



GOLD FIELDS

Q3 2014

RESULTS FOR THE PERIOD
ENDED 30 SEPTEMBER 2014

www.goldfields.co.za

**Third Quarter Results
Period ending 30th September 2014
Global conference call transcript**



Operator

Good day ladies and gentlemen and welcome to the Gold Fields third quarter results. I would now like to hand the conference over to Nick Holland. Please go ahead, sir.

Nick Holland – CEO

Thank you for joining us to discuss Gold Fields' results for the third quarter ended September 2014. On the call with me today I've got Paul Schmidt, our Chief Financial Officer. I've also got Ernesto Balarezo, who is our Executive Vice President and Head of Operations in South America. And I've also got Willie Jacobsz, our Head of Investor Relations, and Taryn Harmse, our Group Executive Counsel for the company.

I'm pleased to report that despite the recent volatility in the gold price during this past quarter Gold Fields delivered results in line with guidance for 2014. Now, that has enabled us to continue to generate cash, very importantly. That is one of the key objectives of the company. And at the same time we've been able to further strengthen our balance sheet, which we have done every quarter this year. I will talk about the details a little later.

Key features for the quarter included a strong performance for the international mines, all seven of which were cash-generative, as well as the completion of the production critical safety-related ground support at South Deep. We talked about in May this year and this has really impacted production quite heavily over about four months to the end of September. Thankfully that is largely behind us now.

In quarter three we generated US\$63 million of cash. This brings total cash flow from operating activities for the year to date - after taking into account of capital expenditure, environmental payments, debt service costs and non-recurring items - to a figure of \$182 million for the year. In essence, the business as a whole after all of the bills have been paid has made \$182 million in three quarters.

I believe that that positions Gold Fields as one of the strongest free cash flow generators in the gold mining peer group. We understand, looking at the comparisons, it places us at number three for the year to date. This effort reflects our continued and firm commitment to generating a sustainable free cash flow margin of at least 15% at a \$1,300 gold price. In fact, in quarter three we achieved a free cash flow margin of 12% against a realised price of \$1,265. I think if you recalibrate it at that price of \$1,300 we essentially would have made the 15% target this last quarter. Now, this target of 15% free cash flow margin at a \$1,300 gold price also ensures that we have a safety cushion to withstand gold prices down to lows of around \$1,050 per ounce. We had an eye on the potential of lower gold prices, and that is one of the reasons we incorporated this cushion into our planning.

Together with the achievements of the free cash flow margin and despite the severe curtailing of mining activities at South Deep, because of the safety-related ground support, Gold Fields remains on track to achieve its production guidance for full year 2014 of 2.2 million ounces of gold equivalent production.

An additional positive is that costs are now expected to be lower than guidance, with all-in sustaining costs 3% lower at \$1,090 and all-in costs 2% lower at \$1,130 per ounce.

Continued strong cash generation, plus the sale of our holding in the Chucapaca project during the quarter, enabled the group to make further progress on another key strategic objective this year. That is to further improve the strength of our balance sheet by another \$137 million during the quarter, taking our net debt



down to \$1.498 billion at the end of the quarter. Now, if you look at the year to date that means that we've reduced our net debt from 1st January through to end-September by \$237 million. And that lowers the net debt to EBTIDA ratio down to 1.33.

Looking at the individual regions across the group, the four mines in the Australia portfolio reported production of 269,000 ounces at all-in costs of \$990 per ounce. This brings total production for the year to date to 771,000 ounces in Australia at an all-in cost of \$1,043 per ounce. That compared to the guidance for the full year of 975,000 ounces at an all-in cost of \$1,140 per ounce.

In the past 12 months - since acquiring the Yilgarn South assets from Barrick in October last year - Gold Fields Australian operations have produced more than one million ounces of gold. The key strategic objective of the Australian region continues to be significant investment in near-mine exploration. The \$65 million of near-mine exploration this year at all of our mines this year is aimed principally at improving the mineral reserve and resource positions of all of these mines over the next two to three years.

It is going to take us more than a year to achieve all of the goals that we want, and I would expect that in 2016 we would be spending similar or additional amounts on exploration to drive this objective hard over the next two to three years. It is early days, but I must say that we are showing early signs of success across the Australian portfolio. And that is not surprising given the orogenic nature of these ore bodies, which tend to continue to replace reserves that are mined every year. We want to try and get a little bit ahead of that, but that is going to take us two or three years to get there.

At St Ives early capital development has commenced on the newly-discovered high-grade Invincible deposit with a view to getting first open pit production by the middle of the year. And remember this is an open pit deposit with grades between 3g and 4g per ton. And that compares to the average grades that we've been mining at St Ives of between 1.5g and 1.8g per ton, so it is going to make a difference to the mine.

At Agnew/Lawlers active development has also commenced into the new high-grade underground FBH deposit, where first production is also expected around the middle of next year. Now, just to orientate you, this is a deposit which is adjacent to the Kim Lode, which we have been mining over the last eight years or so. And we are looking at really good grades here, double digit grades in FBH. So I think we are going to continue to see good results coming out of Agnew/Lawlers.

At Granny Smith exploration results during the quarter provide further support for the replication of numerous deep lodes in the Wallaby underground deposit, and we will continue that work into 2015.

If I could go across to Africa and into Ghana, Tarkwa's year to date production of 425,000 ounces at an all-in cost of \$1,045 an ounce puts it on track to better its 2014 production guidance of 520,000 ounces at an all-in cost of \$1,100 per ounce. The expansion of the carbon-in-leach plant from an annual throughput of 12.3 million to 13.3 million tonnes per annum has progressed well and this programme is expected to be completed by the end of December. This expansion should enable Tarkwa to increase its steady state production to about 550,000 ounces per annum. This expansion was very cost-effective. It really entailed some modifications to the back end of the plant and getting some additional piping in place to the tails facility. And I think we are going to end up spending \$10 million on expanding the throughput by 10%. A very good project for Tarkwa.

Turning to Damang, it further consolidated its return to profitability with another strong performance. This has now been three quarters in a row that we've seen a sustained turnaround at Damang. With a year to date production of 135,000 ounces at an all-in cost of \$1,210 per ounce, Damang is on track to exceed its



2014 guidance of 165,000 ounces at an all-in cost of \$1,240 per ounce. I think we will end up beating both the production and cost targets there. And I think 2015 is looking good for Damang, as we've mentioned before.

Cerro Corona, our copper-gold operation in Peru, had another outstanding quarter with gold equivalent production up 10% to 85,000 ounces at an all-in cost of \$718 per equivalent ounce. And Corona is on track also to exceed its production guidance for the year of 290,000 at \$865 per equivalent ounce. I'm delighted that Ernesto could be with us today - he has come from Lima. If you have some specific questions for him on the operations this will be a great opportunity for you to ask him directly.

Finally, let me deal with South Deep. Gold production at the operation decreased by 18% as expected during the September quarter. This was mainly a result of the ground support programme that was announced in May, where a significant part of the current mine's production was knocked out as we had to close down the access ramps. The access ramps were the only way that people could get to the workings. Thankfully that programme is behind us, as I've mentioned, and all of the production critical areas have been reopened. I must say the fact that we only limited the decline in production at South Deep to 18% is a great achievement from the team, given the constraints they operated under. We certainly hope that South Deep will come back strongly.

As I said, the production critical support has now been completed and access to the production areas was re-established at the start of the current quarter that we're in now. This process delayed de-stress mining and the opening up of a number of long haul stopes that were originally planned to be mined in the December and March quarters ahead of us. And the other thing that it impacted on was backfill of old stopes, which of course is an integral component of the mining cycle. And so we have backlogs there that we have to catch up on as well.

While we expect that this will have a commensurate effect on output, we think that production will gradually ramp up or improve over the next couple of quarters as new areas are opened up. And we are certainly trying to get back into some of the open stopes as quickly as we can. The impact of this delay – and it is around a six month to an eight month delay if you take into account the full knock-on effects on the open stopes and de-stress – are still being assessed and we will have a better idea of what 2015 will look like for South Deep when we give our guidance in February. We are still working through that obviously and we will be able to give you an update as to what next year will look like when we announce our results on 12th February next year,

The Australian team of consultants at South Deep continue to contribute to the upskilling of our people and are helping us to develop a truly mechanised mining culture at South Deep. Particularly pleasing is that South Deep is now starting to attract talent from the highly sought-after, albeit small, South African mechanised mining skills pool. And we were fortunate in persuading Nico Muller, who was formerly the Chief Operating Officer of Royal Bafokeng Platinum, to join Gold Fields as the Executive Vice President for the South Africa region. He joined us on 1st October. He is recognised as one of the top mechanised mining experts in South Africa.

In closing, I want to briefly refer you to two corporate developments during the quarter which I detailed in our quarterly results book. There is a tax dispute over South Deep's capital allowance, and Paul Schmidt can give you more detail on that if there are questions. It is set out in the book, but he is here and he is the expert in this area, so he can answer questions on that.

And also just to remind you about this week's announcement of a joint working group by SA gold mining



companies to try and find a comprehensive solution to the occupational lung disease issue that has been a legacy problem in this country for some time. Thanks for your time. I'm sure that you've got some questions.

Patrick Mann – Deutsche Bank

A question on South Deep. If the ground support hadn't been necessary do you feel you would have been on track with the revised guidance that you gave us earlier in the year, or have you encountered anything else that might have put that at risk regardless of the ground support conditions?

Nick Holland – CEO

What I would say, Patrick, is up to Easter we had really built up good momentum at South Deep. We were starting to see a really good build-up. Unfortunately with mines like this when you pull back their momentum and their rhythm it takes a while to re-establish it. So I think the decision that I had to make with the team to pull back the mining and fix the ground support was obviously a heart wrenching decision, particularly when you were seeing momentum getting up there. Of course we have lost the balance of the year really compared to where we were going to be. What we've got to try and do now is re-establish the momentum that we saw around about March or April before we pulled back in May, and that is going to be one of the key objectives this quarter and going into next quarter.

Howard Flinker – Flinker & Co

I just want to comment. It is very rare for a company to deliver lower revenues and higher profits, even if you exclude the lower stock payments and exclude the foreign exchange benefits. You still had a slightly higher profit. That is highly commendable and it is a pretty encouraging sign. I just wanted to pass that on. In any industry I see that extremely rarely, less than one out of 100 times.

Nick Holland – CEO

Howard, we appreciate that. One of the reasons the revenue was lower is that we couldn't sell all of the concentrate at Corona. Ernesto is with me today and he might want to comment on what he expects to do with the concentrate that wasn't sold in this quarter.

Ernesto Balarezo – Executive VP South America

That has already been sold. We had some problems with the port. We sometimes have those. But the problem has been solved and we are aiming to get everything out by the end of the year, everything we produced.

Howard Flinker – Flinker & Co

The one thing about gold is that it is not oranges or eggs. It doesn't decay next week, so you can sell it tomorrow. That's why people save it. Adjusted for your dispositions and your acquisitions, in either ounces or metric tonnes, how much did production decline year against year, third quarter against third quarter?

Nick Holland – CEO



Howard, if you look at the same quarter last year I think we're up almost 20% on our production because of the acquisition of the Yilgarn South assets. If you look at our all-in costs, I think we have managed to keep them pretty much in line overall. So we have been able to increase production and we have been able to absorb inflation and improve the cash generating ability despite the lower gold prices.

Howard Flinker

I understand Yilgarn. It was a great purchase. It was really cheap. But if you take out Yilgarn, acquisitions and disposals, what would it be?

Nick Holland

I think we were reasonably flat, Howard. If you do the reconciliation I think most of the increase was from the Yilgarn. But we have to remember that we also shut down the heap leach at Tarkwa. So Tarkwa was off. So I think if you re-base Tarkwa for the heap leach and take that out we were flat. Damang I think we were similar. South Deep is off, but I think you will find South Deep and Tarkwa are probably offsetting each other. And then St Ives and Agnew between them I think are fairly similar. All in all I think the portfolio, ex the Yilgarn South assets, was reasonably flat.

Howard Flinker – Flinker & Co

Did IAMGOLD buy the rest of Tarkwa?

Nick Holland

We bought it back from them. So the government owned 10%. We owned 90% of Tarkwa and Damang. So the government has got a carry of 10% in Ghana.

The heap leach operation we closed. We said that we would be closing that at the end of December last year. We did so, so that knocked out around about 120,000 ounces a year. The reason we shut that was because recoveries had declined. We were getting deeper into the ore body. And it didn't make sense to leach them. It made more sense to process them through the CIL plant.

Howard Flinker – Flinker & Co

That was 120,000 ounces a year, so the point of view of industry-wide demand and supply that shut-down reduced the production by about 4 metric tonnes.

Nick Holland – CEO

The other thing is, Howard, we are moving from thinking about ounces to cash. And I think if you look at the group this year we're making a lot more cash than we were last year.

Paul Schmidt – CFO

Howard, for the same quarter last year (2013) we made \$3.1 million as opposed to \$62.5 million this year with the lower gold price. So we've done well.



Howard Flinker – Flinker & Co

\$62.5 million was after payment of debt correct?

Paul Schmidt – CFO

Just comparing debt service costs, not debt repayment. So it was \$3.1 million from operations as opposed to \$62.5 million this quarter, almost a \$60 million increase with a lower gold price.

Howard Flinker – Flinker & Co

I thought the \$62.5 million came after the quarterly payment of principles. Am I incorrect?

Paul Schmidt - CEO

It doesn't include the principle.

Patrick Mann – Deutsche Bank

The South African gold industry has to renegotiate wages next year. How are you guys feeling about that? I know that you are NUM majority and obviously being a mechanised mine you have more skilled, better-paid employees. But do you foresee any difficulties at your operation? Is AMCU making any headway, or trying to?

Nick Holland – CEO

NUM represents 70% of the workforce. UWASA represents around about 10% and the rest of our employees are not affiliated at this stage. We don't have AMCU on the mine at this stage, but obviously it is no secret that they are aggressively trying to recruit members across the industry including at South Deep. So we can't discount the possibility that they will be a union that is recognised at South Deep, but right now they're not.

In terms of the wages, it is far too early to conclude on where the wages are going to come out, except to say that we expect next year to be as challenging as all of the prior years. I think it always is a challenging situation. One of the benefits of gold in this country is that we negotiate as a collective, as opposed to platinum which negotiates independently. That said, I think we are all expecting difficult times on the wage negotiations. I think they have to get a steer from some of the wage settlements that are being made in this country by the public sector and also private sector. That would give you an indication as to what is likely. But we certainly as an industry don't have the capacity to pay significant wage increases that may be asked for and sustain the operations. So I think it is going to be tough, but usually we end up with a solution, whether or not we are going to need a strike to get a solution remains to be seen, but I wouldn't discount that as a possibility.

Nick Holland – CEO

Thanks very much for joining us today. I think that you have seen our results for the quarter. Importantly they are in line with guidance and we are certainly aiming to finish the year off on a high note and make sure that Gold Fields can achieve its guidance for the full year, which would be the second year in a row that we've over-achieved on our guidance. So that's our commitment that we want to achieve, and we want to



do it safely and healthily for all of our employees. So thanks once again for your participation today and we look forward to catching up with you soon.

END OF TRANSCRIPT