

GOLD FIELDS LTD
Form 6-K
May 02, 2005

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of 28 April 2005 Commission File Number 1-31318

Gold Fields Limited

(Translation of registrant's name into English)

24 St. Andrews Rd.

Parktown, 2193

South Africa

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.
Form 20-F..x... Form 40-F.....

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No ..x...

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

**Attributable gold production up 4 per cent
and total cash costs maintained at below R65,000 per kilogram**

JOHANNESBURG. 28 April 2005 – Gold Fields Limited (NYSE & JSE: GFI) today announced March 2005 quarter net earnings excluding gains and losses on financial instruments and foreign debt and exceptional items of R128 million up 28 per cent, compared with R100 million in the December 2004 quarter. In US dollar terms the March 2005 quarter equivalent was US\$21 million compared with US\$16 million in the December 2004 quarter.

March 2005 quarter salient features:

-
-
-
-
-

Attributable gold production increased 4 per cent to 1.09 million ounces quarter on quarter, in line with the previous guidance. The increase at the international operations was 17 per cent;

Costs were again well controlled, with total cash costs flat at R64,957 per kilogram (US\$340 per ounce);

Operating profit of R537 million (US\$90 million) was achieved for the March quarter;

Normalised earnings up 28 per cent to R128 million;

Gold Fields continued its vigorous defence against Harmony's hostile and ill conceived take-over attempt.

Ian Cockerill,

Chief Executive Officer of Gold Fields said:

“This is a challenging time for the South African gold mining industry and I am delighted with the way all of our employees have responded magnificently to the twin challenges of the difficult operating environment and the continuing saga of the hostile Harmony offer. I am pleased to report that the Gold Fields team around the world has once again delivered in line with its promises, with a strong operational performance across the Group.

A creditable 4 per cent increase in total attributable gold production was mostly offset by the lower rand gold price received during the quarter, resulting in a marginal increase in revenue. Rand per kilogram costs were well contained with Group costs flat at R64,957 per kilogram and net earnings, excluding gains and losses on financial instruments and foreign debt and exceptional items, increasing by 28 per cent quarter on quarter.

The Group's ongoing focus on inward investment has paid dividends, as international production has increased by 17 per cent with the completion of the growth projects at St Ives and Tarkwa. Further benefits are expected at these operations as internal efficiencies are maximised and costs reduced.

The South African operations delivered a robust performance despite the Christmas break and the traditional slow start up. Planning and scheduling was optimised at these operations in order to minimize production disruptions during this period. This optimised planning lead to gold production at the South African operations for the quarter ended March 2005 being 2 per cent higher than the corresponding period in the previous year. For the group as a whole, attributable gold produced was over 5 per cent higher than the corresponding period in the prior year with unit costs 4 per cent lower. The benefits of Project 100 and Project Beyond continue to be realized as South African unit operating costs again decreased quarter on quarter, the third in a row. Gold Fields is firmly on track to meet its stated rand cost per kilogram target of R70,000 for the South African operations and this target was in fact exceeded in the March month.

The results announced today are another clear demonstration of the true value of Gold Fields and management's ability to deliver in difficult times. We will continue to focus on operational excellence, which we believe will result in another strong performance in the next quarter despite continuing tough economic conditions.”

Stock data

JSE Securities Exchange South Africa–(GFI)

Number of shares in issue

Range - Quarter

ZAR66.02 – ZAR81.41

- at end March 2005

492,294,226

Average Volume - Quarter

748,300 shares / day

- average for the quarter

492,144,121

NYSE – (GFI)

Free Float

100%

Range - Quarter

US\$10.75 – US\$13.35

ADR Ratio

1:1

Average Volume - Quarter

904,600 shares / day

Bloomberg / Reuters

GFISJ / GFLJ.J

Q3 F2005

Quarter Ended 31 March 2005

News Release Q3 F2005 Results - unaudited

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SA Rand

US Dollars

Nine months to

Quarter

Salient features

Quarter

Nine months to

March

2004

March

2005

March

2004

Dec

2004

March

2005

March

2005

Dec

2004

March

2004

March

2005

March

2004

96,910

97,76132,131 32,599 **33,845**

kg

Gold produced*

(000) oz

1,0881,048 1,033 **3,143**

3,116

67,360

65,44367,528 64,921 **64,957**

R/kg

Total cash costs

\$/oz

340330 309 **332**

299

34,952

35,65511,815 11,823 **12,789**

000 Tons

milled		000	
12,789			
11,823	11,815	35,655	
34,952			
86,630			
82,885			
88,887	84,872	81,952	
R/kg		Revenue	\$/oz
428			
431	407	420	
385			
202			
197			
199	198	184	
R/ton		Operating	
costs		\$/ton	
31			
32	29	32	
29			
1,770			
1,630			
656	637	537	
Rm		Operating	
profit		\$m	
90			
104 96			
266			
253			
20			
19			
22	22	18	
%		Operating	
margin		%	
18			
22	22	19	
20			
953			
194			
255	80	11	
Rm			\$m
2			
13	38	32	
136			
197			
39			
51	16	2	
SA c.p.s.			
Net earnings			
US c.p.s.			
-			
3	7	6	

28			
634			
157			
221	45	9	
Rm			\$m
2			
8	33	26	
91			
131			
32			
45	9	2	
SA c.p.s.			
Headline earnings			
US c.p.s.			
-			
2	7	5	
19			
485			
222			
238	100	128	
Rm			\$m
21			
16	34	36	
69			
100			
45			
48	20	26	
SA c.p.s.			
Net earnings			
excluding gains and			
losses on financial			
instruments and			
foreign debt net of			
cash and exceptional			
items			
US c.p.s.			
4			
3	7	7	
14			

*Attributable – All companies wholly owned except for Ghana (71.1%).

Health and Safety

We regret the 5 fatalities which occurred during the March quarter, however, the fatal injury frequency rate reduced from 0.16 to 0.14. The lost day injury frequency rate improved from 13.2 to 12.2, and the serious injury frequency rate improved from 6.1 to an all time low of 5.8.

Beatrix continued its sterling performance by achieving 3 million fatality free shifts for the whole mine during the March quarter. Beatrix North excelled as well, managing to achieve 1.5 million fatality free shifts during this quarter.

Financial Review

Quarter ended 31 March 2005

compared with quarter ended 31 December 2004

Revenue

Attributable gold production increased by 4 per cent to 1,088,000 ounces in the March 2005 quarter as forecast in December, compared to 1,048,000 ounces achieved in the December 2004 quarter. Production at the South African operations was 711,000 ounces, which was 2 per cent lower than the previous quarter. The international operations increased 17 per cent to 377,000 ounces. Performance at the South African operations was similar to the forecast given in the December quarterlies at Driefontein and Beatrix but at Kloof an underground fire during the quarter at 2 sub-vertical shaft and the closure of number 3 surface treatment plant, resulted in lower than forecast production. The increase at the international operations was mainly due to a 45 per cent increase at St Ives, as the old and new mill operated in parallel for the whole quarter, and due to the full benefit being realised of the new Tarkwa mill in the March quarter. The old mill at St Ives operated throughout the quarter to utilise the available stockpile built up over the previous quarters and as a back up for the new mill as production increased towards design capacity. The slightly lower US dollar gold price achieved for the March quarter (US\$428 per ounce, compared with US\$431 per ounce in the December quarter) plus the strengthening of the rand against the US dollar, from an average of R6.12 to R5.95, resulted in the rand gold price decreasing 3 per cent, from R84,872 per kilogram in the December quarter to R81,952 per kilogram in the March quarter. The higher production was largely offset by the lower rand gold price achieved, resulting in revenue increasing marginally, from R2,946 million (US\$480 million) to R2,950 million (US\$495 million) this quarter.

Operating costs

Operating costs for the March quarter, at R2,351 million (US\$395 million), were virtually unchanged when compared with the December quarter's R2,341 million (US\$382 million). This was despite the increase in production. Costs at the South African operations were R1,649 million (US\$277 million), which was 2 per cent lower than operating costs in the previous quarter of R1,688 million (US\$275 million). This is further evidence of the savings achieved from various cost initiatives implemented over the last few quarters, as costs at the South African operations do not vary significantly with production levels as a high proportion of these costs are fixed. At the international operations, costs were R702 million (US\$118 million), 7 per cent higher than the R654 million (US\$107 million) reported in the December quarter. The increase in costs was mainly due to the 17 per cent increase in production. The net gold inventory release for the March quarter amounted to R62 million (US\$10 million) compared with a credit of R33 million (US\$6 million) the previous quarter. The release of gold-in-process was mainly at St Ives to feed both the new mill and the old mill. At Damang, there was also a release from stockpile due to the reduction of mining from the Damang pit as forecast last quarter, being replaced with low grade stockpile material.

Operating profit margin

The net effect of the movements in revenue and costs, after taking into account the release of gold-in-process, was an operating profit of R537 million (US\$90 million). This is 16

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per cent lower than the R637 million (US\$104 million) achieved in the December quarter. The Group margin decreased from 22 per cent last quarter to 18 per cent in the March quarter and the margin at the South African operations decreased from 12 per cent to 9 per cent. The margin at the international operations at 33 per cent compares to 40 per cent in the previous quarter.

A m o r t i s a t i o n

Amortisation of R371 million (US\$62 million) for the March quarter is virtually unchanged when compared with the December quarter's R379 million (US\$62 million).

Amortisation at the South African operations decreased by R4 million, mainly due to the decrease in production at Kloof.

O t h e r i n c o m e

Net interest and investment income after taking account of interest paid increased from R16 million (US\$3 million) in the December quarter to R34 million (US\$6 million) for the March quarter. This increase in net interest is due to gains on the interest rate swap previously deferred and credited to the Mvela loan of R17 million now included in earnings following the half yearly interest payment to Mvela.

Gains on foreign debt and cash which amounted to R5 million (US\$1 million) in the December quarter, are now nil. Previous gains were due to exchange gains on approximately €164 million held offshore, arising from an international private placement undertaken in November 2003. Now that these funds are held in US dollar, in an offshore subsidiary whose reporting currency is also US dollar, any exchange differences are accounted for in equity.

The loss on financial instruments of R55 million (US\$8 million) compares to a gain of R147 million (US\$24 million) in the December quarter. Included for the quarter is a marked to market loss on the Mvela interest rate swap of R73 million (US\$12 million), partially offset by a gain on the Tarkwa rand/US dollar forward cover of R12 million (US\$2 million) and a R6 million (US\$1 million) gain on the Australian dollar/US dollar call options.

The interest rate swap was established in relation to the loan from Mvela Gold and converted a fixed interest rate exposure to a floating rate. This instrument was established as short- term rates were significantly lower than long-term rates and the resultant upward sloping yield curve was expected to prevail for some time. This strategy is yielding positive results as the marked to market value of the swap at the end of March 2005 was a positive R164 million. Of this, R133 million was accounted for in the income statement and the balance of R31 million has been hedge accounted and credited to that portion of the loan that is regarded as debt for accounting purposes. The positive marked to market value on the interest rate swap at March of R164 million, compares with a positive marked to market value at the end of December 2004 of R259 million. R73 million of this reduction was accounted for in earnings as referred to above with the balance of the reduction of R22 million debited to the Mvela loan as this element of the interest rate swap is hedge accounted. This amount is included in earnings on a pro-rata basis as the loan is repaid. In addition, the accrued benefit of the interest rate swap for the March quarter was R22 million which will be realised in cash at the date of the next half yearly interest payment to Mvela. Year to date benefit from the interest rate swap amounts to R76 million. A further benefit of R21 million has been locked in for the three-month period to June 2005. More details on these financial instruments are given on page 15 of this report.

Exploration expenditure increased from R39 million (US\$7 million) to R43 million (US\$7 million) in the March quarter – please refer the Exploration and Corporate Development section.

The exceptional loss this quarter of R86 million (US\$14 million) was primarily as a result of the cost of defending against the Harmony hostile bid. Costs for the hostile bid include those billed to the end of March 2005 plus an estimate of costs not yet billed.

T a x a t i o n

A taxation credit of R57 million (US\$9 million) in the March quarter compares with a charge of R135 million (US\$22 million) in the December quarter. This decrease is due to the lower operating profit and a deferred tax credit at Tarkwa of R65 million (US\$11 million) and a credit at Damang of R6 million (US\$1 million) as a result of a decrease in the tax rate in Ghana from 32.5 per cent to 28 per cent.

E a r n i n g s

After accounting for minority interests, earnings amounted to R11 million (US\$2 million) or 2 SA cents per share (US\$0.00 per share), compared with R80 million (US\$13 million) or 16 SA cents per share (US\$0.03 per share) in the

previous quarter.

Headline earnings i.e. earnings less the after tax effect of asset sales, impairments and the sale of investments, amounted to R9 million (US\$2 million) or 2 SA cents per share (US\$0.00 per share) compared with R45 million (US\$8 million) or 9 SA cents per share (US\$0.02 per share) last quarter.

Earnings, excluding exceptional items as well as net gains and losses on financial instruments and foreign debt net of cash amounted to R128 million (US\$21 million) or 26 SA cents per share (US\$0.04 per share) compared with R100 million (US\$16 million) or 20 SA cent per share (US\$0.03 per share) reported last quarter.

C a s h f l o w

Cash flow from operating activities for the quarter was R653 million (US\$106 million), compared with operating cash flow in the December quarter of R233 million (US\$40 million). The increase in cash flow reflects a net positive change in working capital of R428 million (US\$69 million) due to account payments (including salaries) paid early last quarter due to the Christmas break.

Dividends paid during the quarter amounted to R148 million (US\$25 million). No dividends were paid last quarter.

Capital expenditure amounted to R440 million (US\$75 million) compared with R528 million (US\$87 million) in the December quarter. The decrease is mainly due to a reduction in expenditure on the expansion projects at St Ives and Tarkwa as they were commissioned in the December 2004 quarter. Expenditure at the South African operations was marginally lower at R150 million (US\$25 million). A significant portion of this expenditure was directed at the major projects, with R32 million at 1 tertiary and 5 shaft at Driefontein, R34 million at Kloof 4 shaft and R31 million at Beatrix 3 shaft. The

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Australian operations incurred capital expenditure of R151 million (A\$32 million). The mill project at St Ives accounted for R7 million (A\$2 million) of this expenditure as compared with R60 million (A\$13 million) in the December quarter. Expenditure on the St Ives mill project should be completed during the June quarter with similar levels of expenditure as were incurred in the March quarter. Other major expenditure at St Ives was for development at Argo underground and Mars open pit; A\$3 million at each project for the quarter. At Agnew R45 million (A\$10 million) was spent on the Songvang open pit project. At the Ghanaian operations, capital expenditure amounted to R77 million (US\$13 million). R12 million (US\$2 million) was spent on the new mill and on the project to convert from contract mining to owner mining at Tarkwa. This compares with R78 million (US\$13 million) in the previous quarter. Expenditure on these projects has now been finalised. Major projects are still forecast to be in line with approved votes.

Purchase of investments amounted to R130 million (US\$21 million). All of this was for the acquisition of a 19.8 per cent interest in Comaplex Minerals Corp. A R133 million (US\$22 million) Mvela loan repayment was made during the quarter.

Net cash outflow for the quarter was R214 million (US\$40 million). After accounting for a positive translation adjustment for the quarter of R168 million (negative US\$8 million) the cash balance at the end of the March quarter was R2,931 million (US\$474 million), which has declined marginally from R2,978 million (US\$522 million) at the end of December.

Detailed and Operational Review**Group overview**

Attributable gold production for the March 2005 quarter increased 4 per cent to 1,088,000 ounces when compared with the December quarter. Production from the South African operations at 711,000 ounces accounted for 65 per cent of the Group's total attributable production, compared with 726,000 ounces or 69 per cent last quarter.

At the South African operations, gold production decreased 2 per cent compared with the previous quarter. At Kloof, the decrease of 16,200 ounces was partly due to a fire at 2 sub- vertical shaft. At Beatrix, production decreased 4,100 ounces mainly due to the curtailment of loss making production, particularly at Beatrix 2 shaft (Beatrix South), where grades experienced at sections of this shaft are not economic at current rand gold prices. Affected crews are being redeployed to other parts of the mine (particularly Beatrix 4 shaft) and will help to replace the lost production over the next quarter at 2 shaft, as well as the lost production due to the stoppage of surface dump treatment at Beatrix number 2 plant. The declines at Kloof and Beatrix were partially offset by an increase at Driefontein of 5,800 ounces due to higher underground yields experienced at 5 shaft and on the west side of the mine. Operating profit at the South African operations decreased from R224 million (US\$36 million) to R166 million (US\$28 million), as a consequence of the lower rand gold price and the marginally lower gold production.

Production from the Australian operations increased 33 per cent to 206,900 ounces due to operating both the old and new mills at St Ives for the duration of the quarter, and increased production from the Songvang open pit at Agnew. Operating profit from the Australian operations increased quarter on quarter in rand terms from R108 million (A\$23 million, US\$18 million) to R120 million (A\$26 million, US\$20 million), primarily as a result of increased production. The

Ghanaian operations showed a 2 per cent increase in attributable gold production to 169,900 ounces. Tarkwa increased gold production by 10 per cent due to the first full quarter of production from the new mill at Tarkwa. Damang's production was 19 per cent lower due to a planned reduction in high grade ore volumes from the Damang pit. Ghana contributed operating profit of R251 million (US\$42 million).

The international operations contributed R371 million (US\$62 million) or 69 per cent of the total operating profit of R537 million (US\$90 million). This compares with R413 million (US\$67 million) or 65 per cent of the total operating profit of R637 million (US\$104 million) last quarter.

Group ore processed increased from 11.82 million tons to 12.79 million tons and overall yields were maintained at 2.9 grams per ton. As forecast, total cash costs in rand terms were virtually unchanged at R64,957 per kilogram, compared with R64,921 per kilogram in the December quarter. In US dollar terms, total cash costs increased 3 per cent to US\$340 per ounce, compared with US\$330 per ounce last quarter. This was due to the stronger rand. Operating cost per ton at R184 was 7 per cent below last quarter due to the increase in the surface tons at a lower average cost.

South African operations

During the September 2003 quarter management took a view that the South African currency would remain stronger for longer. As a result it was decided to reposition the South African operations. As previously reported this was presented as reverting from the “Wal-Mart” strategy (more volume at lower grade) to the “SAKS 5th Avenue” strategy (less volume at grades more in line with Life of Mine ore reserve values).

To support this switch in strategy in September 2003, management introduced an initiative called **Project 500**, which, in turn, was split into two sub-projects called: **Project 100** and **Project 400**.

Project 100 targets reduced consumption of stoping, development and engineering materials, via improved benchmarks and standards at the South African operations. To December 2004, savings for the first half of the year amounted to R70 million. In the March quarter additional savings of R29 million were achieved at Driefontein, Kloof and Beatrix of R14 million, R10 million and R5 million respectively. Projected annual saving are estimated to be in the region of R140 million for the year, which is well above the R100 million first targeted. Savings were mainly achieved on explosives, underground support, drill steel and logistics i.e. underground and surface engineering.

Project Beyond is a procurement initiative targeting savings of up to 10 per cent on materials, services and capital expenditure in South Africa on which around R3 billion per annum is expended. The first phase of the project addresses spend of R1.1 billion in three distinct blocks. The first block, completed in December 2004, achieved contractual savings of R41 million from a spend of R345 million. These savings, on items such as grinding media, lubricants and transport, will be realised over the next 12 months as the new contract arrangements come into force. Work on the second block of commodities, including explosives, electric cable, engineering repairs and underground services, amounting to around R370 million, is almost complete. Savings are expected to exceed target levels of R37 million. The third and final block of phase one of the project, scheduled for the fourth quarter of F2005,

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will address expenditure of around R440 million, and savings will come from areas which include roof support, diesel engine and pump repairs, electric motors and drilling services. It is noteworthy that, despite the achievement of major contractual savings in procurement, expenditure with BEE companies has increased to over 30 per cent during the quarter.

The scope of Project Beyond is being extended to include the Australian and Ghanaian operations, as well as the Peruvian project. Indications are that savings of more than US\$20 million per annum may be achieved, some of which will arise from the aggregation of spend across the four (S.A., Ghana, Australia and Peru) geographies.

Project 400 aims to increase revenue such that an additional R400 million is generated per annum. The aim is to improve the quality and quantity of our outputs by replacing surface tonnage to the plant with increased tonnage from underground and ensuring output of a better quality. With reference to the mine commentaries below, this is being implemented across all operations and together with the introduction of productivity initiatives reflects the increase in production year on year by some 2 per cent at lower costs, despite a significantly lower gold price.

In order to maintain and increase this production profile going forward it is imperative that the operations continue to focus on development in order to provide the mining flexibility required to continually improve stoping availability. At Driefontein development continued above 6.7 kilometres for the quarter, while on-reef development increased from 0.7 kilometres to 1.1 kilometres. VCR values have improved from 1,152 cm.g/t to 3,851 cm.g/t and the Carbon Leader reef development, the main contributor of ore at Driefontein, increased in value by 32 per cent to 2,179 cm.g/t – please refer to Development results on page 22 for more detail. At Kloof, metres advanced were marginally down due to the fire, but still at acceptable levels - close to 8 kilometres for the quarter. On-reef metres at Kloof increased marginally to 1.6 kilometres. Again an increase in values was seen as the VCR values increased from 1,921 cm.g/t to 3,259 cm.g/t; VCR being the primary ore zone at Kloof. At Beatrix, development advanced and on-reef metres were maintained quarter on quarter at 9.5 kilometres and 1.9 kilometres respectively, while values improved at West (previously 4 shaft) by some 20 per cent. Development levels being achieved at the South African operations are such that flexibility is expected to improve in the quarters to come.

D r i e f o n t e i n

March 2005

December 2004

Gold produced

- 000' ozs

293.5

287.7

Yield - underground

- g/t

8.9

8.1

- combined

- g/t

5.2

5.4

Total cash costs

- R/kg

64,520

67,114

-

US\$/oz

337

341

Gold production at Driefontein increased by 2 per cent from 287,700 ounces to 293,500 ounces in the March quarter. Underground tonnage decreased by 38,000 tons to 914,000 tons largely due to the Christmas break. This was replaced

by an increase in low grade surface tonnage from 695,000 tons to 846,000 tons. Total tonnage increased by 113,000 or 7 per cent quarter on quarter. The increased tonnage, being low grade, reduced the combined grade from 5.4 grams per ton in the December quarter to 5.2 grams per ton in the March quarter. The underground grade increased from 8.1 to 8.9 grams per ton for the quarter. This was on the back of higher grades than expected from the West section of the mine at 7 and 8 shafts, but should decline in the June quarter to around 8.5 grams per ton in line with the stoping areas and mix currently being mined.

Operating costs decreased 2 per cent from R625 million (US\$102 million) to R614 million (US\$103 million) as a result of the ongoing cost initiatives. Total cash costs reduced by 4 per cent in rand terms to R64,520 per kilogram quarter on quarter. In US dollar terms, total cash costs decreased by 1 per cent from US\$341 per ounce to US\$337 per ounce.

The abovementioned production and cost improvements were offset by the decrease in the rand gold price, resulting in operating profit decreasing from R135 million (US\$22 million) to R133 million (US\$22 million) in the March quarter. Capital expenditure was marginally lower at R37 million (US\$6 million).

Gold output forecast for the June quarter will be slightly lower than the March quarter against similar cost profiles. This is due to a slight reduction in grade and the industrial action experienced at the start of the quarter which had a negative influence on production. Seismic activity at number 5 shaft complex remains a concern. However, mining sequencing and the on-time delivery of the refrigeration plant at 5 shaft over the Christmas break are expected to improve flexibility and future productivity levels at the complex.

K l o o f

March 2005

December 2004

Gold produced

- 000'ozs

264.4

280.6

Yield - underground

- g/t

9.7

9.2

- combined

- g/t

6.7

6.8

Total cash costs

- R/kg

73,915

71,628

-

US\$/oz

386

364

Gold production at Kloof decreased 6 per cent to 264,400 ounces in the March quarter. This was partly due to a fire reported to the market on 3 February at 2 sub-vertical shaft. It was necessary to seal off this area for two weeks, resulting in a loss of production of over 6,000 ounces. Production has now returned to normal. The Christmas break together with the closure of number 3 metallurgical plant during the quarter, resulted in a further loss of gold production. This plant, which treats surface rock dump, has proven uneconomical at the current gold price, and its closure will reduce fixed costs at Kloof. Clean-up of number 3 plant will commence during the June quarter. Higher grades were experienced at 4 and 7 shafts due to more terrace mining. The higher grades will return to slightly lower levels in the June quarter as the mining face advances.

Operating costs decreased by 2 per cent from R649 million (US\$106 million) in the December quarter to R634 million (US\$107 million) in the March quarter. Total cash costs increased by 3 per cent to R73,915 per kilogram as a result of

the lower gold production. In US dollar terms, total cash costs increased by 6 per cent from US\$364 per ounce to US\$386 per ounce as a consequence of the lower production and the strengthening rand. Operating profit decreased from R88 million (US\$14 million) in the December quarter to R41 million (US\$7 million) in the March quarter. This was due to the lower gold price received and the decrease in gold production.

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Capital expenditure decreased from R63 million (US\$10 million) to R61 million (US\$10 million) for the quarter. The majority of this expenditure was spent on 4 sub-vertical shaft.

A holistic productivity strategy is now in place and in addition, initiatives aimed at reducing footprints thereby reducing fixed costs will continue. An example of this is the closure of 3 plant. During the June quarter preparation for the mothballing of the 5, 6 and 9 sub-vertical shafts will commence. These shafts are dedicated to pumping and are not gold producing shafts. The main pumping operation will move from 5 and 9 shafts to number 10 shaft, a project that will take twelve months to fully commission. This rationalisation will not only improve pumping infrastructure but will also lower pumping costs.

The Easter break and the other public holidays in the June quarter, together with the one day industrial action experienced at the start of this quarter, will have a negative influence on production, particularly at 7 shaft where an extra day of unprotected action was experienced. Notwithstanding this, gold production in the June quarter is expected to increase which should have a positive impact on unit costs.

B e a t r i x

March 2005

December 2004

Gold produced

- 000'ozs

153.5

157.6

Yield - underground

- g/t

5.2

4.7

- combined

- g/t

4.8

4.5

Total cash costs

- R/kg

81,064

81,351

-

US\$/oz

424

413

Gold production at Beatrix decreased 3 per cent from 157,600 ounces in the December quarter to 153,500 ounces in the March quarter. Underground ore volumes decreased by 12 per cent from 1,016,000 tons to 897,000 tons in the March quarter. This was mainly due to the elimination of loss making areas during the quarter, mostly at 2 shaft as mentioned last quarter. As a consequence, the combined yield increased by 7 per cent quarter on quarter, from 4.5 grams per ton to 4.8 grams per ton. An increased drive on dry sweepings at all shafts also contributed to the improved yield. Surface yields decreased from 1.3 grams per ton to 0.7 grams per ton and treatment of uneconomical low-grade surface dumps across Beatrix at number 1 plant and number 2 plant has ceased. Underground yields increased from 4.7 grams per ton in the December quarter to 5.2 grams per ton in the March quarter. At Beatrix North and South, underground yields increased from 4.5 grams per ton to 4.7 grams per ton in the March quarter due to the elimination of low grade, uneconomical volumes. At Beatrix West (previously named 4 shaft), underground yield increased from 5.8 grams per ton to 7.4 grams per ton, due to a shift in the mining mix into zone 5. However, stoping volumes at West were 10 per cent lower quarter on quarter as the ongoing logistical and remedial work programme was accelerated. The majority of the ventilation system change-over and internal ore pass work to assist mining from Zone 5 was completed during the quarter. It is anticipated that the remaining work on the logistics will be completed during

the June quarter. The stoping and development build-up at 3 shaft in the North section continues to be in line with expectations.

Operating costs decreased by 3 per cent from R413 million to R402 million due to the various cost saving initiatives. Total cash costs decreased by 1 per cent from R81,351 per kilogram (US\$413 per ounce) to R81,064 per kilogram (US\$424 per ounce).

Despite the improvements during the quarter, which resulted in an operating profit of R27 million for the month of March, the March quarter recorded an operating loss of R8 million. The lower rand per kilogram price received was the main contributor to this loss. This compares with a breakeven position in the December quarter.

Capital expenditure decreased from R58 million (US\$10 million) to R53 million (US\$9 million) in the March quarter due to the impact of cost saving initiatives. The majority of this expenditure was spent on development and hydropower at 3 shaft.

Gold production is forecast to increase marginally in the June quarter. Improved production at West shaft and sustained cost control at all of the shafts should result in lower unit costs in spite of the one day unprotected strike action experienced at the start of the June quarter and the impact of the Easter break.

I n t e r n a t i o n a l o p e r a t i o n s

G h a n a

T a r k w a

March 2005

December 2004

Gold produced

- 000'ozs

185.0

167.9

Yield – Heap Leach

- g/t

0.9

1.1

Yield – CIL Plant

- g/t

1.6

1.4

Total cash costs

- US\$/oz

226

224

Tarkwa's gold production increased by 10 per cent from 167,900 ounces in the December quarter to 185,000 ounces in the March quarter as forecast. The heap leach operation contributed 125,700 ounces, down 14,000 ounces from the previous quarter. The CIL plant contributed 59,300 ounces, an increase of 31,400 ounces on the previous quarter, reflecting the first full quarter of CIL plant production.

The CIL plant processed 1,163,000 tons at a yield of 1.6 grams per ton. The plant is operating well and has consistently achieved or exceeded the designed throughput of 350,000 tons per month, while exceeding the designed recovery of 96 per cent. The head grade continues to trend towards the target of 1.8 grams per ton.

Ore stacked on the leach pads was stable at 4.1 million tons, at a head grade of 1.16 grams per ton, compared with 1.21 grams per ton in the December quarter. This slight decrease in grade was a result of lower grade areas being mined and stacked at the South leach pads as planned. The planned increase in grades at the North leach pads, to offset the South's decrease, were not achieved during January and February due to mining constraints in higher grade pits. The grade is expected to return to 1.21 grams per ton in the June quarter. The reduction in heap leach gold production versus the previous quarter reflects lower gold-in-process release during the period, 6,500 ounces against 11,500 ounces in December, due to slightly lower head grades and stacking on higher lifts as previously reported.

The ongoing enhanced performance of the owner mining fleet has resulted in record tonnages being mined this quarter, with total tons mined increasing by 2.4 million tons to 21.1 million tons. The bulk of this increase was

devoted to increased

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waste mining and the stripping ratio increased from 2.84 to 3.30. While increased stripping has a detrimental impact on unit costs, it is essential to optimise the health of the overall mine and improve flexibility. Mining costs were US\$0.73 per ton for the quarter compared with US\$0.69 per ton last quarter, reflecting an increase in the cost of consumables and increased maintenance requirements. The overall performance of the fleet continues to exceed expectations, while unit costs remain within budget as equipment efficiencies largely offset significant input cost changes, especially on diesel. Additional opportunities to reduce costs and improve utilization are being identified through a continuous improvement programme.

Operating costs at US\$42 million (R249 million), including gold-in-process adjustments, were US\$5 million higher than the previous quarter, reflecting the increased cost of operating the new mill for a full quarter (US\$2.1 million), and the increase in tonnages mined. Operating costs per ton treated were US\$7.90 per ton as against US\$7.51 per ton in the December quarter, reflecting the higher strip ratio. Total cash costs remained flat at US\$226 per ounce compared with the December quarter's US\$224 per ounce. This level is marginally higher than forecast reflecting the higher strip ratio, where the mine utilised the opportunity of the additional capacity from the fleet, and the slightly lower grades at the south leach pads.

Operating profit increased from US\$35 million (R219 million) in the previous quarter to US\$37 million (R224 million) in the March quarter due to the increased production, offset partially by the lower gold price, which averaged US\$430 per ounce for the quarter compared with US\$437 per ounce in the December quarter. Net earnings for the quarter increased from US\$15 million to US\$28 million as a result of the increased production and a US\$11 million deferred tax release. This was due to a welcome 4.5 percentage point reduction in the Ghanaian company taxation rate, from 32.5 to 28 per cent.

Capital expenditure halved from US\$20 million (R118 million) in the previous quarter to US\$10 million (R57 million) in the March quarter, as a result of closing-out the mining fleet acquisition and the completion of the construction of the CIL plant.

Gold production and unit costs for the June quarter are expected to be similar to that of the March quarter.

D a m a n g

March 2005

December 2004

Gold produced

- 000' ozs

53.9

66.5

Yield -

g/t

1.3 1.5

Total cash costs

- US\$/oz

346

226

Gold production decreased from 66,500 ounces during the December quarter to 53,900 ounces in the March quarter.

This was directly attributable to the planned cessation of mining operations in the Damang pit, which resulted in the replacement of 340,000 tons of high grade ore with lower grade stockpile ore, coupled with a loss in mill run time.

Mill throughput for the quarter reduced from 1.35 million tons to 1.26 million tons at a head grade of 1.44 grams per ton, compared with a head grade of 1.67 grams per ton in the December quarter. The decrease of 97,000 tons milled was due to mill downtime as a result of the failure of the SAG mill

gearbox and the planned change out of the SAG mill liners. The decrease in the head grade was due to the replacement of the Damang pit ore with the low grade stockpile ores.

Mining commenced in the new Amoanda pit, and together with the Juno 2SE pit was the main source of oxide feed to the plant for the quarter. Pleasingly total tons mined increased to 3,120,000 tons from 1,913,000 tons in the previous quarter, primarily due to the commencement of mining in the Amoanda pit, which has a stripping ratio of 6.

Ore production reduced from 809,000 tons to 468,000 tons as a result of mining operations having ceased in the Damang pit and due to mining in the new pits focussing on waste removal. A slight increase in ore tonnages mined is expected in the June quarter, and significant increases in ore production is only expected in July 2005, when the Tomento pit comes into production, once the permitting process is completed.

Operating costs, including gold-in-process adjustments, increased to US\$18 million (R109 million) from US\$15 million (R90 million) in the December quarter. Operating costs increased as a result of higher tonnages mined, additional grade control drilling required in the new pits and an increase in the gold-in-process charge as a result of an increase in stockpile ores treated. Cost per ton milled increased from US\$10.99 to US\$13.27. Total cash costs increased significantly as forecast, from US\$226 per ounce in the December quarter to US\$346 per ounce in the March quarter, as a result of the above factors and the lower head grade.

With the average gold price decreasing from US\$433 per ounce to US\$425 per ounce, together with the reduced gold output and increased unit costs, operating profit decreased from US\$14 million (R86 million) to US\$5 million (R27 million). Ghanaian corporate taxation reduced from 32.5 per cent to 28 per cent effective 1 January 2005. This had a small positive impact on earnings.

Capital expenditure incurred during the quarter amounted to US\$3 million (R20 million). The majority of this expenditure was incurred in the raising of the tailings dam, the Damang extension projects and reserve conversion drilling.

Mill throughput for the June quarter is projected at 1.3 million tons, with gold production expected to be maintained at the level achieved in the March quarter. Total cash costs are expected to rise slightly due to an estimated 20 percent increase in tonnages mined. Operations at Damang are likely to stabilise at this level for the next year at least.

Damang has outperformed expectations consistently over the last year and the next few periods will be more modest as lower grade sources of ore are brought to production, pending the re-establishment of mining of higher grade ores in the Damang pit once the large cut back is brought to full ore production.

A u s t r a l i a

S t I v e s

March 2005

December 2004

Gold produced

- 000'ozs

154.1

106.6

Yield – Heap Leach

- g/t

0.6

0.7

Yield – Milling

- g/t

3.4

4.4

Total cash costs

- A\$/oz

451

463

-

US\$/oz

350

348

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Gold production for the quarter increased 45 per cent to 154,100 ounces, compared with 106,600 ounces in the December quarter in line with expectation. This increase reflects the ramp-up to full production of the new Lefroy mill, coupled with ongoing production from the old mill during the quarter. The contribution from the heap leach operations was slightly below the December quarter at 10,000 ounces.

Total tons processed during the quarter amounted to 2,026,000, a significant increase from the 1,255,000 tons processed in the December quarter, with almost all the difference attributable to the new Lefroy mill. For the quarter 1,466,000 tons were processed through the mills, compared with 689,000 tons last quarter. During this period the new mill achieved design tonnage of 550tph. The large single stage SAG mill has performed exceptionally well, but overall plant ramp-up was slow and complicated by persistent materials handling problems as well as minor process control issues. By quarter end these were well in hand and the plant now shows potential to operate considerably above design level. The old mill was shut down at the end of March and decommissioning is underway.

The average head grade processed of 2.7 grams per ton was marginally below the December quarter's 2.8 grams per ton. The combined yield reduced from 2.6 grams per ton to 2.4 grams per ton. Yield at the heap leach operation was 0.6 grams per ton compared with 0.7 grams per ton last quarter and the yield at milling operations was 3.4 grams per ton compared with 4.4 grams per ton in the previous quarter, as more lower grade open pit ore was milled.

Mining operations produced 1.29 million tons of ore during the quarter as planned, which was up slightly from the previous quarter's 1.18 million tons. Open pit waste movement was down from last quarter and will reduce somewhat again in the June quarter, as the target ore zones become exposed. During the quarter 5.6 million tons of open pit ore and waste were mined at an average strip ratio of 6.1 (December quarter: 8.2 million tons at a strip ratio of 11.5).

Overall the underground mining operations performed to expectation. A reduction in ore volumes from Junction, at which mining is scheduled to be complete in the June quarter, was mostly offset by increased output from the Leviathan complex. Both of these mines continue to exceed expectation offsetting ongoing challenges at the Argo mine.

Operating costs, including gold-in-process adjustments, increased from A\$48 million (R222 million) to A\$72 million (R331 million) a 50 per cent increase, which is in line with the increased production and in line with forecast. However, total cash costs decreased from A\$463 per ounce (US\$348 per ounce) to A\$451 per ounce (US\$350 per ounce) as a result of lower unit processing costs associated with the new Lefroy mill and improvements in underground mining costs. Total cash costs in the quarter remained considerably beyond our target of A\$350 per ounce due the high costs of sustaining the old mill, planned lower grades from the open pits and ongoing challenges in cost control and grade recovery at the Argo underground mine. Further cost reductions are expected in the June quarter as the new plant is optimised and the old more expensive plant is taken off line and further benefits from cost optimisation at the underground mines are realised.

Operating profit at A\$13 million (R60 million) improved marginally in the March quarter despite the significant increase in gold production when compared with the previous quarter. This was caused by two factors, the first being a A\$23 per ounce decline in gold price received, equivalent to some A\$3.5 million in operating profit. Secondly, a significant gold inventory charge in the March 2005 quarter of A\$10.1 million was incurred compared with a A\$8.5 million credit in the December 2004 quarter. These charges largely reflect the stockpiles consumed during the quarter with the concurrent operation of the two mills, which stockpiles had been accumulated in previous quarters. As planned the commissioning of the new mill was also undertaken using lower grade and thus lower margin ores, further accounting for the disconnect between increased volumes and static operating profits.

Capital expenditure for the March quarter amounted to A\$15 million (R72 million) compared with A\$32 million (R148 million) in the December quarter. This decrease was driven by a reduction in mill construction cost (A\$12 million), which is now complete, and a reduction in open pit waste stripping (A\$3 million).

Production for the June quarter is expected to be in line with the March quarter, as increased production from the new Lefroy mill and clean-up and recovery of gold from the decommissioned old mill will mostly offset the lost production from the old mill. Timing and volumes of gold recovery from the old mill are however unpredictable. Unit costs are expected to improve over the next two quarters as the Lefroy mill is optimised and key ore zones are accessed in the open pit operations.

A g n e w

March 2005	
December 2004	
Gold produced	
- 000' ozs	
52.8	49.0
Yield -	
g/t	
5.6	5.4
Total cash costs	
- A\$/oz	
300	351
-	
US\$/oz	
233	264

Gold produced at Agnew increased from 49,000 ounces in the December quarter to 52,800 ounces in the March quarter, slightly ahead of the forecast. This was primarily due to a 5 per cent increase in mill throughput and a 3 per cent increase in feed grade. The increase in feed grade was due to an increase in the grade from the Songvang pit and the Kim underground mine.

Gold production from the Waroonga underground complex (Kim and Main Lodes) increased to 42,000 ounces from 35,000 ounces in the December quarter. This was due to the ongoing enhanced performance of the Kim Lode, offsetting the production previously sourced from the Crusader complex, which was shutdown in the December 2004 quarter. The development of Main Lode and Kim South Lode commenced during the quarter, and stope production from these sources will be fully operational by the end of the September 2005 quarter. Kim South is a down dip, but offset and upthrown extension of the Kim Lode, that was discovered in the latter part of last year.

Open pit mining at Songvang ramped-up to capacity during the quarter. Although this phase of mining is predominantly waste stripping, ore production accounted for 11,000 ounces of the quarter's gold production. Operating costs, including gold-in-process adjustments, decreased from A\$17 million (R80 million) to A\$16 million

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(R74 million) in the March quarter, mainly as a result of the cessation of operations at the underground Crusader complex. Total cash costs decreased from A\$351 per ounce (US\$264 per ounce) in the December quarter to A\$300 per ounce (US\$233 per ounce) in the March quarter. This decrease was a result of the increase in gold production and grades, and the decrease in underground mining costs.

Agnew's operating profit increased from A\$11 million (R49 million) to A\$13 million (R60 million) in the March quarter. This is primarily due to lower mining costs and the higher grades referred to above.

Capital expenditure increased from A\$11 million (R50 million) to A\$17 million (R80 million) in the December quarter. This increase is predominantly a result of increased waste stripping at the Songvang open pit and increased development at the Waroonga underground complex.

Gold production for the June quarter is expected to be slightly higher than the March quarter, reflecting higher mill throughput and increased ore production from the Songvang pit. Cash costs should remain stable.

Quarter ended 31 March 2005 compared with quarter ended 31 March 2004

Attributable gold production increased 5 per cent from 1,033,000 ounces for the March 2004 quarter to 1,088,000 ounces this quarter. At the South African operations production increased 2 per cent due to an increase in yield from 7.4 to 7.9 grams per ton, in line with the strategy to reduce marginal mining. At the international operations production increased 11 per cent. This was mainly due to the increases achieved at St Ives and Tarkwa from the commissioning of the new growth projects during the year.

Revenue decreased 3 per cent in rand terms (increased 11 per cent in US dollar terms) from R3,028 million (US\$444 million) to R2,950 million (US\$495 million). This was due to a reduction in the rand gold price achieved, from R88,887 per kilogram (US\$407 per ounce) in the March 2004 quarter to R81,952 per kilogram (US\$428 per ounce) in the March 2005 quarter, which offset the increase in production.

Operating costs were unchanged at R2,351 million (in dollar terms increased from US\$345 million to US\$395 million) due to cost saving initiatives and the impact of translating costs at the international operations into South African rand at a stronger rand dollar exchange rate than the corresponding quarter in the previous year. The rate strengthened from US\$1 = R6.79 to US\$1 = R5.95, a 12 per cent increase. At the South African operations costs were virtually unchanged at R1,649 million despite above inflation wage increases and despite the 2 per cent increase in production referred to above. This was due to the cost saving initiatives implemented over this period.

Operating profit declined from R656 million (US\$95 million) to R537 million (US\$90 million) quarter on quarter. Earnings excluding gains and losses on financial instruments and foreign debt and exceptional items amounted to R128 million (US\$21 million) this quarter compared with R238 million (US\$34 million) in the March 2004 quarter.

Capital and development projects

Damang pit cut back project

Initial pit designs have been completed on the ore resource model, developed after the recent drilling campaign in and around the existing pit. The pit design is indicating that a cutback is feasible on both the Eastern and Western walls of the pit. Additional infill drilling was commissioned and completed during the quarter. This was to confirm the extent of the mineralisation in certain areas of the proposed cutback, as well as to convert inferred resources within the designed pit into a higher category.

Currently a geotechnical study is being undertaken by SRK Perth to examine the influence that the Eastern tailing storage facility will have on the proposed Eastern wall cutback and the Damang fault on the Western wall cutback. Once the geotechnical parameters have been established a final economic evaluation will be completed during the June quarter.

Cerro Corona in Peru

All field work necessary for the completion of the Environmental Impact Study (EIS) was completed during the March quarter. This includes all of the necessary social base line studies which are an integral part of the EIS. Submittal of this document is scheduled by the end of April, reflecting the additional social work requested by the Peruvian Government.

Community relations are of significant importance and as such six workshops presenting the project to the various nearby communities were completed during the quarter with positive results.

Hatch has been selected as the prime contractor for the engineering and final design work, and were well advanced in this effort by quarter's end. It is still planned to have the project engineering completed to advanced feasibility level by the end of the June quarter. A preferred mining contractor for the project has been identified and finalisation of terms is underway.

Arctic platinum project

In October we reported that the feasibility study of this project had been temporarily delayed pending the outcome of a review to assess the impacts of lower grades in the most recent Suhanko resource models and the impacts of the dramatic increases in input costs on the back of the global commodity and resources boom, and the strong euro : US dollar exchange rate.

During the quarter the feasibility study was co