Q3 F2010 Results
Teleconference Transcript

Speaker	Narrative
Operator	Good afternoon and welcome to the Gold Fields Q3 results for F2010. All participants are now in listen only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. If you 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 hand the conference over to Willie Jacobsz. Please go ahead, sir.
Willie Jacobsz	Thank you very much, Dylan. Good afternoon, ladies and gentlemen. Thank you very much for joining us for the third quarter results conference call for Gold Fields. We will start off with Nick Holland giving us a brief overview of the quarter, after which we will go straight into a Q&A session. Paul Schmidt, our Chief Financial Officer, is also on the call and he will be able to answer questions in addition to Nick. We now hand over to Nick. Thank you very much.
Nick Holland	Thank you, Willie. Good morning or good afternoon, ladies and gentlemen, wherever you might be. Thank you for joining us for a review of Gold Fields' results for the March quarter. I will provide you with a brief overview, after which we will take you questions. Paul Schmidt, our Chief Financial Officer, is on the call with me and will be available to answer any financial questions in particular you may have. Our attributable gold production for the quarter was 793,000 ounces, which is broadly in line with the revised guidance that we issued during the quarter. The decrease in production was due to the customary Christmas break in South Africa, accelerated maintenance at the Kloof main shaft and safety related stoppages late in the December quarter which reduced inventories of available ore early in the March quarter. I am, however, pleased to report that production at all of our South African mines has since moved back closer to pre-Christmas levels, and we expect an appreciable increase in production from the South African region in the June quarter. The seasonal decline in South Africa was partially offset by a very welcome 6% increase in the combined attributable production of the international regions, which reflects the improved performance of our operations in West Africa, Australasia and South America. The better results at the international operations also reflect our strong focus on operational performance. One example of this is our efforts to address the grade gap at St Ives. The blended recovered grade from all sources on this mine improved significantly during the third quarter, and resulted in increased production. Indications are that this is being maintained into the June quarter. Whilst maintaining our focus on grade at this mine we have now also made the cost base at this particular operation a key area of focus. Also in the Australasian region Agnew's production was lower due to lower underground tonnes associated with complex ground conditions which are expected to be of a short-term nature. Production in the June quarter is expected to be similar to that of the March quarter, but it

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	should improve in F2011 as flexibility improves. In West Africa Tarkwa continues to gain momentum after ironing out commissioning problems at the newly expanded CIL plant. Tarkwa is set to increase production further over the next few quarters. With the commissioning of the new secondary crusher at Damang at the end of April we also expect to see an increase of production at Damang from about 200,000 ounces per year to approximately 240,000 ounces per year. Looking at the salient features for the quarter, as I mentioned gold produced was in line with the updated guidance at 793,000 ounces. The US Dollar gold price received remained steady at $1,100 per ounce, with the Rand per kilogram price marginally higher at R265,000. Total cash costs were higher at $703 per ounce or R169,000 a kilogram, which was a direct reflection of the lower production and not of the very good cost control that we continue to exercise. Likewise, notional cash expenditure, or NCE, was also higher at $1,003 or R240,000 a kilogram. In addition to the lower production the NCE was impacted by the continuing high capital investment at South Deep, one of the group's major gold projects, and increasing levels of brown fields exploration at our international assets, which are set to increase their gold reserves at this year's declaration in June. Operating profit decreased to $344 million or R2.5 billion, whilst an operating margin of 35% was achieved. Our net normalised earnings declined to $44 million or R316 million. With the South African region now closer to pre-Christmas production levels and the international regions maintaining the positive trajectory established in Q3 we expect to deliver improved operation results over the next few quarters. Our improved performance in the management of safety generally, combined with positive engagement and cooperation with the safety inspectorate of the Department of Mineral Resources, has resulted in reduced safety stoppages since the beginning of this year. We continue to work closely with the DMR to improve our safety performance and to reduce unplanned safety-related production interruptions. Looking ahead, our growth projects are closer to delivering concrete results. On-mine exploration at the Argo Athena camp at St Ives, Agnew's Kim and Main lodes, and Damang's Greater Damang and Amoanda North project areas continue to deliver excellent results. We expect an increase in the reserves of all three of these mines when we release the updated reserve positions later in the year. At St Ives the construction of the new Athena underground mine is on track to produce its first ore in the first quarter of calendar 2011 and to reach full production early in financial 2012. It is estimated that this new mine, which could see St Ives producing in excess of 450,000 ounces per annum, will add incremental production of up to 100,000 ounce a year for between eight and ten years at lower overall costs to St Ives.

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	Feasibility studies of the new Hamlet mine in the same camp are also underway, and we expect the construction of this high-grade mine which is likely to be accessed from underground – and in fact from the same portal as Athena – will commence in the second half of the year. Details of the feasibility study will be provided in the next few months. At Cerro Corona in Peru the feasibility study on the exploitation of the oxide stockpiles is progressing well and is set to be completed by June of this year. This project will enable us to recover an additional 300,000 ounces of gold over the next four to five years. An expansion study is currently in progress at Cerro Corona, in addition to the oxide project, and is due for completion this December. This project could yield a further modular expansion of production at this time. Subsequent to quarter end we have achieved several key operational milestones. Most notable is the commencement of the depth extension of the South Deep ventilation shaft, a crucial milestone in the development of the mine. The deepening of the ventilation shaft is an important step in the build-up towards the South Deep full production target of between 750,000 and 800,000 ounces of production by the end of 2014. The capital programme at South Deep is tightly managed to ensure that we achieve this target on time and on budget. Another important achievement is the successful construction and commissioning on time and on budget of the new secondary crusher plant at Damang. The plant will allow Damang to increase the average head grade to its mill by boosting the feed of harder, higher grade fresh ore and reducing the feed of softer, lower grade oxide ore. This plant was commissioned at the end of April. As a consequence gold production at the mine is forecast to increase to around 240,000 ounces per year from its current level of around 200,000 ounces a year. And it's also good to see a project being completed on time and on budget. Turning to our green fields exploration pipeline, the Chucapaca project in Peru is proving to be extremely promising. The interim scoping study will be completed by the end of June, and we expect to publish an initial resource for this project in the near future. Exploration at the Yanfolila project in Mali continues to deliver positive results, and our work has identified extensions to both the Komana East and West targets. The scoping study of the Komana East and West targets of this large property will be completed by the end of this calendar year. From the overview that I have given you it is clear that our operational interventions are starting to show results. However, we are not satisfied with where we are and there is still much to do. For the remainder of this year there will be a high degree of focus across all of our operations on improving efficiencies, productivities as well as costs in order to make sure that we report a healthy margin after notional cash expenditure, irrespective of the gold price achieved. To this end we have started a critical and detailed review of all of our mines, and where it is required we will process re-engineer the mines to ensure that we

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	achieve the improvements that I've spoken about. This is after all our primary reason for being in business. Looking to the next quarter we expect gold production to increase significantly to between 875,000 ounces and 900,000 ounces, particularly as the South African operations are getting back to the pre-Christmas levels. We expect our cash costs to come in at between $675 per ounce and $690 per ounce. Our NCE will be between $980 per ounce and $1,000 per ounce, reflecting our ongoing investment in South Deep as well as our brown fields exploration efforts around the world. In conclusion, Gold Fields is well positioned to deliver improved operational performance in the next few quarters, and in the medium and longer term, to provide you with value accretive growth from our on-mine and green fields exploration projects. With that both myself and Paul Schmidt, our Chief Financial Officer, are here and between the two of us will endeavour to answer any questions that you may have. Thank you.
Operator	Thank you very much, sir. Ladies and gentlemen, at this time if you'd like to ask a question please press star and then one on your touchtone phone. If you then decide to withdraw your question please press star and then two. I'll repeat that. If you'd like to ask a question please press star and then one now. Our first question comes from Shane Hunter of BJM. Please go ahead.
Shane Hunter	Good afternoon again. I just have one final question after this morning. Just on an increase in cost at St Ives, I see you explained a bit in the report. You said there was an increase that was due to an increase in depleted [?] waste. I just wondered if that was a once-off or if this is going to be ongoing. I was just looking at this in light of the expectation of your costs probably coming down by virtue of the fact that the royalty is gone now. I just wondered how that was looking.
Paul Schmidt	Shane, Paul here. The big reason for the increase in the costs at St Ives was due to the build-up of stockpiles. As you see there was a massive GIP credit as well. We are starting to build up stockpiles of low grade ore all around the site. If you take the net of the two numbers there wasn't that big of an increase. But yes, there was also an increase in our deferred stripping at one of the new pits where we had higher deferred stripping charges.
Shane Hunter	Okay, but will this higher cost now continue or will be there be some collection maybe next quarter?
Paul Schmidt	The costs are going to be fairly similar because you will see for the next quarter's forecast as well they're also going to continue to build up stockpiles. Shane, the way I look at it is the net number, the net of the GIP and the working cost.
Shane Hunter	Okay. Thanks then.

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Willie Jacobsz	Thank you, Shane.
Operator	Ladies and gentlemen, a final reminder that if you'd like to ask a question please press star and then one now. We will pause a moment to see if there are any further questions. Our next question comes from Lillian Letele of [unclear]. Please go ahead.
Lillian Letele	Hi. If you could please just clarify for us the issue around Australia. There has been an issue in the paper about tax on super profits. If you could just shed some light on the details around that and how it might impact Gold Fields.
Paul Schmidt	At the moment we cannot give you exactly what the impact will be on Gold Fields. We're waiting for finality on the parameters of this Henry tax review. I assume that's what you're talking about. Before we know exactly what the parameters are – what can and cannot be deducted in terms of capex and working costs – we're still trying get those to be able to model it for Gold Fields. But I think we can assume that if it does come through we will see a higher net charge for Gold Fields. What exactly it will be I can only tell you when we get the exact parameters from Australia.
Nick Holland	It has not been published yet.
Paul Schmidt	No, it has not been published yet.
Nick Holland	Also this thing has got a lot of work to go through before it will be passed. There is significant opposition. And if you ask me to give you a view I would say that this will not go through in its current form. The impact on the industry is far too significant and it places Australia way up the curve in terms of the total fiscal take. Now, if you work out all of the taxes that you generate from a particular country, add them all together and then express them as a percentage of pre-tax income – which is typically what research analysts do when they compare these things – this will put Australia right up there. And I can't believe that a mineral resource country like Australia would want to make itself uncompetitive in terms of future mining projects. I may be wrong, but let's see. I think it's going to be different in its final format.
Lillian Letele	Can you just tell us what the current tax is? Because they mentioned in the newspaper it was around 40%. So what is it currently?
Paul Schmidt	The income tax rate is 30% and we pay a royalty of 2.5%. What this proposes is to have an additional tax, a super tax of 40%, but you can deduct your royalty payment from that as well as the corporate tax rate will drop from 30% to 28%.
Lillian Letele	Okay. Thanks very much.
Operator	Gentlemen, we have no further questions. Would you like to make some closing comments?

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Nick Holland	I just want to thank people for their attendance on this call, and we look forward to seeing those of you that we tend to visit around the world from time to time soon. Have a good day. Thank you and goodbye.
Operator	Thank you very much. On behalf of Gold Field that concludes this afternoon's conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT