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Conference Call Transcript

GBG - Q4 2009 Great Basin Gold Earnings Conference Call

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PRESENTATION

Operator

Great day, ladies and gentlemen, and welcome to the Q4 2009 Great Basin Gold Earnings Conference Call. My name is Janita, and I will be your operator for today. At this time, all participants are in a listen only mode. We will conduct a question and answer session towards the end of this conference.

(Operator Instructions)

As a reminder, this conference is being recorded for replay purposes. I would now like to turn the call to Mr. Ferdi Dippenaar, President and CEO.

Please proceed.

Ferdi Dippenaar - *Great Basin Gold - President, CEO*

Thanks, Janita, and good morning, ladies and gentlemen. Welcome to Great Basin Gold's results presentation for the 4th quarter and year ended December 31, 2009. I hope all of you were able to retrieve the information from our Website, and have received the press release. If not, please mail Barbara or Michael, and I'm sure they will see that you get the info in a few minutes' time.

I have been joined on the call by Lou Van Vuuren, our CFO, Johan Oelofse, Willie Beckmann, and Phil Bentley, as well, and other members of my management team who will be participating in the presentation.



Slide two is the typical disclaimer slide. I have taken it as read. Please take note of the second paragraph, which refers to the financial slides which are still un-audited, as we will only be filing our MD&A on SEDAR in mid-March. We have included more slides and information in the presentation than what would typically have been the case.

On slide three, the general project progress -- I will be dealing with the information in a lot more detail later but I would like to refer to the following points. First of all, Burnstone is at a very interesting and exciting stage of its development. Since we started the decline in July 2006, our initial focus was the development of the decline and later the vertical shaft.

Our management team on site was chosen with those activities in mind. With only a few months to go before the bulk of the capital-expenditure program would have been completed, a change in focus was required. Burnstone is under transition from a capital-development project to a mine where the primary focus will be the development of reef drives and the mining of ore tons.

This is where we believe Dana Roets, our newly appointed Vice President for Corporate Development, will make a difference. Dana will head up the process of transforming Burnstone into a fully fledged operational mine. He has the necessary experience, and although only being at Burnstone for a few weeks, he has made a significant impact.

Secondly, we are making good progress with the Long-Hole Stopping Trials at Burnstone. Although it being early days, the results thus far have been in line with expectations, and we are cautiously optimistic that we will continue to exploit this orebody with a higher level of mechanization that you would typically find in South Africa.

The safety of our employees is also important to Great Basin Gold and this mining method, which removed employees from working stopes, will allow us to achieve our objective of building safe operations.

At Hollister -- moving on -- whilst we were making good progress with catching up on the development and mining of veins or stopes which had negatively impacted on our planned rate of trial mining in mid-2009, an unfortunate incident on the 13th of November brought the operations to a standstill.

An employee fell down a mill hole while timbering in the stope. Fortunately, his injuries were minor in nature. We suspended operations while an investigation was underway. The Mines Safety and Health Administration required a complete inspection of the underground mine and this process meant that approximately 75% of the workings had been released to management by November the 30th. The remainder was released during the first week of December. This had an adverse impact on the number of tons extracted from trial mining operations and, ultimately, the costs reported. The full extent has been depicted in two slides which I'll refer to later in the presentation.

I have been asked why we did not put out a press release on the incident. I took guidance from current practice followed in the industry, for which there is no clear practice or policy. I also did not expect the underground operations to be suspended for so long. This was an unfortunate incident. I hope we do not have a repeat thereof. All the necessary procedures and actions have been put in place to avoid a reoccurrence. Bear in mind, Hollister won the award for the Safest Small Underground Mine in Nevada in 2008, and to have this happen in 2009 came as a shock and disappointment.

On a more positive note, the Esmeralda Mill has performed extremely well since being commissioned in September last year. We have seen the mill improve in nearly every measure, with more improvements planned for the March 2010 quarter. With these improvements, we have managed to move out the introduction of the Gekko system for a few months.

We still require a permit to move the Gekko electrowinning circuit, which is currently being processed. However, Butch Moore, Jody Squires, and the rest of the team at Esmeralda have done excellent work to get the mill to operate to the standard where it is today. The main benefit is still getting Hollister to a situation where what we mine is what gets milled, and the costs are representative of the activities taking place. That is still our objective and I do believe that as we achieve this during the second quarter of 2010, the market will be able to gain a measure of what the true performance of what our Nevada operations are.

I will deal with the other bullet points in more detail during the presentation. I will now hand you over to Lou Van Vuuren, our CFO, who will take you through the financial results.

Lou Van Vuuren - Great Basin Gold - CFO



Thanks, Ferdi, and good morning to everyone.

On slide four, a net loss of \$8 million was incurred for the quarter, bringing the net loss for the year to \$48 million, which is some \$37 million less than the loss of \$85 million that was incurred in 2008. Our net loss per share also improved to \$0.40 per share, as opposed -- improved from \$0.40 per share in 2008, as opposed to \$0.16 per share in 2009.

The improvement of the net loss for the year is partly due to the development costs for Burnstone being capitalized since November, 2008. But more pleasing is a positive results of the cost-reduction program initiated in October 2008. This program actually resulted in decreased expenditures for exploration, pre-development, as well as administration.

No revenue was again recognized in the fourth quarter, as dore bars from our Esmeralda Mill were only refined and sold during the first quarter of 2010. We also did not send any ore for toll milling during the fourth quarter. Net revenue for the year therefore remained at \$34 million as reported at the end of the second quarter.

The pre-development costs for the year and quarter relates to underground development costs incurred at Hollister.

Our exploration in 2009 has been focused on selected underground programs at Hollister with the mine objective of firming up on reserves in the medium-term mine plan. No surface exploration was conducted at Hollister during the year. Just included under the line Other is predominantly non-cash accounting charges for ship dock based compensation, deferred tax and mark-to-market adjustments on financial instruments. And we also include interest received and foreign-exchange fluctuations in this line.

Moving on to slide five, which is just the summarized balance sheet -- the movement in our working capital is due to the increased cash balance following the convertible debenture that we issued in November 2009 as well as the increase in the value of the Hollister stockpile.

Included in the working capital is \$89 million of cash and cash equivalents. Now, about 75% of our cash were held in Canadian dollars at the end of 2009, with about 20% of it in South African rand, and the remainder was held in US dollars. . The non-current assets include the capitalized mine development costs incurred for Burnstone, as well as the mill refurbishment costs at Esmeralda. That and non-current liabilities consist of future income taxes, as well as the closure cost liabilities for the projects.

Let me move on to slide six, which provides a bit of a breakdown on the borrowings. The net proceeds from the convertible debenture issued in November of 2009 was used to settle the first phase of the Burnstone project finance facility that we drew down in August 2008. With the settlement of the outstanding amount, we also canceled the entire facility, as we've announced at the time.

Now, the accounting treatment for the convertible debenture requires some explanation. This debenture is considered what we call a compound instrument, and it consists of a debt and an equity component which has to be accounted for separately. You will, therefore, note that only the liability component of the debenture is accounted for under borrowings, with the remainder being recorded under Equity. The liability component will, therefore, be adjusted to the full \$126.5 million over the life of the debenture, through an accretion charge.

The senior secured noted follow a similar accounting treatment and, therefore, the reason on the increase year on year is to not issue any additional debt, it was just the accretion charges that were incurred during the year.

On slide seven, as mentioned, we booked no revenue during the fourth quarter. At December 31, we had a stock pile in excess of 41,000t, containing an estimated of 41,500 million gold-equivalent ounces. In excess of 8,000 ton was fed into the Esmeralda Mill during the quarter, which yielded 5,676 gold-equivalent ounces. These ounces were in various stages of the final product, and as the dore bars were not yet refined and sold it was recorded as inventory.

Our production from Hollister in January of 2010 was on budget with the extraction of around 11,000 gold-equivalent ounces. The mill throughput are improving on a monthly basis and net inventory increased in January 2010 to about 44,000 ounces contained in the stockpile and almost 12,000 ounces in process. At refined bars shown in January were only sold during early February.

Now, inventory is recorded at cost in the accounting records. The net realizable value of the stockpile and ounces in process and a gold price of around \$1,000, we estimate the value around \$36 million.

On slide eight, which is a summary of our cash-flow statement -- our cash-flow from operations was also negatively impacted by not recognizing revenue in the third and fourth quarter. If one used the estimated realizable value of the stockpile inventory -- and at December 31st -- of about



US dollars -- \$36 million -- it is evident that the cash flow from operations would have been in positive territory, if you were able to actually process this inventory.

For purpose of this slide, I include the Hollister pre-development costs under cash utilized to develop mineral properties on this summary. And in cash generated from financing activities for the year, there is the net cash raised through the public offering in March, as well as the convertible debenture in November after settlement of the Burnstone project finance, which I referred to.

On slide nine -- just some more detail on the cash we utilized to develop our projects -- 2009 was quite a busy year at Burnstone, with various infrastructure projects underway. Capital expenditure remains at a high rate for 2010, while we complete the project.

For Hollister, capital expenditure predominantly relate to underground and infrastructure development, that are expensed through the income statement. Around \$2 million was spent on equipment during the year, and also has been capitalized.

The costs incurred on the Esmeralda plant includes the acquisition and shipping cost of the Gekko system as well as capitalized operating costs during the commissioning and optimization phases of the refurbishment process.

Moving on to slide ten -- just a reminder of the capital structure of the Company -- 115 million shares were issued in March 2009 during the public offering, and this offering also included half a warrant with a strike price of \$1.60. And this is also Canadian. These warrants expire later in this year, during October. Also included in outstanding warrants are 27 million warrants with a strike price of \$1.25 that expire in November of next year. During April of 2009, 29 million warrants, which was issued in April of 2007 with a strike price of \$3.50, actually expired unexercised.

To calculate the fully diluted share capital, I also include the conversion price of the convertible debenture, at \$2.15. And then, lastly, is the share options. And the net number of share options reduced during the year, notwithstanding that 50% less options were exercised by staff members when compared to 2008. Also important is that no share options were exercised by any directors or officers during the year. Thanks, Ferdi.

Ferdi Dippenaar - Great Basin Gold - President, CEO

Thanks, Lou. Moving on to slide 11, you'll see we changed the slide -- the introductory slide we typically use for Burnstone during our underground visits we had in January and early February. We showed the long-hole stoping equipment we are using to drill out only the Kimberly reef channel, thereby minimizing the stoping width and quantity of rock that is removed from underground after blasting.

Although the gold content will be the same, the amount of rock moved will be less. That should impact favorably on the cash-cost-per-ounce structure of the operation. We are at the moment, however, assuming that the cash cost per ton will be similar to the original plan to cater for the operating cost of the mechanized equipment.

If we are successful with the trials, the potential of optimizing the current infrastructure to mine more gold will be investigated. We will theoretically be able to recover more gold from the capital infrastructure developed, be it either through the shaft and the mill processing facility.

As of February the 21st, a total of 1,131 meters of reef development had been completed, so it is increasing steadily month by month. To date, we have had no surprises on the downsides. The opposite could be true in terms of grade and continuity. But then we have only opened up just over 4% of Block B; so a lot more development still needs to be undertaken.

Our short-term focus is also on doing in-fill delineation drilling from the newly developed underground infrastructure. This provides meaningful information on the areas we plan to mine in the next 12 to 14 months.

On slide 12 -- we use this slide continuously to show progress. Of relevance is the Ventilation Shaft which, on the same date -- the 21st -- had only 110 meters of raised boring remaining. The decline advanced with only 226 meters remaining before it links up with the Vertical Shaft. This will take place in May, which is a month or so before the Vertical Shaft equipping will have been completed.

On completion, the complete logistics of the current underground operation will change, as instead of dump trucks full of ore and waste trucking up a decline for a distance in excess of 2.5 kilometers, we will be moving the ore and waste downhill for approximately 300 meters and trucking back to the work areas empty. The cost of trucking, utilization and optimization of the vehicle fleet will change dramatically.



Long-haul trial stoping continues in Block B. And, to date, we have accumulated in excess of 60,000 ore tons in stockpiles, albeit mainly low-grade material in nature. We have accessed Block C, the middle block, where the focus is on reef development to establish stopes and development is currently under way to access Block C, which is up a block -- and up a block, as well.

Then, slide 13, which shows the progress with the sinking of the Vertical Shaft, which has reached a depth of 450 meters. On the slide, you'll see the coloring -- we try and use the gold coloring to show the actual progress. Station development of some 275 meters was completed on 40 level, before shaft sinking continued to 41 level.

On 41 level, a total of 131 meters of the planned 263 meters had been completed. The purpose of this development is to allow for the construction of water-settling dams, as well as ore passes which will be required when the shaft is fully operational at the end of the June quarter of this year.

The plan is to complete the last shaft sinking by the end of March -- that's the development on 41 level, and 35 meters remaining. Whereafter shaft equipping will commence. The shaft will be equipped from the bottom up and provision has already been made to assemble the shaft steel sets on surface, before being lowered into the shaft. Current indications are that this project will be completed on time and within budget.

Slide 14 -- I've added a few slides in it just to show physical progress and also completion dates. The slide 14 is self-explanatory, but you can see how we have planned the various activities.

Slide 15 is The Winderhouse construction, obviously, that needs to support the vertical shaft. It's on track for completion by month's end. It's a large structure, but then has been designed to house both the winders.

Slide 16 deals with the Ventilation Shaft -- a 305-meter ventilation shaft. This is a critical requirement as we plan to increase the rate of mining significantly in the second half of 2010. Of the 305 meters, 195 meters have been raisebored to date, with 110 meters remaining. The installation of the surface fans has commenced which will allow for quick changeover once the raisedboring is completed in April 2010.

Typically, the construction of the fan plinths and installation of the fans will take place after the raiseboring has been completed. The team, however, has done some good work to save some time.

Slide 17 -- we deal with the metallurgical plant. Some of the analysts who made the visit in January and February, around the time of the Indaba Conference, noted that they were of the opinion that the metallurgical facility would be commissioned a bit later than what we planned. This comment followed the lack of physical progress on site at the time. This was just after the Christmas break, and part of the site establishment by contractors.

The situation has changed dramatically, with a significant amount of civils having been completed with some still under way. Bear in mind that we only plan to have the two mills delivered to site once the plinths or foundations have been completed. That would result in no double-handling of critical equipment. The bulk of the plant infrastructure has been manufactured off-site, only to be delivered and erected as the civils are completed. The site has now become extremely busy, as activities have been accelerated and a number of contractors have moved on-site.

The metallurgical plant uses a CIL process to recover the gold, which is very typical in the treatment of Witwatersrand Basin material. The mills will have the capacity of 175,000 tons per month. Our plan is to initially operate the mills at the rate of 120,000 to 125,000 tons per month, thereafter building up throughput as ore from underground increases.

Slide 18 has been added just to visually show some of the progress on site. The mill motors are ready for delivery to site and they underwent the final inspection.

Slide 19 -- this shows progress with the other critical items -- the power supply being one. ESKOM have confirmed that they will be on site on the first of March to start construction of their portion of the infrastructure to supply electricity to the site. We started the construction of our portion -- where the two actually link up, where we accept the supply -- of the surface electrical reticulation infrastructure in January of this year. And we'll be ready to receive electricity when delivered by ESKOM. In the meantime, we have sufficient power and stand-by capacity to continue with the delivery of the project.

ESKOM announced their electricity pricing increases yesterday. In effect, the cost of power in South Africa will double over a three-year period. Cost per kilowatt hour is planned to increase to \$0.0525 in 2010, this year; \$0.065 in 2011; and \$0.0825 in 2012. Bear in mind that the current cost is about \$0.045.

As Burnstone is a shallow deposit, using the 35% increases that were initially anticipated, the impact would have been a total of \$14 per ounce, or 11% of our cash costs of \$392 an ounce. And that uses 2010 as a base.

Then, slide 20 -- dealing with the service-delivery protests -- they flared up in February, for the second time in the past six months. It is an unfortunate incident and definitely does not sit comfortably with international and local shareholders. The impact locally would be that the protesters get the attention of politicians, but in addition to that also the local and international media.

This time around, the youth who have been the bulk of the protesters, also targeted the Burnstone mine. Whilst a lot was said about the mine, and a number of claims made in respect of employment of foreigners, et cetera, fortunately the impact on the operations was minimal. The mine is approximately six kilometers from the town of Balfour.

We had a meeting. We took this quite seriously, and we had a meeting with the Minister of the Department of Mineral Resources and even had an audit from officials from her department. Our mining right is in good stead and I would go as far as to say that we are doing more than most companies in the industry in respect of compliance to the Mining Charter.

I just think the problem is larger and that it remains the government's challenge. We cannot be seen as the solution to unemployment and bad service delivery in the Balfour/Siyathemba area. There is an estimated 30,000 economically active people in the area, of which probably only 50% are employed.

At full production, we will employ between 1,200 and 1,500 people. So we will be one of the largest employers in the region. So we are part of the solution, but not the solution. Needless to say that this type of unrest has been noted from other areas in South Africa where mining companies have also been targeted -- a number of similar situations to ours.

We have offered to play an active role in trying to alleviate the problems without taking ownership of the problems. Our correspondence to the Minister is available on our website and includes a list of areas where we are currently involved and offered to get involved.

The matter of nationalization was also featured a number of times over the past weeks. I have received a number of calls and mails, and have had to deal with them. South African government has indicated that it is not an issue that is being pursued at this time. I still think that the government should attempt to provide more certainty to shareholders in companies that have, or either plan to invest in South Africa.

Mining is a long-term business, Burnstone being a good example. Our involvement started in 2000, with an exploration program. Development of underground access via decline started in 2006; production in 2010 and all of this some \$230 million later. At current gold prices, the financial payback for the full investment will probably only be achieved in 2014.

So it takes more certainty and clarity to convince shareholders to invest their funds in long-term projects in countries that do not have clear policy on matters like nationalization. I am, however, positive that this matter will be dealt with in a manner which will give comfort to investors and employees alike.

Slide 21 -- again, we changed the introduction slide. This is Hollister. The photograph was taken during the analysts' visit last year, and actually shows to what extent we have had a limited impact on the area. The mine is being built in two previously owned and mined open pits. This is also why we believe that the EIS process currently underway will not pose major challenges to all involved.

On slide 22 -- a bit more detail on the mine accident which I referred to in my introduction. Without having to repeat the information, the incident did impact on the rhythm and momentum at Hollister following the catch-up of development to open up areas for trial mining in the September quarter.

A follow-up visit by MSHA in February saw only one citation served on Hollister operations and this has been dealt with. An unfortunate incident and I believe the team have taken the necessary steps to avoid a reoccurrence.

Slide 23 -- so despite the incident, ounces extracted increased approximately 15% quarter on quarter. The increase in grade followed the opening up of the stoping areas planned for earlier in 2009. The lack of tons from underground shows in the cost-per-ounce and cost-per-ton figures. Project to date for the past 18 months -- cash costs of \$334 an ounce have been achieved -- and when including an average of \$110 an ounce for transport and milling would compare favorably with our planned cost of \$426 an ounce at full production.



The cost-per-ton costs are high. But this is also a result of effectively managing dilution in the stopes. During a visit by the management team last week, we could see how well the team was doing in managing dilution, with their focus being on gold content and not necessarily tons. We also are looking at opportunities to reduce cash cost per ounce in the short-to-medium term.

Slide 24 -- it shows the quarterly performance at Hollister of the past two years, as well as January 2010. The fourth quarter of 2008 was mainly a function of grades, with over 47,000 ounces extracted during that quarter. During 2009, an average of 200 tons per day were mined. The buildup planned for the fourth quarter eventually starts to show in January 2010, where the average tonnage per day increased above 320 tons per day, and gold-equivalent ounces for January totaled approximately between 11,000 and 12,000 ounces.

The trend is continuing into February 2010, with both tons and ounces extracted from trial mining being in line with plan. Slide 25 shows the monthly performance at Hollister. The impact of the mining accident in November-December is a lot more evident when you look at it on a monthly basis. But, then, it also puts the results for January 2010 into perspective.

On slide 26 -- a busy slide -- but we also try and deal with the whole issue and the progress with EIS. Although getting off to a slow start initially, the process is picking up speed and all parties look committed to having the process completed as planned. Good progress has been made, Chapter one of the draft EIS has been completed, with the other three to follow. They're actually busy with chapter two. And we will revert back on progress, and anticipated filing date as we get more information available.

Slide 27 -- also a matter we had to deal with -- the ARPA violation we reported, I think, last quarter or the quarter before -- some damage done on surface with the exploration rigs. We can report that we have agreed to a favorable settlement to the BLM in respect to the ARPA violation we previously reported. The information is confidential in nature. And as soon as the US Department of Justice has approved the settlement, the contents will be made available.

I am sorry, but that is exactly what we are allowed to say at this stage. But I think, of more importance, is the fact that it was favorably settled.

Slide 28 -- despite all the progress in various areas of the business, the best feeling is still actually seeing the gold being poured into dore bars, then shipped off to the refinery. This happened in late December of 2009, and as of the end of March, we will be pouring dore bars on-site for shipment to the refinery. Definitely a better situation to be in when compared to the past few years.

Then, slide 29 -- moving onto the performance of the Esmeralda Mill. As you can see from the information on slide 29, the mill has been performing exceptionally well. The buildup in tons, ounces and, more so recoveries achieved in the mill shows that the team is doing an excellent job. We commissioned the mill with low-grade tonnages in October and by December, the mill feed grade was increased with ore with grades of one ounce per ton, gold; and five to six ounces per ton of silver.

Gold recoveries have remained fairly high, at approximately 84%. Bear in mind that the target is closer to 90%. We have seen in excess of 90% on various days -- but on average. The mill availability includes all stoppages associated with a mill that had been mothballed for a number of years. The trend is however in the right direction and we expect to make more improvements over the next few months. This would be following a few minor modifications.

Then, on slide 30, the results of the processing of silver is shown. A similar trend to what was achieved with the recovery of gold evidence. The recoveries are however lower and this is mainly a function of the high metal content as well as insufficient residence time. Overall, however, a similar trend to the gold recoveries. And we are introducing -- or the team is introducing -- a lead-nitrate addition system, which will have a significant improvement in the recovery rates for silver at the mill.

Slide 31 just shows the current status of the mill. The crushing-and-grinding circuit can now handle a throughput of an average of 350 tons per day. To improve the efficiencies of the mill, more so the recoveries, a number of improvements or modifications have been planned, some of which are underway at the moment.

Without running through the whole list, these are not costly modifications and the improvements will result in Esmeralda being a complete in-house carbon-stripping and refining-to-dore facility, being able to treat 350 tons per day with a 90% gold recovery and 85% silver recovery.

Slide 32 shows the location of the three areas in Tanzania where we undertook drilling in 2008 and early 2009. We show the results of the program on slide 33 and 34. As this was a first-pass exploration program, focused on identifying the better targets for future drilling, we are satisfied with the results.



Our plan, going forward, would be to tighten up on the actual target areas and prepare the follow-up exploration drilling programs. As our immediate focus is to complete our capital projects in South Africa and Nevada, our rate of exploration spend will be determined by the availability of cash flow from operations. The Imweru Project area looks the most prospective at this stage, large in tons, but still low in grade.

In slide 35, we deal with the guidance for 2010. We did discuss the expectations for Burnstone during a site visit earlier in the year, and at the Indaba Conference as well. Although more ounces are mined, the ability to recover these ounces will be determined by the completion of the metallurgical facility by the end of June 2010. As in the original plan, there will still be tonnage on the stockpile by year end.

At Hollister, the plan is to recover more ounces than what has been extracted, or is planned to be extracted through trial mining. And this is mainly a consequence of having a large stockpile of approximately 45,000 tons that needs to be processed. The cash cost per ounce is in line with the operations that are building up to full production or annual average life of mine production. And then, lastly, on slide 36, we deal with our focus areas for the March 2010 quarter.

2009 was a tough year. We had finance and operational challenges, but we have dealt with them and we look forward to a much improved 2010. This will not be easy, considering the rate of capital development underway at Burnstone, as well as the anticipated buildup in production. But then we have had the benefit of operating during trying times last year, which I believe will stand us in good stead in 2010. I will now hand you back to the operator for questions. Janita?

QUESTION AND ANSWER

Operator

Thank you.

(Operator Instructions)

And your first question comes from the line of Wayne Atwell with Casimir Capital.

Please proceed.

Wayne Atwell - Casimir Capital - Analyst

Good morning. And thank you for a very thorough discussion. Can you give us an update on drilling at Esmeralda -- if you found anything of interest there?

Ferdi Dippenaar - Great Basin Gold - President, CEO

We undertook no drilling during the quarter at Esmeralda. We are still preparing plans. As I said a bit earlier, the focus right now would be on Burnstone and then Hollister. There is much more value to be gained from underground, in-fill drilling as we continue to mine at Hollister. And we keep on finding more. But, Wayne, the plan is as we have cash available to start some exploration activities at Esmeralda.

Wayne Atwell - Casimir Capital - Analyst

And for 2010, is your CapEx budget \$149 million?

Ferdi Dippenaar - Great Basin Gold - President, CEO

Yes. That is in the -- there is \$149 million, of which \$21 million is to be spent at Hollister. And then Burnstone was \$128 million. Bear in mind, these were as of the 1st of January of this year.



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Wayne Atwell - Casimir Capital - Analyst

Right. And I know you sort of skirted exploration, but do you have a budget or sort of a bracket for 2010 of which you'll spend on exploration?

Lou Van Vuuren - Great Basin Gold - CFO

Wayne, currently there is only planned exploration which once again will be focused on Hollister underground, specifically during the first six months of the year. And in the latter part of the year, cash-flow dependent will be a surface-exploration program, as well as an exploration program on the Tanzanian properties. In total, currently we've budgeted around \$8 million for the year on total exploration spend.

Wayne Atwell - Casimir Capital - Analyst

Great. Thank you very much.

Operator

Your next question comes from the line of Paul Durham, with Auerbach Grayson.

Please proceed.

Paul Durham - Auerbach Grayson - Analyst

Afternoon, Ferdi.

Ferdi Dippenaar - Great Basin Gold - President, CEO

Hi, Paul.

Paul Durham - Auerbach Grayson - Analyst

Just on the CapEx requirements -- \$149 million -- you just stated. You say you got, I think, it was \$89 million in Canadian, in cash. What financings or what draw-downs have you got in place to bridge that gap between what you need to spend and what you've got to spend, because I don't think you're going to be getting that from cash flow this year, are you?

Lou Van Vuuren - Great Basin Gold - CFO

Paul, if I can maybe answer that, \$89 million in cash there's about, if we talk Canadian, in excess of [C\$40 million] sitting on the stock pile that we need to monetize, first of all. Then, Hollister doing 120,000 ounces at, roughly, a cash cost of \$470 million -- at a \$500 million per ounce margin. There's still quite a lot of free-cash flow expected from the 2010 production here.

And, then, it's also important to look at the phasing of the capital. A large chunk of the capital will be spent up to July of 2010. But, then, Burnstone comes on line, we start the mill-up at about 120,000 tons per month. And we also recover about 60,000 ounces during that year. So we spent, at Burnstone, about \$90 million of the cash up to July, with the remainder in the second half of the year.

So if you look at a cash-flow profile of the Company, the critical months is obviously June-July. The current indications show that we go down to roughly \$15 million in cash, at this point. Then Burnstone comes on line, which picks it up quite significantly towards year end.

Paul Durham - Auerbach Grayson - Analyst



Okay, good. Okay.

And just going back to the slide you had on the Burnstone underground -- when we had the stope panel sort of highlighted. Can we just go into that in a bit more detail? What have you actually got -- I think it's slide 12 -- what have you actually got on reef in terms of numbers of panels, if any, at the minute? Or is that just a schematic of where you're going to be?

Ferdi Dippenaar - Great Basin Gold - President, CEO

Yes. What we showed is the next two years of mining.

Paul Durham - Auerbach Grayson - Analyst

Okay.

Ferdi Dippenaar - Great Basin Gold - President, CEO

One, in terms of panels and the availability. -- We are cutting panels in both Block B and C, it is just on reef development obviously, with the plan of then opening up as many panels as possible.

That's correct. I mean, if you see -- we've got over 1,000 meters of development on the reef already, opening up a number of panels. We've stopped two panels out already. And, now, we're just focusing on getting more panels opened. We'll catch up very quickly with the long-hole stoping once we've got a little bit ahead of ourselves.

Paul Durham - Auerbach Grayson - Analyst

Okay. Okay, thank you very much. That's all I have.

Ferdi Dippenaar - Great Basin Gold - President, CEO

Thanks, Paul.

Operator

And your next question comes from the line of Heather Douglas with Thomas Weisel Partners.

Please proceed.

Heather Douglas - Thomas Weisel Partners - Analyst

Hi. Good afternoon, everyone.

I have a couple of follow-up questions. Your comments on Esmeralda -- you didn't make reference to the gravity circuit. How did that go in, and is it operating and permitted right now?

Ferdi Dippenaar - Great Basin Gold - President, CEO

Because it's -- hi, Heather -- sorry. I'm rushing into that one.

Because the Gekko system is an installation as a unit, it meant that we had to make changes to the actual mill building to introduce it. We had to look at the most likely place to then put it, which was an extension of the current building. Then, the other slight hiccup was the electrowinning



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cells, which required a specific permit which we then sent in the application, and it is being processed as we speak. And that's why, when we got faced with that challenge, we looked at what would it take to actually get the mill up and running to the plan level, and get the recoveries for both gold and silver that were originally planned?

The team have now are making good progress in getting up there by the end of March. And the thinking is, then, to add the Gekko system to the plant, take out the heavy grind below the sag mill, treat that through the system, put it back into the mill which, effectively, theoretically, Heather we could then increase the amount of tonnage that we would be able to treat at the Esmeralda Mill.

So that's the plan. The guys are delivering on that plan at the moment. But I would only be able to claim success, probably, in the third quarter of this year.

Heather Douglas - Thomas Weisel Partners - Analyst

Okay.

So when you mentioned about -- to add the permit for the electrowinning circuit, is that the only permit that's left to get Esmeralda? As you mentioned, by the end of March you want to be producing ore on site?

Ferdi Dippenaar - Great Basin Gold - President, CEO

No. We don't need that permit because we won't put it through the Gekko system before the end of March. What we will be doing is using a Merrill-Crowe system. So if you have a look at slide 31, we have actually got quite a bit of detail in terms of what we plan to do with the mill.

Bear in mind that they are achieving recoveries of 84% right now and the silver is a lot less. There is a conversion of the CIL plants -- the tanks -- which would give us double the amount of leech time. And we will be able to add carbon to the circuit; then the lead nitrate. And then our refinery furnace, which we actually took out, was permitted. And we have just refurbished that. And it will be installed by the end of this quarter.

And we'll add a second carbon-stripping vessel. And then instead of electrowinning cell, similar to the Gekko system, we've just reinstalled the Merrill-Crowe. And that will do -- achieve the metal recovery through that process.

So we don't need that permit to actually have the mill fully up and running, optimized, by the end of March. It's given us quite a bit of flexibility, and has taken a lot of the stress out of the system.

Heather Douglas - Thomas Weisel Partners - Analyst

So, for this year, though, we should expect recoveries will stay around 84%, until a year from now when you get the plant exactly how you want it?

Ferdi Dippenaar - Great Basin Gold - President, CEO

No. You'll have recoveries of about 90% for gold and 85% for silver in the second quarter, in April, as of this year.

The leech -- the nitrate system -- lead-nitrate addition will bump up the silver recoveries more significantly -- a slight impact on the gold recoveries. But, then, the CIL -- the conversion of the CIP section of the plant -- those tanks into CIL will give us the additional residence time required to liberate the gold, to give us the 90% recovery for gold.

Heather Douglas - Thomas Weisel Partners - Analyst

Okay -- looks like I need to spend more time on page 31.

What went wrong at Jerritt Canyon and will you be sending any ore to be toll-treated, and do they have any of your ore right now?



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Ferdi Dippenaar - Great Basin Gold - President, CEO

Yes, we have a low-grade stockpile and we have a high-grade stockpile on site. The mill is currently closed. I think they put out an announcement that they had a fire in the bag house. And what we have done is decided to take the high-grade material to Esmeralda and put it through the mill; and the low-grade material, which has been co-mingled with some of their material, will remain on-site. And when the mill is able to treat that, we'll get the recoveries from that. So it's a bit more of a wait-and-see at this stage.

Heather Douglas - Thomas Weisel Partners - Analyst

Okay. Well, I'll let someone else have a question. Thanks.

Operator

Your next question comes from the line of Imaru Casanova, with BJM.

Please proceed.

Imaru Casanova - Barnard Jacobs Mellet Securities - Analyst

Hi. This is Imaru. Thanks, Heather, for other questions for me.

I think I'm with Heather. I can't quite figure out what the status is at Esmeralda.

I'm curious as to the mining rates at Burnstone. Could you walk us through what the mining rates are right now, when you have -- I guess you said 4% of block B accessed or developed -- and what they should be by this year -- by July -- and what they should be ramping up by year end -- just so that we have an idea what the ramp-up is going to be there, at Burnstone?

Johan Oelofse - Great Basin Gold - COO

Imaru, it's Johan here.

The 4% are in Block B. We're going to mine for two years, to put that into perspective. And that 1,131 meters that we've mined on the reef -- almost all of that -- I'd say it's about 10 meters is mined on block b. The rest is on Block C.

This month, our meters planned is about 450 meters for the month. And it ramps up to -- in June-July, we're going to be mining at about 2,000 meters per month. So the ramp-up is quite steep. And, as you know, then -- work that will be the long-hole stoping -- ramping up will be -- I do have a slide that I sent to Paul earlier in the year, showing the amount of stopes opening up, and how many has opened up by quarter, which I don't have in front of me, but which I could always email to you.

Imaru Casanova - Barnard Jacobs Mellet Securities - Analyst

Okay.

And do you have any idea what -- it's easier for me to think in terms of tons mined per day or per month, as far as the ramping up. Could you tell us what the rate is right now, versus what it will be by July?

Johan Oelofse - Great Basin Gold - COO

Yes. Lou is just opening -- he's got his computer in front of him. And he'll just pull the numbers off there now.



Lou Van Vuuren - Great Basin Gold - CFO

Imaru, as Johan mentioned, this is quite a steep ramp-up. I mean, we've been mining around 10,000 tons a month right now. It moves to 50,000 in June. And it goes up to about 100,000 in December as well. And the last six months of the year, it stays at about -- well, it started at 86,000 tons from July; and, then, it ramps up slowly to around 98,000 in December as well.

So the first half of the year there's a lot of waste development, obviously, that needs to be done. And, then with the focus on coming back, and, then, actually mining the stopes basically from May onwards.

Johan Oelofse - Great Basin Gold - COO

And in support of that, Imaru, if you -- [predict] obviously the development on reef -- we open up the stopes, and that (inaudible) is coming through to the mill. But, then, once our stopes are open, with the long-hole stoping, the ramp up is quite significant, because the efficiency is good, and you get a lot of tons of the stoping.

Ferdi Dippenaar - Great Basin Gold - President, CEO

Imaru, to assist us in that buildup, we took a decision at the end of December to handover all the capital development to a contractor, and then utilize all our own employees to actually then do the reef drives and the actual mining.

So we brought in additional capacity to ensure that, first of all, the decline is continued, but also that we accelerate the rate of opening up, and the buildup for mining. We've also taken in a lot of additional equipment. So we do have the equipment and we do have the people to achieve that.

Imaru Casanova - Barnard Jacobs Mellet Securities - Analyst

Excellent.

Now, going back to the Esmeralda Mill, when it is all up and running and -- for your target at the end of this quarter -- you'll still have the stockpile. Are there concrete plans to try to monetize that stockpile this year using Jerritt Canyon or other mill facility? Or should we just assume that stockpile might just sit there, because you're not going to be able -- once Hollister is at the 300-tons-per-day mining rate, basically, the mill -- which should just be able to keep up with that.

So I'm having a hard time seeing how you're going to be able to monetize this stockpile.

Ferdi Dippenaar - Great Basin Gold - President, CEO

Yes, Ima, we, obviously are in discussions with other parties about the -- either sale of the stockpile or the toll milling agreement on that. So that is underway right now.

Yes, the worst we can do is probably have a similar agreement that we had with Newmont in the past, which is something we don't typically want, and we're hoping to negotiate something more acceptable.

There was the perception that because of the number of mercury mines or -- the mercury on surface and the old mercury mines on the property -- that the ore would be high in mercury content. And since we've treated the ore at Esmeralda, and we've actually seen the analyses, the mercury is not an issue. It's less than 0.05 parts per billion. You can see it's definitely not an issue.

And that was something that, in the past -- because we weren't sure about -- a number of people did not want to take the risk of treating the material; of course, that opens up more alternatives for us as well. So we are working on that, because we do recognize it's always better having that cash in treasury, than having it lying on a stockpile on surface.

Imaru Casanova - Barnard Jacobs Mellet Securities - Analyst

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Right. Okay. Well, thank you. That's it for me.

Lou Van Vuuren - Great Basin Gold - CFO

Thanks, Ima.

Operator

And your next question comes from the line of Rich Vigil with Dahlman Rose.

Please proceed.

Rich Vigil - Dahlman Rose - Analyst

Hi, guys. Thank you for taking my question.

I just wanted to ask if you could provide some color. In your press release you state that you saw more difficult mining conditions at Hollister. I was just wondering if you could detail that a little bit.

Ferdi Dippenaar - Great Basin Gold - President, CEO

More difficult?

No, I did not say that. I said -- no, the guys are doing an excellent job in managing the dilution at Hollister. A number of the management team actually did a site visit last week. And we spent quite a bit of time going through the mining plan -- the detailed underground visit to the Esmeralda Mill, as well.

No, in actual fact, the guys are doing extremely well with the mining methods they are employing, that's also partially why the grade is so high. It's not that they are mining above the average grade of the orebody it's they're just managing the dilution well, and focusing on gold content, instead of just ore tons.

So it's not difficult.

Rich Vigil - Dahlman Rose - Analyst

Okay, thanks.

Ferdi Dippenaar - Great Basin Gold - President, CEO

Thanks, Rich.

Operator

And we have a final question from Wayne Atwell with Casimir Capital.

Please proceed.

Wayne Atwell - Casimir Capital - Analyst



Thank you.

Again, you sort of touched on this -- but should we assume the Hollister Mill will be 100% up and running flat out, by the end of March?

Ferdi Dippenaar - Great Basin Gold - President, CEO

Yes.

Yes. That's the challenge that Butch and Jodie and the team at the mill actually took on. I mean, this is their version of what they plan to deliver. And we actually ran through it during the site visit. So I'm quite comfortable. I believe that the team will be able to do it.

Wayne Atwell - Casimir Capital - Analyst

And, within six to 12 months -- any way you could push this to achieve something in excess of your rate of capacity?

Ferdi Dippenaar - Great Basin Gold - President, CEO

Yes. With the introduction of the Gekko system -- and I said -- just thinking or looking at the permitting process -- by the end of the third quarter. I'm trying to allow the team at the Esmeralda Mill to first get the mill up and running; having it running consistently; getting the recoveries before they introduce the Gekko system.

So if they do manage to do it a bit earlier, that's a different story. But the -- as far as -- the way I'd put it right now is -- that's rather [bold] in the third quarter, or end-of-third-quarter introduction of the Gekko system, and the possibility of increasing the tonnage through the mill.

Wayne Atwell - Casimir Capital - Analyst

Okay.

And, also, you sort of touched on this, again -- any thoughts on when you'll get final approval for commercial mining at Hollister?

Lou Van Vuuren - Great Basin Gold - CFO

That's another thing we spent quite a lot of time on, during our site visit last week at Hollister. With the process it has to go to, which is very regulated there's quite a lot of public participation time within the process. Which is really just regulatory in terms of approvals from all the different state departments.

Current estimate is that by the end of 2011, we will have the process finalized and awarded -- that's according to the project plan. So we are obviously pushing quite hard to shorten that timeline wherever possible. But with -- the indication right now is that's hopefully the long date, and we can manage it.

Wayne Atwell - Casimir Capital - Analyst

Obviously, in the meantime, you can operate pretty much as you planned. So it's sort of theoretical, and it won't really impact your operations?

Lou Van Vuuren - Great Basin Gold - CFO

Yes, that's correct, Wayne. It won't impact on our operations from a production output. And the nice thing about having the EIS completed is that we do foresee a significant decrease in certain of the operating costs -- one of them being power.

Currently, all power on site are provided through gensets, which is most probably four times more expensive than permanent power supply, if we were able to build a power line.



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Wayne Atwell - Casimir Capital - Analyst

Great. Thank you.

Operator

And your next question comes from the line of Leon Esterhuizen with RBC.

Please proceed.

Leon Esterhuizen - RBC Capital Markets - Analyst

Yes, hi, guys.

Very difficult question -- one answer, please -- how much gold are you going to sell this year?

Ferdi Dippenaar - Great Basin Gold - President, CEO

I think -- look at the guidance slide there.

Lou Van Vuuren - Great Basin Gold - CFO

We're monetizing the stockpile as well, and getting the 60,000 ounces recovered from Burnstone, we're looking at about 190,000 -- 195,000 ounces to be sold.

Leon Esterhuizen - RBC Capital Markets - Analyst

Thanks.

Ferdi Dippenaar - Great Basin Gold - President, CEO

Yes. And that comes from -- in the past, without the mill -- we've always showed expected answers. But, now, with the mill up and running, it is recovered.

Leon Esterhuizen - RBC Capital Markets - Analyst

That's good. Thank you.

Operator

(Operator Instructions)

Ferdi Dippenaar - Great Basin Gold - President, CEO

Janita, it doesn't look if -- it doesn't sound -- sorry -- as if there are any other questions.

Ladies and gentlemen, thank you for attending our call. If there are any other questions or queries, please let us know -- either mail or by phone. We'll get back to you and deal with them as quickly as possible.



I've actually seen where -- I think it was Rich picked up the factors of difficult mining conditions -- that was more related to the time of the mining accident, and the conditions surrounding that. Bear in mind, we give a full -- quite a bit of detail on the actual accident. And the reference is more to that, than general mining conditions underground.

I do apologize if that did come differently.

Thank you and good-bye.

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