Gold Fields Limited

2011 Investor Day

Questions and Answers (Johannesburg Session)

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<u>Steve Shepherd</u>

Good morning, Mr Holland. It's Steve Shepherd from JP Morgan. I've got seven questions.

Each of 15 parts. Let me start with a bigger picture question. In terms of your projects, what hurdle rate do you apply to them and at what gold price? I specifically refer to Damang where you have frequently said that depending on the tax outcome the super pit would go ahead. That suggests to me is not particular robust. So you can see why I'm asking about the gold price and what sort of gold price you assume in your project evaluation. And on Chucapaca I'd like to know if Juancho believes this is a more robust project than Cerro Corona and what sort of real internal rate of internal or free cash flow do you get from it? We've attempted to model it and frankly it doesn't look very robust. We have sent the model for checking for factual accuracy. Maybe I can stop there for a moment.

<u>Nick Holland</u>

In terms of hurdle rates, on greenfields projects we want to get a 10% return on real returns. Obviously, because of the tax implications of carrying forward losses and what have you, you have to do the models in nominal terms. But if you discount it all back to real we want to get a 10% real return, unfunded. We don't look at funding on top. You've got to see if the project, on an equity basis as I call it, generates the return. If you use gearing to enhance the returns on the project that's fine, but you've got to get over the initial hurdle rate, and that is down to looking at the core technicals. The gold price we're using is $1.500 as a long-term price at this point in time. So those are the parameters we're applying to our projects at this stage.

The Chucapaca question I'm going to hand over to Juancho to answer.

Juancho Kruger

Thank you, Nick. Comparing your children is never a good idea, right. They're all good.

But talking seriously about Chucapaca, I think the robustness of the project lies in the fact that it is going to be an operation that will be producing at similar cost levels than Cerro Corona, a little bit higher but not significantly higher. We're talking in the ballpark of $25 to $30 per ton treated all-in cost of operation. Capital is in the ballpark of $1 billion to $1.2 billion at this point in time. Don't quote us on these numbers because we're working on the feasibility study. But all-in the project will deliver a rate of return that is significantly higher or much higher than the hurdles that Nick has alluded to as per our models.

The other thing that I would like to highlight is the exploration potential. This thing is really going to be - I believe – and I'm not a geologist – much bigger than what we have in hand. And the reason why is because we really believe that there are many other anomalies within the Chucapaca area of interest that we have not been able to really explore as we have been focussing on the drilling to complete the feasibility studies so far. So a new drilling campaign will have to be implemented in 2012 in order to keep growing the resource and reserve base of this project. So I really believe it's a very good project.

And on the other hand I want to get back to what I said in the presentation. It's not only having the right fundamentals. It's also being able to deliver. And we believe we are on a good track to deliver the project. As opposed to many other projects in many other parts of the world, not only in Peru, we have very strong social and community support for the development of the project. And that's what is keeping us moving ahead in a very short timeframe.

Nick Holland

Just coming back to Damang Steve. Damang is a brownfields extension so it's very low risk. We've got a pretty good idea of what the ore body looks like. The cut and paste principle that Tommy talked about is being validated by what we're seeing. The one thing we need to remember is on a much bigger pit you can drive much bigger trucks. We can go from 90 ton trucks to 240 ton trucks. We can go to bigger diggers. We can increase the volume against a fixed overhead that doesn't change much. So you're going to get economies of scale and you're going to get leverage to the size and the scale. And the grades are similar to what we're mining at the moment out of the pit.

The tax situation is a big concern to us and frankly, unless we're going to see some flexibility on the tax situation, I don't think we're going to be building the project in the form that is being described today, if at all.

So we've been to Ghana as recent as last Thursday to go and see government and to give them our concerns about the proposed tax changes. And as Peet mentioned, they've agreed to enter into a dialogue with us on what needs to be done to create a situation that's competitive for us.

And the second issue in Ghana that is a source of big concern is that there isn't a level playing field on taxes and royalties. We are paying higher royalties than the other major producers in that country. That's not sustainable. And we would be subject to these taxes to the exclusion of the other players despite the fact that we've had a stability agreement in draft form with the government for many years. So that's also not sustainable. There has to be a level playing field created in the country and there has to be a better deal for us to proceed with both of the projects you heard of today. Those two projects represent an incremental investment of $1 billion into that country which can create jobs, which can create export earnings and GDP growth. There needs to be a better dispensation for us to proceed.

Steve Shepherd

Thanks. That was a very comprehensive answer there, Nick.

I think I will ask just one more question and then let somebody else have a go.

When we look at the South African region one of the key elements in the lack of growth in your ounces has clearly been the Kloof Driefontein complex. You stopped mining the pillars for safety reasons, and I listened with interest to Tim on the technology. I have two questions really. First of all, how much of your ore reserves, and at what grade, are in the form of pillars which you can't mine? And secondly, do you foresee that the technology drive is going to enable you to go back to those pillars to mine them safely, because they are very rich I think?

Nick Holland

Peter, do you want to have a go at that one?

Peter Turner

Thank you, Nick. There are about 2 million high grade ounces locked up in those pillars, but we have discounted all of them. Those figures are excluded from the current reserve base.

As alluded to by Tim, there are quite a few technologies that we are investigating that may assist us to access those ounces in future but we haven't made those public at this point in time. In future there may be some form of technology which we could deploy in the high risk areas.

Mandy La Grange

Hi, Nick and the team. It's Mandy La Grange from Investec.

I wanted to ask you on the Yanfolila project. You've done 88,000 metres of drilling which strikes me as quite a lot of drilling for a resource of less than a million ounces. You've also got a scoping study which suggests that you need more than 2 million ounces to develop a mine there that's going to be economically viable. At what point do you step back and say, right, this isn't going to be good enough for us to develop?

Tommy McKeith

Mandy, you're right. It is a lot of drilling. And it's a lot like our mine at St Ives in Australia. It's drill intensive. We have to drill probably down to 20 by 20 or 40 by 40 at least to get it into a higher indicated category. So it is a drill-intensive style of mineralisation. I think the first 88,000 metres not only went into Komana East and West. It also started working on some of the surrounding resources. So while we only declared 740,000 ounces I think there is a lot more that is already halfway in drilling, that hasn't yet got sufficient drill spacing to be able to convert. So the answer is it's a drill-intensive programme and it is going to take a lot of drilling to get it to the kind of resources we want. When do we decide it's too much? I don't think so. In my mind we are deciding that we should start moving ahead there. It was a year ago that we declared the 740,000 ounces and we've had a whole year of drilling in between. So I think there is a confidence in myself and I think in Peet as well that we've got an operation coming down the pipe.

Mandy La Grange

That's fine. Thanks. Then another question with regards to FSE. This is looking like it could be more than a 30,000 ounce copper gold porphyry. If we think about other copper gold porphyries being developed on that kind of scale we're looking at something like a $4 billion to $5 billion capital expenditure to develop these types of assets. Now, with Lepanto as your 40% partner do you think they have the scale and will be able to fund their side of development capex in the future? And if not, do you think there is opportunity for yourselves to increase that option?

Nick Holland

One has to remember that since we concluded the option agreement with Lepanto their market value has gone up from about $200 million to $1.5 billion. So they've already got a significant lift in their market value. And it is quite conceivable that as more good news does emanate, as hopefully it will, that they will also be the beneficiaries of that. So they're a much different company than they were when we started the discussions with them. Obviously we like the project and if there are opportunities in future to work closer with Lepanto on whatever kind of arrangements are necessary then clearly we're open to discussing all sort of different options. But there is nothing at all on the table.

Mandy La Grange

Thanks. And then just finally a last question on the APP project. The blending of those ores. Could this potentially be a limiting factor to the project or create delays if you aren't finding enough of the right type of ore to blend?

Tommy McKeith

Mandy, if I can just go back to Far Southeast and add to Nick before I answer that question, we're looking at over 50 million ounces in that small area. So for projects of that scale I agree you're looking at a $4 billion to $5 billion type capital expenditure. But one thing you've got to remember is it's going to take us six or seven years of development ramp-up. So while the number sounds big in one single year when you actually bite it off over time it's not as big. And I'm sure, as Nick said, Lepanto given their market rating could look at it differently. APP, yes and no. We've learnt through the scoping study the need to keep the sulphur level higher. The sulphur is basically the fuel in the autoclave, so you need a certain level. Whether it is 10% which we restricted our scoping study to, or 8%, we actually don't know. Without a doubt all of those different pits that I showed you have very different sulphur contents. So while I think it's an important thing for us to be thinking about we're not going to be constrained at all. We have enough sulphur. In fact, I wish we had less sulphur at times.

Thanks.

Anna Mulholland

Good morning or good afternoon. It's Anna Mulholland from Deutsche Bank. I have two questions. The first is probably for Tommy. You didn't mention the Talas project in

Kurdistan. I'm just wondering what the status is of that. And the second question is potentially for Paul. Would you consider moving away from the free cash flow linked dividend payout as your capex starts to increase on all of these projects? In terms of maintaining your dividend payout would you consider moving away from that?

Tommy McKeith

Thanks for that. Talas, for those who don't know, is a 12 million ounce copper gold porphyry that looks on the face of it like the Cadia Valley deposit in New South Wales in Australia. It's on the border of Kurdistan and Kazakhstan. Kurdistan has gone through a lot of turmoil lately. It has had a social revolution about two years ago. A new interim government was put in place. They have just come through their latest elections and there is now a new government in place. We are talking with the new government. I think the fair thing to say at this point is given our robust pipeline and given the amount of negotiation that has got to be done in the Kurdistan arena right now it is number six or seven in our pipeline. So we certainly are looking at strategic options for getting the value of this project brought forward.

Paul Schmidt

I think we will still stick to our policy of free cash flow. I think the growth projects in the long term will benefit the shareholders and they have to foot some of the bill. Yes, the majority of it I would want to fund from cash resources and debt, but the shareholders will have to fund some of it. I don't see us moving to a different type of dividend structure like some of our peers have alluded to in the last couple of months. I think we're quite comfortable with ours and we will stick to it.

Jana Marais

Hi, Jana Marais from Bloomberg News. Can you perhaps elaborate a bit on the Ghana tax issue? What would you like to see? What is it going to take from the Ghanaian government to make this work for you?

Nick Holland

Look, I don't want to get into detail except to add we've been in dialogue with them, they have indicated some flexibility, we've indicated what we need, they are thinking it over and hopefully we will get a resolution. I don't want to get into specifics here. But certainly adding the windfall tax does not help the situation. And that obviously is one of the focus areas. So hopefully we will get a resolution. We're looking for a win-win resolution here, and I'm hopeful we will get one. But in all honesty if it stands as it is then I think it is going to make these projects very difficult.

Thank you. No more questions? Last question.

Adrian Hammond

Hi. Adrian Hammond here from Cadiz Securities. I'm just curious about the Arctic Platinum Project. You mentioned that this is now looking a lot better owing to the less technical risk with higher recoveries as well as higher commodity prices. Can I ask what basket price you used in your calculations?

Tommy McKeith

That's a good question. They're in the note there. They're just very small I think. We used $1,500 gold, $1,600 platinum, $650 palladium, $350 copper per pound and nickel I think was $20.

Ed Stoddard

The question from the webcast comes from Ed Stoddard at Reuters. Given what has happened in Ghana do you think as some critics allege that mining companies in Africa have not managed regulatory risk well enough to avoid making the tax rate conspicuous targets for reformers?

Nick Holland

No, I don't think so at all. I think that we've had a very constructive and close engagement with the government in Ghana for many years. You have to remember we've been operating in Ghana longer than any of the other major companies. We've been operating in Ghana for 20 years. We're the largest producers in Ghana. We manage a million ounces, of which 900,000 ounces is attributable. We also contribute more taxes than anybody else in the country. And we've had a close relationship with all of the different regimes over time. So I'm not sure what's motivating this particular aspect, but some of it could be the notion that gold companies are making a lot more money. In fact, if you read letters that are sent to the Financial Times they would have you believe that gold companies are only producing gold at $500 an ounce and are making bonanza profits. So I think it comes down to educating and informing all of the different stakeholders in all of the jurisdictions that we operate in the current state of the industry and of course the company. And we do that on a regular basis and have done so in Ghana for many years. So I don't think we can put it down to that particular issue. Thank you.

Steve Shepherd

Nick, along with the rest of the peers you are struggling with the valuation of your stock. Certainly the way we look at these things there are very few gold mining companies that are trading anywhere near their [unclear] values at the current metal prices. I think your discount is one of the larger ones for the big guys. Can you think of any innovative ways – and I'm not going back to breaking the company up – of maybe looking at Tommy's business. One of your immediate peers thinks that their exploration business might be worth as much as $6 billion. You've got a huge pipeline. Do you foresee a day when you might separate the business of exploration from Gold Fields perhaps? Or what other ideas do you have of releasing the substantial value that you obviously think there is in your assets?

Nick Holland

I think it comes down to one thing. We've analysed our company in some depth over the last year and tried to understand the market comparables, ourselves against the other companies and our strategy. And we've discussed our strategy for value creation with a large group of our shareholders and also other investors who might become shareholders. And we have received a strong endorsement of our current strategy. Investors believe what we are doing and what we are going to do are going to be the main catalysts for us driving more fundamental value. And I think the key challenge now for this team is delivery of the strategy you've heard about today. And if we can execute the strategy that we've talked about for the last five hours or so we believe that that is the best possible way for further value creation for our shareholders.

I think we are just about out of time.

Well, thanks very much everyone for joining us today. It has been a long session and I do appreciate your attention, your interest and your patience. We will be available for a few minutes, either myself or members of the team, who-ever you want to chat to over lunch.

There is lunch served in the room behind us over here. I think they will be opening these doors shortly. Thanks once again. If we don't see you for the rest of this year, have a wonderful Christmas and New Year.

And remember if you're on the roads, let's all be safe. Thank you very much everybody.

END OF TRANSCRIPT