



GOLD FIELDS

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RESULTS FOR THE PERIOD
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**Interim Results Period ending 30
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Conference Call Transcript
23 August 2012**



Willie Jacobsz

Good afternoon, ladies and gentlemen, and thank you for joining us here for the quarter two 2012 results conference call for Gold Fields. The presentation will be done by our Chief Executive Officer, Nick Holland. He will be making some high-level remarks on the quarter. And then we will open the call for your questions. I now hand over to Nick.

Nick Holland – CEO

Thank you very much and good afternoon, ladies and gentlemen. Thank you for dialling in to the call. With me here is Paul Schmidt, our CFO, our general counsel, Michael Fleischer, and as you've heard, Willie Jacobsz, our Head of Investor Relations and Corporate Affairs.

I trust you've seen our results announcement this morning. What I will do is just give you some highlights and then we can go into your questions. If you look at the first half of the year and also the quarter, here are some of the salient details.

EBITDA for the quarter, essentially the operating profit, \$667 million, and for the half year just under \$1.4 billion. Normalised earnings for quarter two were \$224 million, and for the half year \$504 million. Just to put that into context, last year in 2011 we generated earnings of \$1 billion. So we look as though we're halfway to what we did last year at this stage.

Operating cash flow was very strong this particular quarter, \$514 million generated from the operations and \$874 million for the half year. Free cash flow, which is the ultimate measure of what cash generation ability we have in the company, was \$100 million for the quarter and \$120 million for the half year.

The reason the quarter is a lot more disproportionate than the half year is in the first quarter of the year we have our half-annual tax payment, and also there were some working capital movements arising from the year end that usually affect the first quarter. So \$100 million is what we've made in free cash for this quarter.

If we look at production, 862,000 ounces for the quarter, which is up 4% on the previous quarter. Cash costs were down 2% to \$851 per ounce. That's well within our guidance for the year. And NCE was \$1,308. Remember, NCE is the all-in cost, capital expenditure, whether it is growth capital, whether it is sustaining or replacement, including all the operating costs and G&A, that's all in there. \$1.308 for the quarter. Again that is very close to the guidance for the year.

The performance in South Africa has been a welcome improvement for the quarter, and at KDC we saw production rise by 12% to 280,000 ounces for the quarter. Also if you look at the half year's production for KDC in fact we were in line with the previous year. The first half of this year is very similar to the first half of last year. And that is a trend we have not seen for some years. That's a pleasant reversal for us.

KDC is now producing in line with what I indicated a year or so ago of between 1 million and 1.1 million ounces per annum. So what you've seen in this quarter is what we said it would be.

We are also pleased with the progress made at South Deep with our critical de-stress mining. That is really to open up the ore body at depth for the open stoping which will be the bulk of the mining in the future. We achieved record levels during the quarter with de-stress mining going up by 52% quarter on quarter. That



bodes well for the future certainly.

Capital expenditure projects at South Deep relating to the key infrastructure, being the ventilation shaft, the plant expansion as well as the fill plant tailings facility for the backfill are getting very close to completion. We should see both the ventilation shaft as well as the plant expansion completed by the end of the year with the full plant tails facility completed early in 2013.

And those particular infrastructure projects will provide the backbone together with the tails facility that has already been commissioned last year for the build-up to full production to reach a 700,000 ounce run rate by the end of 2015.

As some of you may know, we have issued a Section 189 notice to the unions on 2nd August. The mediation process is now underway and hopefully we will get a final resolution on this situation over the next few months. So we are hopeful that we can try and find a solution on this particular matter, but there are no guarantees of course.

Beatrix also had a steady quarter. It is also now producing at a steady state within its median range guidance of about 325,000 ounces to 350,000 ounce range per year which we provided around a year ago. So that is pretty much in line with what we have seen over this last quarter.

St Ives also continued to perform well during the quarter. Tarkwa's performance has been really excellent. Just to demonstrate what a world-class mine this is, this particular operation moved 33 million tonnes in this particular quarter at a mining cost of \$2 per ton. That was actually bang in line with the budget. So we're really getting our fleet utilisation up to world-class levels on this operation.

I also announced today that we are progressing with the pre-feasibility study for an additional 8 million ton CIL plant at Tarkwa to replace the north heap leach facility. This project will help to keep Tarkwa and get Tarkwa up to around 800,000 ounces per annum. We are currently at a rate of about 720,000 ounces per annum. And that will be provide through improved recoveries as we divert materials to heap leach, which is giving us about 60% recovery, into a carbon and leach plant facility which should be able to give us around 95% recovery, pretty much in line with what we get out of the existing CIL plant.

This project has a healthy double-digit return and should have a short payback period. It should also help us to reduce the cut-off rate as we look to potentially move the exploration drill around the pits and look to expand the size and depth of those pits. That should add further to the 10 million ounces of reserve we have at Tarkwa.

The two operations that do require some work is Damang in Ghana and Agnew in Australia. At both of these operations we're focussed on restoring them back to production levels of around 45,000 ounces per quarter. We hope to get to that level within the next six months. Certainly the early signs at Agnew are encouraging that we should have a better production performance this quarter.

Cerro Corona in Peru has had an outstanding quarter, again achieving all of its physical and cost targets. This is truly a jewel in our crown and it shows the kind of operation that we are putting into Gold Fields for the future, having put this mine into commission late in 2008.

We have therefore decided to proceed with feasibility studies on the expansion of the sulphide plant as well as a heap leach option for the stockpiles of oxides that we have on site. We have about 300,000 ounces of oxides at Cerro Corona. And that is 7 million tonnes at about 1.4g per ton, so there is significant value in



there that we want to release.

We hope to complete both of these feasibility studies during 2013. I guess if you look at the brown fields growth opportunities that we have at Tarkwa and Cerro Corona, together with getting South Deep into full production, you can see that we have the potential to add significantly to the production base over the next three to four years. That's even before we consider the greenfields opportunities.

Let me deal with those greenfields opportunities now. The Chucapaca project is a 7.5 million ounce resource project in southern Peru. That feasibility study has been ongoing for about a year and we expect to finish that by the end of 2012.

I don't necessarily think that's going to be the end of it, because although we're getting a good return out of it I believe we're going to do more work to value enhance that through re-looking potentially at the configuration of the project in terms of size and also looking to add more exploration ounces to provide for a longer life. There is more work we're going to do on that.

The Arctic Platinum project in Finland, if you can recall we had a 7 million ounce existing resource from the existing Greater Suhanko project made up of the Konttjarvi and Ahmavaara pits. And we decided to also increase our resource potential here by going a little bit further north, about seven kilometres north of that area, to what we call Suhanko North.

We've done a drill programme over the last year, and it looks like we're going to add between 2 million and 4 million ounces 2PGE at similar grades to what we've got from Konttjarvi and Ahmavaara, but potentially with lower strip ratios which will provide an important blending consideration which may optimise the economics in the short term with this particular project.

We are factoring all of this into the metallurgical test work we're doing on the PLATSOL project, which remember is just a derivative of an autoclave technology. We're also feeding ore into the pre-feasibility study. We should have work on that completed by around the middle of next year. It still looks like a very interesting prospect for Gold Fields.

At the Far Southeast project we're pleased to tell you that we have our drill rigs turning underground. We've got ten drill rigs at the moment doing largely in-fill drilling but some step-out drilling as well to test the extremities of the ore body. As we've said before, we haven't actually determined how big this is because it's still open at depth and it's still open laterally as well.

Having said that, we believe that we will be in the position to provide a maiden resource by Q4 of this year. That looks very promising. The whole licensing application to provide us with approval for a majority ownership in this project continues and we've got no reason to believe that it is anything more than a process issue at this point in time.

Leaving probably the most important consideration - let's hope investors see it that way. We have restated our dividend policy. And as the top dividend payer in the industry we will in future provide shareholders with a prioritised dividend payout of between 25% and 35% of normalised net earnings irrespective of capital expenditure. This assures shareholders of a dividend during period of high expenditure on growth projects.

In essence what we're saying is previously we had a policy of paying out 50% of earnings, but we knocked off gross capital as it was called. The net effect was we ended up with a payout of about 30%. We're going



to still be paying out in that range, so it is not going to be a lower dividend than before.

But what we are doing is we're giving more certainty about our desire to maintain a strong dividend payout as a priority for shareholders, and then for us to look at the balance of our cash flow to be re-invested in sustaining the current operations, and then looking for value-accretive growth where we can invest the balance in creating a better Gold Fields into the future.

I also included in my presentation this morning, which you can see on the website, a section on our perspectives of the gold mining industry at large, which we believe is important because these thoughts do influence the way we see the future and therefore how we will be positioning our company to benefit from the higher gold price.

Willie will be sending the slides and the transcript of that presentation out to all of you overnight, so I won't dwell too much on it, except to say that the industry really does need to respond to the fact that although the gold price has gone up significantly over the past five years the gold equities have not responded in kind.

That means all of us have got something to do to turn that around. We are going to be giving serious thought for what that means for Gold Fields as well.

With that we've given you a fairly detailed synopsis. I'd now like to turn it over to questions which either myself, Paul, our CFO, Michael Fleischer, our general counsel is also here, and Willie Jacobsz between us will endeavour to answer. Thank you very much.

Operator

Thank you very much, sir. Ladies and gentlemen, if you would like to ask a question please press star and then one. If you then decide to withdraw your questions please press star and then two. Our first question comes from David Leffel of Deutsche Bank. Please go ahead.

David Leffel – Deutsche Bank

Thanks for the call. I guess you are trying to restructure your working arrangements with labour. Could you give us more specific dates in accordance with the Labour Act in South Africa? Then I guess from the previous call in July I'm uncertain of the actual cost if you reach a good resolution where the workforce accepts the changes, and I guess the costs if they do not. That would be helpful.

Nick Holland - CEO

Look, the process under the Labour Relations Act is a 60 day process which commenced on 2nd August. So that process, unless it is extended, will expire on 1st October. So what is happening now is we are in a facilitation process with a facilitator that has been appointed by the CCMA. And the parties are obviously talking and determining each other's position and trying to find some kind of solution for this. So I would like to let that process run its course. I wouldn't want to try and predict any particular outcomes at this point in time, because we don't know what the outcomes are going to be. That's why we've had to get to a formal process under the Labour Relations Act because we were in deadlock beforehand. That process has to be given a chance. Let's see where we end up at the end of the period and what the options might be for us, and then take it from there.



David Leffel – Deutsche Bank

Is it possible that this process extends out from October if the facilitator suggests that there is still further discussion room maybe into November or something like that? How set in stone is the 60 day facilitation process?

Nick Holland – CEO

At this stage it is set in stone. That's our period. So until we hear otherwise, that's our period. We will see where we end up at that point in time. But we've been in discussions with the union on this since April and we've had detailed discussions on the operating model we want to put in place since November. This has gone on for a long time. So we do have to get to a point on it. At this stage we're working on the 60 days.

David Leffel – Deutsche Bank

But the facilitator can order in terms of the labour laws that you carry on negotiations?

Nick Holland – CEO

No. That would have to be by mutual consent. At this stage we're not seeing any extension beyond this date. That is the date we're putting down as the date by which we want to get finality on this.

David Leffel – Deutsche Bank

You talked about some monetary considerations for changing the work hours and the structures. I think you mentioned R300 million. Now, if you retrench the workforce and go to a new structure, I mean is the R300 million the right number or is it even more? I've heard rumours that you've offered to buy out current contracts for like nine months.

Nick Holland – CEO

If we did go the route you suggest there would obviously be an incremental cost which could be of a similar quantum.

David Leffel – Deutsche Bank

So R600 million?

Nick Holland – CEO

Probably the retrenchment would be about R300 million. And incentives are not going to be that much. But they could over a period of time add up. That would be spread. There would be additional benefits paid out for a two to three year period that could add up to maybe R200 million or so. But those would be linked to particular targets being met, so it would be self-financing. The number we did mention was around R300 million if we had to do the full retrenchment.

David Leffel – Deutsche Bank

Thank you.



Operator

Ladies and gentlemen, a reminder that if you'd like to ask a question please press star and then one. Our next question comes from Tanya Jakusconeck from Scotiabank. Please go ahead.

Tanya Jakusconeck - Scotiabank

Good morning everyone. Thanks for the call. I have three questions. The first one is just a continuation of the labour agreement. Just from a financial standpoint, how would that be recorded? Would it go through the cash flow statement as a R300 million payment, and then any additional payments go to the cash flow statement over the next two years?

Paul Schmidt – CFO

It would be a once-off cost expensed to cash flow in the immediately. The other costs would be incentives paid as part of the normal monthly salary run. That's the way it would be accounted. But the full R300 million number would be a once-off cost expense when it's paid.

Tanya Jakusconeck – Scotiabank

Okay. And that would be a cash flow impact?

Paul Schmidt – CFO

Oh yes.

Tanya Jakusconeck – Scotiabank

The other one is on Chucapaca. Just listening to Nick talk about finishing the feasibility study by the end of 2012 and you want to have time to do more work in terms of the configuration and size of exploration. Are you thinking it to be smaller configuration? Because even if you're looking at the size... Am I just interpreting it wrong that you're looking at it as a smaller operation?

Nick Holland – CEO

No, we're just saying, what is the best capital efficiency ratio of size to capital?

Tanya Jakusconeck – Scotiabank

Okay.

Nick Holland – CEO

We should look at is it a 30,000 ton a day, is it a 45,000 ton a day, do you get economies of scale or a better capital ratio if you make it smaller or bigger. But of course...

Tanya Jakusconeck – Scotiabank



It isn't anything that you've seen in the ore body that's making you re-address it?

Nick Holland – CEO

The ore body is good. The question is whether we can get more. We know that there is a lot of exploration potential within the area of interest. There are at least four other targets in the five by five kilometre area of interest in the joint venture between the two companies. We've done some targeting, but we haven't done enough drilling. So we believe that we should get an exploration programme going probably around about the middle of next year and see what else we can find. I think that will create a more robust project. We've got a project that could go at this stage, but we want to be absolutely sure that we can make this thing a flyer in the face of robust gold prices and not just spot prices. We have used lower prices than spot, make no mistake. As you know, we've indicated \$1,500 as the long-term price. I'd like us to make sure that we can really create a robust project here. We probably need around about another year of work to settle this exercise and then we can give you the full details.

Tanya Jakusconek – Scotiabank

All right. And then Nick, now that I have you on, for the North American audience, just some of your views on what's happening in South Africa and the violence surrounding the platinum industry, how that's impacting you and so forth.

Nick Holland – CEO

Look, it's not impacting us at this stage. The union that people are referring to is AMCU. You may have heard of them. They're sort of a splinter union that broke off and was formed some time ago. We don't have them on the gold mines to any degree. They have been around trying to get support, but at this stage they haven't really been that successful.

One of the benefits in the gold industry contrary to the platinum industry is we have central bargaining agreements. In other words, we negotiate all of our wages in the gold industry as a gold industry and not as individual companies. And platinum is actually de-centralised. That has a lot of benefit in the sense that we're able to as an industry agree things, and not one company do something that might affect another company.

And also the union has never reneged on these deals. Usually there have been two year deals and they have stuck to their guns. I must give them credit for that.

So we haven't had them on our operations at this point in time. That's not to say we can rule out the risk of that happening in the future. Certainly from a country perspective what we've advised the chamber – and we have been closely involved with this process over the last week – is that there should be greater engagement and dialogue between all of the various parties to try and understand people's perspectives and try and get some sense and sensibility back into this whole process.

The chamber is going to be talking to everyone and playing a leading role in trying to resolve this issue. Clearly we've got to get stability back into the country, and more importantly into the platinum sector at this point in time. So a lot of it deals with rock drill operators that were looking to try and get higher wages. They possibly ended up being convinced by people outside the normal forums that they could be assisted in this process.

Then you get into this whole culture of finger pointing. That's why the government has initiated a formal



enquiry into the entire process. We don't want to second-guess why the whole thing really happened because there are so many different stories. Let the enquiry run its course. In the mean time we have strongly urged the industry to enter into a proper dialogue. I mean we can create more polarisation in this process. That's really our summation as to where we are right now.

Tanya Jakusconek – Scotiabank

Thank you for that. Maybe just some other thoughts on the silicosis case.

Nick Holland – CEO

I've got Michael here, our general counsel. It's quite a technical process in terms of the notice that was served on us three days ago. Let me hand that to Michael and he can explain specifically to you what the [unclear] is.

Tanya Jakusconek – Scotiabank

Great. Thanks, Nick.

Michael Fleischer – General Counsel

Hi Tanya. This audience will probably be very familiar with a class action in North America and Canada. In South Africa the rules are not well established around class actions. The juris prudence is limited. I guess it is going to be a process that is going to develop with the silicosis litigation. What has been served on us is an application to certify a class. The application is effectively split into two sections. One defines a class on an opt-out basis. In other words you will be included in the class unless you decide to opt out. And it then has a phased approach. If the court certifies the class then what this particular lawyer intends to do is to argue the common factual and legal issues on behalf of the class. And then if he's successful on that basis then potential claimants would have to then opt in for the purposes of establishing their personal damages. So we've only just got this application about 48 hours ago. We've got a legal team that has actually been in place for a long time in anticipation of this litigation coming. We're considering what our approach would be. In the ordinary course of the rules of court you've got ten days within which to decide to oppose or not oppose the application for certification. And then you've got another 15 days within which to file your papers. The important thing though is that there are no specific numbers of applicants or plaintiffs here because we haven't even defined the class yet. And number two, there is no mention or quantification of any type of damages. That is something that is way down the line. In a nutshell, that's where we sit at the moment as far as official service of process on us.

Tanya Jakusconek – Scotiabank

Okay. So I guess we will have to wait out your ten or 15 days and then see where we are after that.

Michael Fleischer – General Counsel

Exactly.

Tanya Jakusconek – Scotiabank

Thank you very much gentlemen.



Operator

Ladies and gentlemen, a final reminder that if you'd like to ask a question please press star and then one now. We will pause to see if there are any further questions. Ladies and gentlemen, we seem to have no further questions. Do you have any closing comments?

Nick Holland – CEO

I'd like to thank everyone for joining the call today. And for those of you that will be attending the gold show in September we look forward to seeing you then or on our travels around North America and elsewhere in due course. Thank you very much and good bye.

Operator

Thank you very much. On behalf of Gold Fields that concludes this conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT