that. Because the Corona project is going to continue through until then and there's about another $120 million or so to be spent on that. The Ithapa project still continues. So I think for the next two quarters the best thing to do is use the same sort of numbers as we have incurred this quarter.
Alex Rekovitz	Okay, thank you.
Operator	Ladies and gentlemen, we have unfortunately run out of time for questions. Gentlemen, if you would like to make your closing comment.

Speaker	Narrative
Ian Cockerill	Dylan, thank you very much indeed. I mean, obviously it is never nice to have to report upon the situation that we currently find ourselves in, but I can assure people listening in that the guys at the South African operation are beavering away feverishly trying to make the best of this situation. I'm very confident that they will come up with some good plans of dealing with various levels of power that we may or may not be allocated. We will be acting decisively as and when the situation gets resolved and hopefully by the next quarter we will be in a position to give you a much clearer picture of a stable South African environment in moving forward. And with that, thank you all very much indeed and we look forward to chatting to you again in three months' time. Thank you very much.
Operator	On behalf of Gold Fields that concludes this afternoon's conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT