

25 January 2007

Gold Mining

South Africa

Sell

12600c

Dilution versus growth

The private placement of USD1.2 billion and buying back the hedge were two news items that masked an, in our view, uninspiring quarterly performance. In our opinion, Gold Fields must now deliver on production growth to offset the dilutionary impact of the South Deep acquisition. This step-change is promised and should be deliverable but, in our view, is already paid for in full. We maintain a Sell recommendation and a target price of 12 000cps.

Performance

Year End: 30 June	2005	2006	2007E	2008E	2009E
Turnover (Rm)	11,756	14,605	19,216	21,858	22,189
EBITDA (Rm)	1,580	3,941	7,934	8,704	8,141
Operating profit (Rm)	68	2,405	4,132	4,410	3,841
PBT (Rm)	13	2,555	3,809	4,055	3,567
Headline Net Profit (Rm)	(217)	1,389	2,666	2,944	2,766
HEPS - Fully Diluted (c)	(44.1)	281.7	480.5	465.9	437.7
DPS (c)	70.0	150.1	150.0	238.5	275.2

Source: Company Accounts/Investec Securities Estimates

Valuation

Year End: 30 June	2005	2006	2007E	2008E	2009E
Headline PE (x)	(286.0)	44.7	26.2	27.0	28.8
EV/EBITDA (x)	43.0	17.9	8.9	7.9	8.2
EV/EBITA (x)	998.2	29.3	17.1	15.6	17.4
Yield (%)	0.6	1.2	1.2	1.9	2.2

Source: Company Accounts/Investec Securities Estimates

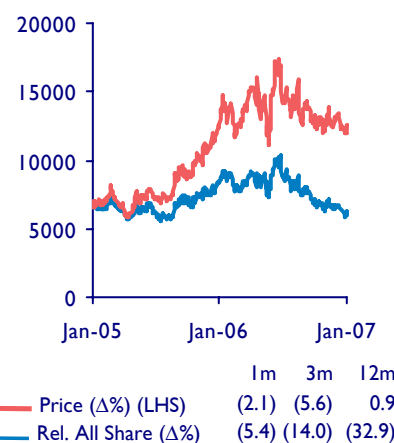
- As we believe the current gold rally may run out of steam, Gold Fields – in our opinion - is not only fully priced, but also likely to deliver lower earnings as the dilutionary impact of South Deep starts to show.
- In theory, assuming the same gold price and production environment as we have seen over the past two quarters, but allowing for total shares in issue of 632 million, Gold Fields' quarterly earnings level drops from 142cps (Q1 FY2007) to around 88cps in Q2 FY2007.
- Thus, allowing for a gold price of USD650/oz at ZAR/USD 7/1, there is downside risk to our earnings forecast of 480.5cps for FY2007.
- Given this risk and the implied forward P/E rating of at least 25x, we maintain a Sell recommendation and target price of 12 000cps. (This ascribes the maximum P/E rating that we believe is sustainable while the market waits for evidence of the final impact of South Deep).

Refer to important disclosures starting on page 11

Market Cap	R70,361m
JSE Code	GFI
Target Price/Risk	12000c/High
Total Return	-3.6%

Free Float	100%
Average Daily Volume (000s)	2,296.3
12m high/low	17440c/9800c
Year End	June

Share Price Performance



Source: JSE Securities Exchange

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