GOLD FIELDS

H1 2017

RESULTS FOR THE PERIOD
ENDED 30 JUNE 2017

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Half Year Results
Period ending 30 June 2017

Operator

Good day ladies and gentlemen and welcome to the Gold Fields first half 2017 results conference. All participants are currently in listen only mode and there will be an opportunity for you to ask questions later during the conference. If you should need assistance during the call please signal an operator by pressing star and then zero. Please also note that this call is being recorded. I would now like to turn the conference over to Mr Nick Holland. Please go ahead, sir.

Nick Holland – CEO

Thank you. Good afternoon ladies and gentlemen, or good morning depending on where you are in the world. Welcome to the teleconference on the first half results for 2017. I've got Paul Schmidt, our CFO, on the line and I've got Avishkar as well in the room. I will give a brief overview of the results and an update on our key projects before we proceed to Q&A. with the group results first as reported in our recent trading statement attributable gold production for the six months ended 30 June 2017 was 1.047 million ounces. All-in sustaining costs for the period were $980 per ounce with all-in cost of $1,103 an ounce mainly as a result of the increased growth capital that we flagged that we would be spending this year.

Normalised earnings in the first half of 2017 decreased to $77 million from $103 million in the first half of 2016. That is due to the impact of stronger exchange rates on converting local currency costs and amortisation as well to US Dollars. And secondly an increase in amortisation at Tarkwa linked to new reserve published in March 2017 as well as increased mining volumes at this operation.

In line with our dividend policy we have declared an interim dividend of 40 South African cents per share which compares to the 2016 interim dividend of 50 cents per share. That translates to about a third of our normalised earnings over the two years. Gold Fields reported a new cash outflow for the half year of $102 million compared with an inflow of $60 million in the first half of 2016. And that is mainly due to the growth capital spent at Gruyere, Damang and Salares Norte. Stripping out these project capital expenditures of $141 million at these three projects for the first half the net cash flow from the existing operations would have been $39 million.

Consequently the net debt balance increased to $1.365 billion from $1.166 billion at the end of 2016 with the net debt to EBIRTDA ratio edging higher to 1.12 but still well below the debt covenant of 2.5. And all of this was anticipated and flagged when we gave you guidance for 2017 in February of this year.

Turning to these projects, at the end of 2016 Gold Fields embarked upon a reinvestment programme in order to sustain the current production base for the next eight to ten years and to improve the all-in cost for the group. And here is a brief update on the key projects which we believe are the most significant issues for this particular call.

The Damang Reinvestment Project which commenced in late December of last year has got off to a strong start and is currently tracking well against the project plan. During the first half of 2017 total tonnes mined were 18.9 million tonnes while gold production was 77,000 ounces, underpinned by high-grade material from the Amoanda pit. Given the strong start to the project total tonnes mined in 2017 are now expected to be 41 million tonnes versus the project schedule of 33 million tonnes with the key focus on capital stripping.

The A$532 million Gruyere project in Australia which we own and manage 50% of in a JV with Gold Road is on track to start production in Q1 of 2019. The Gruyere village which includes 648 rooms, offices as well as recreational facilities was commissioned during the first half. And most of the large construction contracts have been awarded and are on schedule including the construction of a process plant and a TSF, development of the gas pipeline and other engineering projects. The only large contract that is outstanding is the award of the mining contract which we expect to do later this year probably before the end of Q3.

After a challenging start to 2017 with a number of incidents including two unfortunate fatalities impacting Q1 production at South Deep in Q2 increased by 61% compared to Q1. The recovery continues into the July month during which 32,000 ounces in July month alone was produced. I think this bodes well for the rest of the year. Despite the slow start to the year the integrity of the rebased plan is still intact and largely on track. The improved performance from Q1 to Q2 is scheduled to continue for the remainder of the year.

The benefits of the investments we are making in Damang, Gruyere and South Deep start to come through from 2019 onwards with production approaching 2.3 million ounces and all-in costs getting down below $900 per ounce. The upgrade in the production profile is largely achieved from lower risk, less capital intensive organic projects in the existing portfolio. Any further upside and capital expenditure potential from Salares Norte is excluded, though we are set to announce the outcomes of a merged feasibility study between Brecha Principal and Agua Amarga by the middle of next year. So that feasibility study we think will be finished by then and we will give you an indication as to what that says and make a decision going forward on that.

So looking to the full year we retain our guidance for 2017 with attributable gold production of between 2.1 million and 2.15 million ounces, all-in sustaining costs of between $1,010 and $1,030 per ounce, and as previously guided due to the increased project capital spend all-in cost is expected to be between $1,170 and $1,190 per ounce. And those numbers were put in the February book that we put out earlier this year. With these brief remarks let's open the call to questions which either myself or Paul will handle. Thank you.

Operator

Thank you very much sir. Ladies and gentlemen, at this time if you do wish to ask a question please press star and then one on your touchtone phone. If you decide to withdraw the question please press star and then two to remove yourself from the queue. If you wish to ask a question please press star and then one now. Our first question is from Tanya Jakusconek of Scotiabank. Please go ahead.

Tanya Jakusconek – Scotiabank

Good afternoon everybody. Good morning everyone in the North American time zone. I just wanted to ask a few questions if I could. Just on South Deep, which congratulations was a great quarter for you. I just wanted to make sure that the de-stress target of 40,000 square metres is still on track as is the development annual target of 9.1km still on track for 2017?

Nick Holland – CEO

I think with the slow start to the year, Tanya, we should be within 10% or so of those numbers. We may not quite get there.

Tanya Jakusconek – Scotiabank

It looks like, Nick, you would have to have an amazing second half to make those targets.

<u>**Nick Holland – CEO**</u>

I think we could come short on the development and de-stress. But we have looked at the impact into 2018 and at this stage as I've indicated in the results book we don't believe there is going to be a knock-on impact into 2018 at this stage. But obviously we want to get ahead of the game. We don't want to be behind the game. So certainly we are going to be pushing hard. But I don't think we will quite get there.

<u>**Tanya Jakusconek – Scotiabank**</u>

Okay. So it is not going to impact, just to make sure that not having this development is not going to impact what seems to be your annual guidance maintained for South Deep and the 2018 number.

<u>**Nick Holland – CEO**</u>

At this stage we don't believe so.

<u>**Tanya Jakusconek – Scotiabank**</u>

Okay. And then maybe just going on to Gruyere just to finish off. I did notice that the capital went up by A$25 million and I know you flagged being compliant with the cyanide code. What else was in there, Nick, that would have bumped it up that much?

<u>**Nick Holland – CEO**</u>

Well, the one thing that we had in there which I suppose was the biggest component is we put in a stockpile cover which is probably going to add around about a third of that increment. One of the reasons for a stockpile cover is obviously to make sure that the oxide materials in particular the fines we protect from not going into the environment but secondly there is free gold in there. So I think we will get a good payback on that stockpile cover. And the rest were really just detailed engineering refinements in the process plant mainly that we put in, nothing really particular. There is a shopping list of small items. But cyanide code and the stockpile cover makes up about 45% of that total.

<u>**Tanya Jakusconek – Scotiabank**</u>

Okay. Thank you for that. And then I was pleased to see about Cerro Corona, the tailings options of increasing the mine life. I think we've been talking about this for a long time in terms of looking for a new tailings dam area around your mine site for this. Can you talk a little bit more about what the guys conceptually are thinking now and why are we more optimistic today than we were a couple of years ago?

<u>**Nick Holland – CEO**</u>

First of all in the tails dam we have had now a lot of consolidation as we have been depositing in the dam. And we had an idea that the density factors could be quite conservative. We are now getting a more favourable density factor so that's going to give probably two years of capacity that we are pretty comfortable that we're going to get at this stage. But the one that I think is really interesting is the concept of accelerated mining of the pit, stockpiling and then doing in-pit tailings. And we should be doing a design on that over the next six to nine months. So I think we will be in a position to give a definitive answer on that option by the middle of next year. And if we're successful that could take the mine life to 2030. So that's quite an interesting opportunity. We are also looking at off-site tailings as well and we have identified a couple of sites that we are looking at. And the important thing to remember is that the material that is in resource that couldn't convert at Corona – you can get this from the R&R book, Tanya – you will see that the grades are pretty good. And those grades will actually be economic to mine. So we are quite excited about this opportunity of adding materially to the life of Corona. But we have got some diligence work to do. We've got some further studies. But we are cautiously optimistic that we will be able to add significant life by this time next year if not earlier.

Tanya Jakusconek – Scotiabank

And just, Nick, you definitely would have to permit a new tailings facility. Would you just have to amend it if we put it back in pit?

Nick Holland – CEO

We would have an amendment to our permit for that. And we would obviously have to go through a process. And we would approach the regulators early on. We first have to firm up that technically it is possible to do. You know in-pit tails are not a unique thing in Peru. In-pit tails are a common thing. The regulator is used to it. We've done it before in Peru. So it's not a new thing. And we would have to have a reasonable expectation of permitting if we don't get it in time. But we will certainly approach the regulators I'm sure before the end of the year.

Tanya Jakusconek – Scotiabank

Okay, perfect. And just my last question on Salares Norte. The pre-feas that we were working on and doesn't seem to be coming out as you're now looking at a feasibility study mid next year, is that because we have merged the two deposits together? Is that why we're not getting our pre-feas?

Nick Holland – CEO

That's right. We decided to actually look at a more holistic project which includes Agua Amarga because we think it will significantly improve the profile and the overall return. And it de-risks the project. So that's the reason why we are merging it into that. And I think also you will get a better resolution on this as you do that. So we are waiting for that study. I think it is going to be a better project all round.

Tanya Jakusconek – Scotiabank

Okay. So not to hold my breath for pre-feas then.

Nick Holland – CEO

Don't hold your breath.

Tanya Jakusconek – Scotiabank

Okay, I can breathe then. Thank you.

Nick Holland – CEO

Thank you my dear.

Operator

Thank you very much. The next question is from Richard Hatch of RBC. Please go ahead.

Richard Hatch – RBC

Thank you and good afternoon, Nick and team, and thank you for the call. And well done on a very good set of numbers, so hats off to you for that. A couple of questions. First one is just on costs. Given the stronger currencies I'm just a little surprised that your cost guidance wasn't increased in Dollar terms. Are you controlling those or what kind of inflation levels are you seeing? Is there any risk to your cost inflation here or are there levers you can pull to bring yourself in line with your original guidance that you published in February? That's my first one.

Paul Schmidt – CFO

Richard, it's Paul here. I think it is mainly Australia where we have seen movements. But it is a year of two halves. And the way we are forecasting it at the moment for the year we will be very close to our guidance. I think we use 0.75 in the guidance. Obviously now we are closer to 0.78. We are watching it and we have decided to keep the guidance intact because the way we are seeing it's fairly flat. The Rand is really close to where we guided. So no need to make any changes there at the moment.

Richard Hatch – RBC

Thanks Paul. And my next one is on Damang. It's really nice to see that you are moving ahead as planned there in terms of the tonnes moved. Does that mean that you might bring some capex forward to 2017 or are you comfortable with where you are standing at the moment?

Nick Holland – CEO

No I think we are comfortable with where we are at the moment. There might be a little bit extra compared to the original plan. But I think one of the benefits we are getting is we are moving these extra tonnes at a lower cost. We were using a higher mining cost than what we are getting now. And I think that's hats off to the contractors and importantly the teams on the mine who are managing the contractors. So we are able to get the extra volume at fairly marginal extra cost which is really good news. It means that the cash burn is less. And hopefully we will get the project into production sooner than the schedule indicates. That's the main pit I'm talking about. I would like to get in there earlier, but I wouldn't want to hazard a guess today as to what the date is, Richard. But certainly we are trying to capitalise on this momentum.

Richard Hatch – RBC

Thanks Nick. And on South Deep can you give us a quick summary on where you're running this year versus plan? Obviously you had a difficult Q1. Q2 seems to be a lot better. Your July number looks pretty good. Where are you versus your internal planning on South Deep?

Nick Holland – CEO

Look, we are probably around about 15,000 ounces or so below. 15,000 to 18,000 below where we want to be. Q1 obviously is the bulk of that. Q2 is almost where we want it to be. So we've got work to do in the second half. But here's the thing. We lost a lot of the high grade areas in the first quarter because of the fatalities. One in particular was in a main arterial haulage that knocked out virtually the whole of corridor three for a couple of months. So we lost a lot of high grade area. We had to substitute with lower grade. Now we are getting back into those areas. So this is a function of getting extra volume at higher grade into the second half. The other thing to remember is we really lose a month of production in the first half because of Christmas and the Easter break. So if you think about it simplistically the first half is really five months. The second half is six months. In addition to that we are opening up three extra de-stress cuts. And when we say de-stress cut a cut is either stoping, development or de-stressing or a combination of all three. And we are going to have three extra cuts active in the second half versus the first half from eight to 11. And that is going to give us more mining face and more flexibility to deploy our people and machines. So those are the main factors behind the bigger pickup in the second half and why we still believe we can get there. And you can see July month we have put up there. We did 32,000 ounces in July month alone. Let's hope we can continue that good performance. Then I think we are in for a good second half year.

Richard Hatch – RBC

Thank you Nick. Good luck with it.

Operator

Thank you very much. Ladies and gentlemen, just a reminder if you wish to ask a question please press star and then one. Our next question is from David Horton from CIBC. Please go ahead.

David Horton - CIBC

Hi nick and team. Thank you very much for the update and answering our questions. Just a little bit more specific on South Deep, because when we have a look at the second quarter it is clearly an improvement on the first, but the underground tonnes mined are very similar Q2 compared to Q1, and the pickup had really been at the processing plant taking some additional surface material going through. The key here is just getting the mining rates underground to feed that better grade. And just wondering where we could be going. Could we be looking at moving towards half a million tonnes from the underground in Q3 and Q4?

Nick Holland – CEO

Certainly if you work back from the number we have to get a big pickup in tonnage into the second half compared to the first half. But we also need to pick up in grade. We are probably looking to get this operation close to something like 6,000 tonnes per day mined and milled. That is what we are shooting for to achieve in the second half. And of course with the extra face available with the extra cuts we believe we can achieve that. We have also got debottlenecking at the infrastructure that is taking place. We have got additional boxes and tips that we can now use which will significantly shorten the tramming distance. So it is two new boxes that have just been commissioned which are going to materially help that. And it also gives spare capacity. We have got additional backfill capacity that has just been installed. The thing is if you don't backfill your stopes you mine the new ones. And we have upped our ground support. That is the other key factor. If you don't get that right as well your mining comes to a halt. So we have increased our activities around secondary support, and that should also enable us to feed better production. Those are the main factors behind that.

David Horton – CIBC

Okay and I would expect with the additional tonnage mined underground and also processed through the mill that the unit costs should be coming down as you are getting the fixed cost over a larger base. Is that a reasonable expectation? Quite a bit of fixed cost in here?

Paul Schmidt – CFO

David, if you look at the guidance for the year that we've stuck to obviously we are going to see a much lower all-in cost for the balance and all-in sustaining cost for the balance of the year. Exactly what you are saying. The costs are basically going to be similar half year on half year but a much higher production profile with just a small increase in the capital vis-à-vis half year on half year because there are some once-off deliveries happening, probably R150 million more than in the first half of the year.

David Horton – CIBC

Right. So what you're saying is basically in millions of Dollars similar operating costs Q1 compared to Q2 but with much better ounces going through the…

Paul Schmidt – CFO

We're talking half one to half two. I think that's what we're saying.

David Horton - CIBC

Half two, yeah. Over to Australia with your capital spend. You got the adjustment on the Gruyere capex. I'm wondering what the split is now for 2017 compared to 2018 on the capex.

Nick Holland – CEO

The total capital for the year is around about A$150 million I think for projects.

Paul Schmidt – CFO

Ja. What we guided was $112 million on the capital side and $78 million in terms of us contributing the balance of the purchase price which remember actually goes towards their share of the capital. And if you look at the… And I'm now talking US Dollars. If you look at the $60 million we spent at Gruyere for the first half $37 million was on capital and $23 million was effectively working capital which is paying down the purchase price for their share of capital.

David Horton – CIBC

Okay. And those Dollars are your share?

Paul Schmidt – CFO

That's our share, correct.

Nick Holland – CEO

The total project spend for this year is A$153 million out of the $532 million.

David Horton – CIBC

All right. Thank you very much for the update.

Operator

Thank you very much. Our next question is from Andrew Byrne of Wellington's. Please go ahead.

Andrew Byrne – Wellington's

Hi. Good afternoon guys.

Nick Holland – CEO

Hello Andrew. How are you?

Andrew Byrne – Wellington's

Good thanks. A bit more of a direct question just on South Deep. We are sat here in mid-August halfway through the third quarter. In terms of the production you had in July was that similar to that June rate or was that more similar to the April/May period?

Nick Holland – CEO

No I think that was probably the high for the year. July was probably the peak for the year. So that has been higher than any other month we've had looking back.

Andrew Byrne – Wellington's

Okay. Great. Thanks.

Nick Holland – CEO

Sure thing. Nothing else?

Operator

That was the last of the questions. Do you have any closing comments, sir?

Nick Holland – CEO

No I don't think so. Thanks everyone for dialling in and hopefully we will see some of you on the road as we travel or alternatively in Denver in just over a month's time. Thanks everyone. Have a great day.

Operator

Thank you very much sir. That concludes this afternoon's conference call and you may now disconnect your lines.

END OF TRANSCRIPT