GOLD FIELDS LTD
Form 6-K
October 19, 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 November 2004
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- ________

A N N U A L   R E P O R T   2 0 0 5

Gold Fields Limited

the complete gold company

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Registration number: 1986/004880/06
Share code: GFI ISIN - ZAE 000028123
www.goldfields.co.za
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Vision
To be a leading, globally diversified,
precious metals producer through
the responsible, sustainable and
innovative development of quality
assets.
Mission

Gold Fields is intent on achieving outstanding returns for investors with motivated employees committed to optimising existing operations and aggressively pursuing and developing additional world-class deposits, promoting mutually beneficial relationships and applying best practice technology.

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United States dollars
South African rand
F2004
F2005
F2005
F2004
4,158
4,219
'000 oz
Gold produced*
kg
131,284
129,329
302
331
$/oz
Total cash costs
R/kg
66,041
67,075
46,028
47,880
'000
Tons milled/treated
'000
47,880
46,028
387
422
$/oz
Revenue
R/kg
84,218
85,905
30
32
$/t
Operating costs
R/ton
198
204
336
368
$m
Operating profit
Rm
2,286
2,315
111
29
$m

Net earnings
Rm
180
768
85
73
$m
Core earnings°
Rm
452
587
*
all companies wholly owned except for Ghana (71.1%)
°
net earnings excluding gains and losses on financial instruments and foreign debt net of cash and exceptional items
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highlights
01
90 -
80 -
70 -
60 -
50 -
40 -
30 -
20 -
10 -
0 -
Attributable
gold
reserves
(Moz)
02
03
04
05
01
4.4 -
4.3 -
4.2 -
4.1 -
4.0 -
3.9 -
3.8 -
3.7 -
3.6 -
3.5 -
3.4 -

Attributable
gold
production
(Moz)
02
03
04
05
01
80,000 -
70,000 -
60,000 -
50,000 -
40,000 -
30,000 -
20,000 -
10,000 -
0 -
Total
cash costs
(R/kg)
02
03
04
05
01
350 -
300 -
250 -
200 -
150 -
100 -
50 -
0 -
Total
cash costs
(US$/oz)
02
03
04
05
01
160 -
140 -
120 -
100 -
80 -
60 -
40 -
20 -
0 -

Share
price
(SA rand)
02
03
04
05
01
16 -
14 -
12 -
10 -
8 -
6 -
4 -
2 -
0 -
Share
price
(US dollars)
02
03
04
05

Consistent
performance

"… the company was able to report an increase in production to 4.22 million ounces, to reduce total cash costs from R67,075 per kilogram to R66,041 per kilogram and achieve fl at operating profi ts …"

Company
growth

"Growth for this company must come from new discoveries and/or acquisitions outside South Africa."

Good
compliance

"The company is in good compliance with the criteria set by the Mining Charter and we expect its new order mining rights to be issued in 2006."

Message
from the chairman

Mining operations are well-planned and engineered, accounts are conservatively struck and internal controls are increasingly more effective. These details are transparently disclosed herein.

The fiscal year ended 30 June 2005 was a distracting one for Gold Fields. The overshadowing events were the extended hostile but futile bid by Harmony for Gold Fields and the failed IAMGold transaction, a matter related to the bid. Together, these two issues took up more than nine months of management time and were a major distraction for all concerned.

The fact that the company was able to report an increase in production to 4.22 million ounces, to reduce total cash costs from R67,075 per kilogram to R66,041 per kilogram and achieve flat operating profits is quite remarkable; a testament to the strength of our management and asset quality. Net earnings were down 77 per cent to R180 million largely due to non-operating features including the costs of the Harmony defence (R316 million), the costs associated with the proposed IAMGold transaction (R58 million), and higher amortisation charges.

By contrast, net earnings two years ago were R2,953 million. This highlights one of the key strategic issues facing Gold Fields. In 2003, gold hovered around US$400 an ounce, the rand averaged R9.07 to the US dollar and cost pressures in South Africa continued to grow. The contribution of the lower rand revenues and rising costs have a twofold effect on the company in that they not only reduce earnings but move gold reserves back out of the reserve classification to resource classification as economics are impaired. While this is not unique to South Africa, it is remarkable that the rest of the global industry is reporting such mediocre profits and lack of reserve growth in the face of US$425 per ounce gold prices. Higher input costs in the form of higher steel prices, higher cyanide, diesel and reagent costs, together with deteriorating mine grades, are to blame. This industry, which survived gold below US$275 an ounce, is strikingly unprosperous at US$425 an ounce.

This annual report discloses extensive detail about the operating results of the company and its various mines and enterprises. There can be no doubt that the day-to-day operations are professionally and competently managed. Mining operations are well planned and engineered, accounts are conservatively struck and internal controls are increasingly more effective. These details are transparently disclosed herein. I will confine my comments, therefore, to the external issues facing the company.

Firstly, the strategic issues remain the same as they have for some time. Despite substantial inward investment over the past decade, the South African mines are mature, getting deeper, and face declining grades and rising costs. Production growth from new ventures in South Africa is limited by the lack of new mining opportunities in gold. By and large, profitable growth in South Africa can only be achieved through investment in cost reduction and labour productivity in existing mines. These have their limits. Growth for this company therefore, must come from new discoveries and/or acquisitions outside South Africa. Some critics have attempted to paint this external growth focus as unpatriotic, however, management is charged and rewarded to create value for shareholders and grow the company. Gold Fields' vision is to be the leading, globally diversified precious metals producer. As the South African assets slowly decline over the next two decades or more, Gold Fields is bound to become increasingly international, using its South African base as the platform from which to grow globally.

Having said that, the South African operations remain the bedrock on which this company is built. Over the past five years, we have invested more than R5 billion in capital projects at our South African mines, thereby positioning them for the future. We have built new long-life shafts at Driefontein, Kloof and Beatrix; we have upgraded our metallurgical plant facilities to world-class standards; we continue to improve underground working conditions for our people through Project 28.5°C; and we have improved our overall safety performance by more than fifty per cent through various initiatives. We have invested in our ore bodies improving our available ore reserves position at our long-life shafts to more than 18 months, and we continue to invest in developing the skills and abilities of our people through extensive education and training programmes, spending approximately R133 million per year in this field.

The second strategic issue for Gold Fields is the difficulty in finding value-adding growth opportunities elsewhere in the world. The company has interesting development projects in inventory in the form of Cerro Corona in Peru, Essakane in Burkina Faso, plus promising joint venture prospects within Comaplex Mining on the Meliadine property in northern Canada and Bolivar Gold in Venezuela. During the year, the Arctic Platinum Project (APP) was put on hold. The strengthening trend of the euro against the US dollar and dramatic increases in steel and construction costs raised capital costs by 50 per cent from those anticipated last year which, in the face of low palladium prices, put the project economics below our investment hurdles. Inflation in capital, operating and transport costs generally, is affecting the economics of new projects almost everywhere which, when combined with the social and political risks of entering countries where gold is being found, makes growth a challenge.

The third principal strategic issue is meeting the demands for transformation in South Africa embodied principally in the Mining Charter and the Black Economic Empowerment (BEE) movements. The boom in global mining, particularly base metals, coal and iron ore, is placing intense pressure on the industry’s already limited human resources and this will continue for some time. A significant challenge for the next few years will be for Gold Fields to meet the target for transformational representation in management. The ranks of historically disadvantaged South Africans (HDSAs) are not well filled with management-trained mining people, unquestionably a result of policy mistakes by past governments. Training, developing and retaining people will be a continuing challenge. On the related issue of black empowerment, the Gold Fields transaction with Mvelaphanda Resources to sell a 15 per cent equity interest in the South African gold mining interests of the company remains a landmark example of a responsible BEE transaction. During the year, this transaction was amended slightly to define the minimum (45 million) and maximum (55 million) number of shares in Gold Fields that Mvelaphanda Resources can obtain should it elect to exchange its equity interest in the South African assets for Gold Fields shares. Also, Gold Fields has not yet received its new order mining rights, but is in good compliance with the criteria set by the Mining Charter. We expect the new order mining rights to be issued in F2006.

The hostile takeover attempt by Harmony for Gold Fields should never have happened. Motivated for the wrong reasons, namely, to revive and perhaps even rescue a failing Harmony; cloaked in hypocritical patriotism, and buttressed with gold reserves that did not conform to industry standards, the bid was unappealing to Gold Fields’ shareholders from the start. Its primary strength was drawn from its designed appeal to overseas hedge funds and Harmony's irrevocable proxy from 20 per cent shareholder Norilsk Nickel. The fact that the bid was drawn out for an unheard-of seven months, can be blamed largely on the inconsistency between the competition laws and takeover code in South Africa. The entire takeover framework in South Africa is in need of reform and if any good is to come from Harmony's ill-conceived bid it will be to highlight this need. That aside and viewed in retrospect, the whole affair had only negative consequences. It was extremely expensive in legal and advisory costs, R316 million for Gold Fields and R184 million for Harmony, not to mention opportunities foregone while the company was under siege. While Harmony did manage to acquire 11 per cent of Gold Fields, it has incurred a loss of R372 million on the 6 per cent sold to date. Both companies endured severe markdowns in their market capitalisations, Harmony's spectacularly so, and neither has yet fully recovered despite a weakening rand. It has not made Gold Fields any more efficient than it was, while it has raised enduring questions about Harmony's ore reserves and management. Altogether, it was a value-destroying experience and antagonised most international shareholders.

The interrelated matter of the failed IAMGold transaction was also unfortunate. The concept of Gold Fields acquiring control of a foreign publicly listed company through the sale of its foreign assets to that company was consistent with our international growth strategy. IAMGold was the perfect target, for not only is it our joint venture partner and owner of 18.9 per cent of Tarkwa and Damang, it has other attractive interests in Africa, and was also in need of a transaction of the nature proposed. While by far the majority of Gold Fields shareholders by number supported the transaction, three significant shareholders, including 20.0 per cent shareholder Norilsk, voted against it. As a result the transaction was marginally rejected with 51.44 per cent of the votes cast against and 48.23 per cent in favour of the transaction. Not included were some institutional votes in favour of the transaction that went missing and could not be accounted for. The outcome was a setback for the company, particularly with respect to its internationalisation strategy. It does not, however, mean a change in the rationale and the external growth strategy of the company.

For much of the year, investor attention in the resources sector has been captured by the effects of growth in Chinese demand for all mineral resources. Price rises in base metals and ferrous minerals, along with coal, have drawn interest away from the gold sector and, relatively, gold prices have stagnated. Nonetheless, two encouraging developments have occurred during the year, namely the significant gold recovery in jewellery demand up 17 per cent in the first half of 2005, and the successful launch of the Gold Equity Traded Funds (ETF's) on the New York and other stock exchanges, allowing investors access to physical gold through more conventional and inexpensive channels. It is pleasing to note that almost all the increase in jewellery demand has come from those markets in which the World Gold Council has been promoting, confirming convincingly that effective market promotion does work. The gold ETF's today have accounted for 248 tons of demand and the NYSE product continues to grow strongly. It seems surprising, given the surges in energy costs, the massive twin deficits in the USA, and the threat of growing global terrorism, that gold has not responded more vigorously. If gold is to remain true to form, a strong response must inevitably follow.

Gold Fields is in the process of changing its board composition. In June 2005, we announced the appointments to the board of two Norilsk Nickel nominees, Mr Sergei Stefanovich and Dr Artem Grigorian, and at the annual general meeting Messrs Bernard van Rooyen and Gordon Parker will retire. On behalf of the board, I wish to welcome the new members and to thank Messrs van Rooyen and Parker for their individual and extensive contributions to the company. Both have been members since inception in 1998.

Finally, to management and employees throughout the company, it has been a disturbing and challenging year and, on behalf of the board, I wish to extend our heartfelt appreciation and thanks for your sustained perseverance, loyalty and commitment throughout this difficult time. At the same time, we extend our thanks to shareholders for their support.

Christopher Thompson
Chairman

1. Christopher M T Thompson (57)
†
Chairman
BA Rhodes; MSc (Management Studies), Bradford

Mr Thompson has been a director of Gold Fields since May 1998 and chairman of the board since October 1998. He was the chief executive officer of Gold Fields from October 1998 to 30 June 2002. He has over 36 years of experience in the mining industry. He is also chairman and member of the executive committee of the World Gold Council, director of TeckCominco Corporation and Frontera Copper Corporation and a past director of the South African Chamber of Mines and of Business against Crime.

2. Alan J Wright (64)°

Deputy Chairman
CA(SA)

Mr Wright has been deputy chairman of Gold Fields since November 1997. Prior to September 1998, he was the chief executive officer of Gold Fields of South Africa Limited.

EXECUTIVE DIRECTORS

3. Ian D Cockerill (51)*
Chief Executive Officer

BSc (Geology) Hons, London, MSc (Mining), Royal School of Mines

Mr Cockerill has been a director of Gold Fields since October 1999 and became chief executive officer on 1 July 2002. He was chief operating officer and managing director of Gold Fields from October 1999 to 30 June 2002. He has over 30 years of experience in the mining industry. Prior to joining Gold Fields he was the executive officer for Business Development and African International Operations for AngloGold Limited.

4. Nicholas J Holland (46)*
Chief Financial Officer
B.Comm, BAcc, Witwatersrand; CA(SA)

Mr Holland has been a director of Gold Fields since February 1998 and executive director of finance since March 1998. On 15 April 2002 his title changed to chief financial officer. He has 25 years of experience in financial management. Prior to joining Gold Fields he was financial director and senior manager of corporate finance of Gencor Limited. He is also a director of Rand Refinery Limited, and Teba Bank Limited.

NON-EXECUTIVE DIRECTORS

5. Kofi Ansah (61)°

BSc (Mech. Eng) UST Ghana; MSc (Metallurgy) Georgia Institute of

Technology

Mr Ansah was appointed a director in April 2004. He is a director of Metropolitan Insurance Company Limited and Aluwoks Limited.

6. Michael J McMahon (58)°

BSc (Mech. Eng), Glasgow

Mr McMahon has been a director of Gold Fields since December 1999. He serves as non-executive director of Impala Platinum Holdings Limited and Murray & Roberts Holdings Limited. Previously, he was chairman and an executive director of Gencor Limited and executive chairman and chief executive officer of Impala Platinum Holdings Limited.

7. Gordon R Parker (69)°

BS, MS, Montana College of Mineral Science and Technology; MBA, Cape Town

Mr Parker has been a director of Gold Fields since May 1998. He is a director of Caterpillar Inc, and Phelps Dodge Corporation. Previously, he was chairman, president and chief executive officer of Newmont Mining Corporation.

Board
of directors

1.
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8. Patrick J Ryan (68)°
PhD (Geology), Witwatersrand

Dr Ryan has been a director of Gold Fields since May 1998. He is the chairman of Frontera Copper Corporation and Cobre del Mayo S.A. de CV. He was previously the executive vice president, mining operations, development and exploration at Phelps Dodge Corporation.
9. Tokyo M G Sexwale (52)*

Certificate in Business Studies, University of Botswana, Lesotho and Swaziland

Mr Sexwale has been a director of Gold Fields since January 2001. He is chairman of Mvelaphanda Resources Limited, Northam Platinum Limited and Trans Hex Group Limited and a director of a number of other companies.
10. Bernard R van Rooyen (71)*
BA, LLB, Witwatersrand

Mr van Rooyen has been a director of Gold Fields since May 1998. He is the deputy chairman of Trans Hex Group Limited and of Mvelaphanda Resources Limited and a director of Northam Platinum Limited, Banro Corporation, Mvelaphanda Gold (Pty) Limited and Ndowana Exploration (Pty) Limited.
11. Chris I von Christierson (57)°
BComm, Rhodes; MA, Cambridge

Mr von Christierson has been a director of Gold Fields since February 1999. He is the chairman of Rio Narcea Gold Mines Limited and a director of Afri-Can Marine Minerals Corporation Limited and Southern Prospecting (UK) Limited.
12. Jakes G Gerwel (59)°
D.litt et Phil (magna cum laude) Brussels

Professor Gerwel has been a director of Gold Fields since August 2002. He is chancellor of Rhodes University; Nelson Mandela Distinguished Professor in the Humanities at the University of the Western Cape, non-executive chairman of Brimstone Investment Corporation and South African Airways (Proprietary) Limited and a director of a number of other companies.
13. Rupert L Pennant-Rea (57)°
BA (Trinity College Dublin); MA (Univ. of Manchester)

Mr Pennant-Rea has been a director of Gold Fields since July 2002. He is a director of The Stationery Office Holdings Limited and Henderson Group plc. He is a director of British American Tobacco plc, Sherrit International Corporation, First Quantum Minerals, Rio Narcea, and a number of other companies. Previously he was editor of *The Economist* and deputy governor of the Bank of England.

14. Artem Grigorian (48)*

PhD in Political Science and History, USSR Academy of Science

Dr Grigorian was appointed a director in June 2005. He is vice-president and shareholder of Russian Spectra company and chief executive officer of Russian company RMC.

15. Sergei Stefanovich (35)*

Law and English Studies (cum laude) Odessa State University; MBA Lausanne, Switzerland

Mr Stefanovich was appointed a director in June 2005. He is a director, international operations at MMC Norilsk Nickel.

**Non-independent directors °Independent directors*

†

Mr Thompson, who could previously not be categorised as independent by virtue of his employment by the company until 30 June 2002, became an independent director of Gold Fields with effect from 1 July 2005.

8.
9.
15.
14.
13.
12.
11.
10.

on track and delivering
The Gold Fields
strategy

The 2005 fi nancial year was challenging yet successful, with the Group delivering a sound operating performance. The fl uctuating rand/US dollar exchange rate mitigated against optimising our rand income, while the attempted hostile takeover bid by Harmony was successfully defeated.

- Focused on operational excellence
- Positioned for growth
- Securing our future

I would like to pay tribute to all Gold Fields' stakeholders who stood by us during the Harmony hostile bid, be they employees or investors. We undertake to justify their confi dence in Gold Fields by improving the Group's performance and strengthening our shareholders' investment.

SUMMARY

The 2005 fi nancial year was challenging yet successful, with the Group delivering a sound operating performance. The fl uctuating rand/US dollar exchange rate mitigated against optimising our rand income, while the attempted hostile takeover bid by Harmony was successfully defeated. The international expansion projects at Tarkwa and St Ives were completed ahead of expectation and their benefi ts are expected to make signifi cant future contributions to Gold Fields' bottom line. The South African mines have been successfully repositioned from the "Wal-Mart" strategy to the "Saks Fifth Avenue" strategy, aimed at improving quality volumes, and have recorded an overall robust cost performance since September 2003.

HEALTH AND SAFETY

The safety and welfare of our people are of primary importance to the Group and it is with deep regret and sadness that I record the tragic loss of 26 fellow employees in mining related incidents over the past year. I sincerely extend the Group's condolences to the families and friends of the deceased.

Our safety statistics did, however, show improvement during F2005. The fatal injury frequency rate improved by 33 per

Chief
executive officer's review

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Operational excellence

Sound operating performance
despite a challenging year

We achieved our key objectives of increasing production and reducing costs despite the challenging operating environment.

Significant improvements in safety

Attributable gold production up 2% to
4.2 million oz

Total cash costs down 2% to R66,041/kg

Dividend declared 70 SA cps, 11 US cps

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cent, the serious injury frequency rate by 7 per cent and the lost day injury frequency rate by 9 per cent. Gold Fields' management will continue to pursue its focus on mine safety towards achieving our vision of zero mining casualties and ensuring all our mines attain safety rates on par with the leading global safety benchmark, that is, the Ontario Underground Mining Standard.

During the year, our Damang, Agnew and St Ives operations recorded no fatal accidents, while Beatrix mine achieved a notable three million fatality-free shifts. The health and safety management system at Tarkwa is in the process of being certified Occupational Health and Safety Assessment Series (OSHSAS) compliant and will receive accreditation at the end of 2005. Our South African operations have also set the end of calendar 2005 as their target to become fully compliant.

We completed a number of health initiatives during the year. A Du Pont peer review was conducted at our South African operations to identify areas for further improvement of our health and safety management. The findings emphasised the imperative of complete employee involvement in recognising and reporting unsafe conditions and avoiding the repetition of events that gave rise to previous injuries and accidents. A total re-engineering of hospital care was implemented through the introduction of the demand-nursing staffing model, thereby converting fixed costs to variable costs. We also reviewed our codes of practice for thermal stress, noise and airborne pollutants, and these levels were audited and reviewed accordingly.

RESULTS

The Group delivered a sound operational performance for F2005 and I am particularly pleased to report that we achieved our key objectives of increasing production and reducing unit costs despite the challenging operating environment. Attributable gold produced by the Group amounted to 4.22 million ounces (F2004: 4.16 million ounces). Operating profit for F2005 was R2.29 billion (F2004: R2.32 billion) of which R1.55 billion (F2004: R1.53 billion) was generated from international assets. Operating costs, including gold in process movements, were marginally higher at R9.47 billion

(F2004: R9.46 billion), although they reduced on a unit total cash cost basis from R67,705 per kilogram to R66,041 per kilogram. On a tons processed basis, costs improved to R198 per ton from R204 per ton. Net earnings were R180 million (F2004: R768 million) and headline earnings totalled R291 million (F2004: R763 million).

The rand/US dollar exchange rate strengthened from an average of R6.90 in F2004 to R6.21 in F2005, while the dollar gold price appreciated from an average of US$387 per ounce in F2004 to US$422 per ounce. As a result, the rand gold price received by the South African operations fell by 2 per cent to R84,175 per kilogram (F2004: R85,673 per kilogram). Accordingly, our South African operations remained under pressure while the international operations, taking full advantage of the higher gold price, contributed a laudable 68 per cent to Group operating profit.

Significant gains of R344 million were generated on financial instruments during the year. However, the R316 million cost of defending the Harmony bid and the R58 million cost of the failed IAMGold transaction, further diluted earnings for the period to R180 million (F2004: R768 million). Core earnings, that is earnings excluding gains and losses on financial instruments and foreign debt and exceptional items, were R452 million (F2004: R587 million).

The tendentious Harmony takeover bid was successfully laid to rest when the High Court ruled on 20 May 2005 that the offer had, in fact, lapsed on 18 December 2004 and was not capable in law of being revised or reinstated. The takeover litigation is closed but the repercussions for business in general, and the mining industry, in particular, remain to be seen. However, it did bring to light some positive benefits and served to emphasise Gold Fields' underlying strength as an investment and an employer.

The scheme to acquire control of the world's fourth largest gold mining company was, at best, ill-conceived. I would like to pay tribute to all Gold Fields' stakeholders who stood by us during this episode, be they employees or investors. We undertake to justify their confidence in Gold Fields by improving the Group's performance and strengthening our shareholders' investment.

Operational excellence

Quality mining and cost
management

- SA operations repositioned from “Wal-Mart” to “Saks Fifth Avenue” strategy
- Delivery on Project 100 and Project Beyond

•

he South African operations have not only delivered in terms of improved quality volumes, they have also shown an impressive improvement in cost performance. Operating costs decreased from R6.68 billion to R6.66 billion despite higher gold production, above infl ation wage increases and higher steel and fuel costs during F2005.

SOUTH AFRICAN OPERATIONS

Management took a view in September 2003 that the rand would remain stronger for longer than initially anticipated. It was decided to reposition the South African operations by converting from the "Wal-Mart" to the "Saks Fifth Avenue" strategy. To support this strategy, we also introduced an initiative called Project 500. It consists of two components: project 400, which was designed to add a further R400 million of revenue through improving the quality and quantity of our output, and project 100, a stores-based consumption project, which focused on achieving R100 million in cost savings through improved standards and norms.

I am pleased to report that these strategies are being successfully implemented. During F2005, the underground yield for the South African operations increased from 7.1 grams to 7.4 grams per ton and the area mined increased by 2 per cent to 2.05 million square metres. This resulted in South African gold production increasing by 1 per cent from 2.80 million ounces in F2004 to 2.82 million ounces in F2005, included in this was the one hundred millionth ounce produced by Driefontein.

The South African operations also showed an impressive improvement in cost performance, with operating costs decreasing from R6.68 billion to R6.66 billion despite the higher gold production, above inflation wage increases, and higher steel and fuel costs during F2005. This translated into a 1 per cent reduction in total cash costs from R73 ,626 to R72,830 per kilogram. This improvement is attributable in part to Project 100, which performed beyond expectations, exceeding our annual savings target of R100 million by 40 per cent.

Project Beyond, a procurement project entailing improved supply chain management was launched in May 2004 with projected annual savings of between R200 million to R300 million over 18 to 24 months. The project gathered significant momentum during F2005 and delivered savings of R103 million against historical contract prices. Further benefits will be realised in the upcoming financial year as Project Beyond is rolled out to the international operations.

We have also established a new project, Project 100+ which is focused on adding ongoing sustainable savings at the South African operations. As at the end of June 2005 15 projects with potential savings of R200 million per annum were identified. The benefits of these projects are expected to be realised in F2006 and beyond.

INTERNATIONAL OPERATIONS

The international operations delivered a sterling performance with total gold production up 4 per cent to 1.66 million ounces. One of the most significant achievements for Gold Fields in F2005 was the completion of both major capital projects: the mill expansion and owner mining projects at Tarkwa in Ghana and the mill replacement at St Ives in Western Australia. These important R1.7 billion growth projects, which will provide double-digit returns, have positioned the Group to benefit from further increased production and lower costs going forward.

Tarkwa delivered a significant contribution to Gold Fields generating an operating profit of R803 million (US$129 million) in F2005, 35 per cent higher than F2004. With a production increase of 23 per cent, Tarkwa is now the largest producer of gold in Ghana.

Damang made a substantial contribution of R221 million (US$36 million) to the Group's operating profit during F2005. The major focus at Damang is the large-scale cutback of the Damang pit in pursuit of higher grade ores. We plan to commence this process in F2006 with significant ore volumes being achieved in late F2007.

St Ives had a difficult year due to open pit ore grades being lower than planned and a slow ramp up in productivity at the new underground mines. As a result, gold production was 3 per cent lower than F2004. The replacement of planned open pit ounces with higher cost underground ounces resulted in a 7 per cent increase in total cash costs year-on-year. St Ives nevertheless contributed R282 million (US$45 million; A$60 million) towards operating profit. However, we anticipate additional production in the order of 10 per cent and substantial cost reductions in F2006 as the new mill reaches planned operational efficiency.