Forward looking statements

Certain statements in this document constitute "forward looking statements" within the meaning of Section 27A of the UE Securities Act of 1933 and Section 21E of the UE Securities Exchange Act of 1934.

In particular, the forward looking statements in this document include among others those relating to the Damang Exploration Target Statement; the Far Southeast Exploration Target Statement; commodity prices; demand for gold and other metals and minerals; interest rate expectations; exploration and production costs; levels of expected production; Gold Fields’ growth pipeline; levels and expected benefits of current and planned capital expenditures; future revenue, resource and other mineralisation levels; and the extent of cost efficiencies and savings to be achieved. Such forward looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the company to be materially different from the future results, performance or achievements expressed or implied by such forward looking statements. Such risks, uncertainties and other important factors include among others: economic, business and political conditions in South Africa, Ghana, Australia, Peru and elsewhere; the ability to achieve anticipated efficiencies and other cost savings in connection with past and future acquisitions, exploration and development activities; decreases in the market price of gold and/or copper; hazards associated with underground and surface gold mining; labour disruptions; availability terms and deployment of capital or credit changes in government regulations, particularly taxation and environmental regulations; and new legislation affecting mining and mineral rights; changes in exchange rates; currency devaluations; the availability and cost of raw and finished materials; the cost of energy and water; inflation and other macro-economic factors; industrial action; temporary stoppages of mines for safety and unearned maintenance reasons; and the impact of the AIDS and other occupational health risks experienced by Gold Fields’ employees.

These forward looking statements speak only as of the date of this document. Gold Fields undertakes no obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.
Good morning everybody. Thanks for joining us for the half yearly results and second quarter results of 2014. Also with me today on the platform I’ve got Paul Schmidt, our Chief Financial Officer, and then Alfred Baku who is our head of operations in Ghana, West Africa.

It is almost two years since I caused a lot of trouble in the gold industry by doing a presentation in Melbourne, Australia, saying that the industry has actually destroyed value over the last ten years, which included us by the way. I didn’t think that we had done terribly better than anybody else over that period of time. What I said was the industry has got to change the way it runs itself and it has got to get back to generating fundamental returns for shareholders.

And that made us get into a lot of debate as an executive and get thinking about what we should do. We went back as a team and said one of the things we should do is actually move away from growth targets, where everybody believed they had to stand up and say how much your ounces of production are going to grow. How many projects do you have in your pipeline etc? Let’s get back to fundamental returns, fundamental delivery. And what is the most important thing that underpins that? It’s cash.

Now, for those of you who may disagree with that view and that approach, I can tell you I’ve personally spoken to over 200 fund managers around the world over a period of two years to validate or corroborate whether that is correct. And I can tell you for sure it is correct. That is what investors do want. So we’ve been restructuring our business accordingly, taking out marginal production, changing the whole profile of the company. So the results you are seeing today are manifesting the implementation of that strategy over a period of time.

And if you look at the quarter overall we’re pretty much in line with what we said we would be for the year. We’ve talked about a 2.2 million ounce guidance. As you can see we are tracking based on quarter one and quarter two at 548,000 ounces, which is 2% down in the context of the previous quarter.

Costs in fact are lower than guidance. All-in sustaining cost is $1,050 and all-in cost is under $1,100. We had said for the year we would be about $1,150 and so far we are tracking below that. I’m pleased that we are making good earnings again. I wouldn’t say they are great earnings, but given where the gold price is we are generating earnings, but more importantly we are generating cash. $65 million worth of cash we’ve made for the quarter, $54 million at the end of the previous quarter.

Now, let’s go and look back where we were in the same half last year. For the half year up to June we have increased our production by 20%. We have dropped our all-in costs from $1,522 to $1,104. That is a 30% decline. We have improved our earnings. But more importantly look at our cash. Our cash generated in the first...
half was $119 million versus a negative $276 million in the same period in the previous year, even with the higher gold price that we had.

So I think you can see that the strategy has certainly delivered when you look at the portfolio as a totality. We've got the company back to where we wanted it. I've said that we want to make a good margin at $1,300. We don't know what the long-term price is going to be, so let's work on $1,300 for now. And we are working to make sure that we sustain this over time.
Our key theme is it is all about the cash. You’ve heard that from me and from the team a number of times. The re-basing of South Deep continues to make sure that we can create a sustainable operation. So instead of pushing very hard to make sure that we can achieve the objectives for the year, what we have done instead is say how are we going to make sure that we create a sustainable operation over seven years, not an operation that delivers in one year and then has a problem again in years two, three and four. And that is why we are re-basing South Deep.

We are driving brownfields exploration hard in favour of the assets in Australia in particular and Ghana. And we have cut back on greenfields exploration as you know. We have been much more successful at brownfields than greenfields. We’ve added to the reserve lives of St Ives and Agnew over the 13 years that we’ve owned them. Today the reserves at those mines are the same as what they were 13 years when we bought them, and yet we’ve mined 8 million ounces over that period of time.

We sold projects that we don’t believe are Gold Fields franchise assets. We’ve sold Yanfolila to Hummingbird for shares. We now are a 26% shareholders in Hummingbird, and we are going to go for a ride on that one. They are very optimistic that they can develop the project, and that is great. As a shareholder in that company maybe we can actually participate with them. Chucapaca we’ve sold. We’ve essentially recouped our investment in Chucapaca and given ourselves a 1.5% uncapped royalty across the area of interest. Our balance sheet is strengthened.

We’ve paid down $100 million of debt and we are paying dividends again.

If you look back at what I said in August last year - I said one of the key objectives was to further reduce our costs. We needed to make sure that the Yilgarn assets are fully integrated and delivering. We wanted to make sure that Tarkwa could transition from a heap leach and CIL operation to CIL only. And we needed to make sure that Damang could either be turned around or we would have to think of another strategy for Damang. All of those have been successfully achieved.

South Deep is work in progress. We will talk about that a little bit later. And we have disposed of a number of projects. Yanfolila, Chucapaca, also Talas in Kyrgyzstan and a small project in Ethiopia, we’ve got rid of a project there as well. So that process continues.
Let’s look at the group overall and the three international regions, bearing in mind South Deep is still a project. It’s not a mine that is at commercial levels of operation. We have to remember that. It is only filling half its infrastructure at best. So let’s look at the operations that are at steady state across the world.

You can see Australia for the year to date, 500,000 ounces at an all-in cost of $1,072. That is making a free cash flow margin of 20%.

If we look at Ghana, 373,000 ounces (this includes Damang of course) at $1,061. That is making a margin of 14%.

And South America at Cerro Corona 157,000 ounces year to date at $709 an ounce. That is making a margin of 76%.

That has all contributed to getting a free cash flow margin of 18% in Q2 versus 13% in Q1. So we are on track this year for achieving our objective of a 15% margin based on the half yearly results.
So if we look over a period of a year, our all-in sustaining costs are down 26%. If you look year on year we are 26% down from where we were. Our production is up about 20%. All-in costs year on year are down 30%. That is a massive impact. If you work out the impact it is about $450 million a year of expenditure that we’ve taken out.

We’ve also been watching what other people are doing in terms of dropping their costs and whether it is sustainable. And there is a degree of high-grading going on in the industry. High-grading, in case anyone is not clear on high-grading, it means you are mining at grades that are higher than the reserve grade as opposed to mining to the reserve grade. Now, that is not sustainable. So there is a red flag out there.

We’re not doing that. In fact, if you look at our overall grade achieved, if anything we are slightly below the overall reserve grade for the group. The second red flag to watch for is if mines are continuing to develop declines in the underground mines that they will need to mine over the next 18 to 24 months? And are they continuing to strip in their pits that they’re going to need in future? I think that is the other concern. If people are pulling back, they are going to have to put it back very soon if they are going to sustain their operations.

Those are the no-no’s in Gold Fields, because we know that we won’t sustain this if we end up in that scenario. When you look at these costs, bear in mind that the key objectives we have set out for our operations is you cannot high-grade and you’ve got to keep on developing your mines for the future.
How do we look then compared to the rest of the peer group? This is based on what is out there already and what has already been published for Q2. These are names that you will recognise. We have shown all-in sustaining costs and all-in costs for those who are brave enough to disclose them. And we look pretty good on all metrics.

And I must say this whole debate about growth supply in the industry - by and large in our view there is going to be very little growth in the gold industry. We’ve done a lot of work in the last six months in analysing potential growth in the industry. Probably at best over the next three or four years we would say about 1.5% compound growth per annum, and then tapering off after that.

If you look at the last ten years we’ve only had about a 1% growth if you compound it over ten years. The so-called growth projects are in reality only replacing stuff that is falling off. So the real metric to look at is all-in cost. We are in the lower quartile of gold producers on that metric.
Here is the key thing. It is all about cash. You can see here the trend over the last three or four quarters, how we have actually been implementing the strategy. We were negative. That is where we really started implementing change. And you can see we are gradually growing cash flow. That’s against a gold price that is actually going nowhere. So I think it gives you an indication of the operational improvements that have been affected across Gold Fields over the last couple of years.

The balance sheet is very good. I must compliment Paul Schmidt and his team on pushing out our debt maturities. We’ve taken $715 million of debt and we’ve pushed that out for two years on the same terms. That was a syndicate of 16 banks that we had a lot of discussions with. And I think they have done a great job in giving us a much better maturity ladder now over the next five years or so.
We’ve also reduced net debt by $100 million. And that is capital. That is not interest or anything. That is reducing the principle amount by $100 million a
nd we are back into decent payout ratios. Paul and myself have a view that we would like to get our net debt to EBITDA down to closer to 1:1 over time. I think it is going to take a couple of years to get there, but we are moving in the right direction.

So how do we manage the portfolio? In essence we have a portfolio of assets. And from a strategic perspective every asset is evaluated against its ability to sustain a metric of a 15% free cash flow margin. So in the medium to long term every asset in the portfolio has got to get there. Otherwise we ask ourselves, should it be here? Certain assets need restructuring. Certain assets possibly aren’t going to make it. And certain assets need more time to achieve that.

So that is the way we are looking at our business to make sure that we generate sufficient cash for us to pay dividends, to continue to pay down debt and for us to pursue accretive growth. When we talk about accretive growth we’re talking about growing cash flow. Anything we want to buy has to fundamentally grow the cash flow of the company.

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**Q2 2014: Key Achievements**

**Balance Sheet Further Strengthened**

- Q2 2014 - Net debt reduced by US$50m to US$1,635m
- Net Debt to EBITDA reduced to 1.47x
- Maturity date on US$175m of debt extended, on same terms, from November 2015 to November 2017
- YTD - Net debt reduced by US$101m

**H1 2014 Dividend**

- ZAR0.20 per share
- In line with dividend policy of paying out 25% to 35% of normalised earnings

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**Targeting Net Debt To EBITDA of 1X**

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So that is the way we are looking at our business to make sure that we generate sufficient cash for us to pay dividends, to continue to pay down debt and for us to pursue accretive growth. When we talk about accretive growth we’re talking about growing cash flow. Anything we want to buy has to fundamentally grow the cash flow of the company.
Where does the portfolio sit? Let’s start at the bottom. Projects that have either been divested or will be divested. Talas in Kyrgyzstan is gone. Yanfolila in Mali. Asoso in Ethiopia. Chucapaca in Peru. APP, we are still looking at a process on that, so that is very much in the melting pot at the moment. And Woodjam, which is largely a copper project in British Columbia, we continue to look at opportunities there.
If we look then at the operating assets. Darlot, as we indicated when we bought the Yilgarn package, there was no value that was attributed to that. That was part of the package and we had to take it. We are looking at whether we can find a game-changer at the mine, and I will talk about that a little bit later. It is too early for us to decide today whether Darlot should be in or out, but there is a question mark on it. And we have been restructuring Damang and South Deep, as you are aware, and St Ives. We need to actually get those up into the 15% box. We think we can. The initiatives in place are giving us confidence they will be up there. And then the star performers, Granny Smith, Agnew, Cerro Corona and Tarkwa, are already there or above.
The disposals I’ve talked about. Yanfolila is sold to Hummingbird. I think we’ve got a reasonable deal there. We’re quite happy with that and we’ve got exposure to the upside.

At Chucapaca we got an $81 million cheque yesterday. That was good to get. That is obviously outside of these results. And we have a 1.5% uncapped royalty across the entire property. Remember we only owned half the property. We are getting a 1.5% royalty across the entire area of interest, which includes not just Chucapaca. In fact, what we referred to as Chucapaca is in fact a deposit called Canahuire. Chucapaca is the area of interest, and there are at least four or five other targets on the property that we could participate in a royalty on gold, copper and silver.
So let's look at the overall portfolio. The red ones are sold already. What we are going to retain? We are going to retain Far Southeast in the Philippines, a 900 million ton copper-gold porphyry deposit which we see as a fantastic optionality to future markets when copper will recover. And it will recover over time.

Salares Norte in Chile. You've seen in the reserve and resource supplement we put out at the end of April, we've got an initial inferred resources of around 3 million ounces there. It is very much work in progress. It is an advanced drilling project and we are going to be doing another year of drilling. What I've asked the team to do is a comprehensive in-fill programme to understand more about what we've got, and then also a step-out drilling programme to test the extensions of the mineralisation. So far it looks like an interesting opportunity, but there are some ways to go.

The other ones we are looking to get rid of. I've talked about Arctic Platinum. I also talked about Woodjam. We have a royalty portfolio as well that we will consider monetising in some way. But we are not in a rush to do that. We will assess the markets and see what the best timing is to do that, if at all.
South Africa Region
Let’s talk about South Deep in particular. We mentioned back in May that we had decided to suspend most of our operations to undertake a ground support programme in the main access ramps to the de-stress projects and longhole open stope areas. Unfortunately that has affected around about 70% of production. We deemed it necessary to do this because we need these ramps and haulages to be open and safe for us for a period of ten years. And with the Australian contingent having come in their view certainly is that we need to be pushing South Deep to best international practise when it comes to all aspects of the mine.

So we have had to pull back on that. We are making good progress. We are about 70% complete. We expect all the of the ground support to be finished by the end of September and for us to have opened up all of the areas by the end of next month. So in the meantime it has given us an opportunity to re-look at our labour and make sure that our labour is fit for purpose, and put them through some refresher training.

I must say I was out at South Deep yesterday afternoon and visited some of the training centres to talk to some of the employees about their experience. And this has been the most comprehensive training we’ve done on South Deep since we’ve owned it. It’s a massive commitment because we are taking all the labour out, corridor by corridor, over a period of three weeks. And we will be putting through all of the surface and engineering labour after that and all of the plant labour.

So it is a massive investment in our people. It means that we will obviously have an impact on production, but we believe it is worth doing to make sure the people operate safely and more productively. It has also given us time to catch up on some of the backlog maintenance on the machines and to actually reduce the level of unplanned breakdowns and rather increase the amount of times that we send our machines into planned maintenance. That is the best way for us to go.

I’m going to talk about de-stress and some of the thoughts we’ve got about changing the mining method in a moment. But the long-term commitments still remains in place. We still believe that cash break even by the middle of next year is a possibility. You’ve seen this diagram before indicating the key initiatives. Looking at the infrastructure to de-bottleneck it. Making sure that our fleet availability and utilisation is pushed up. And making sure that we upgrade the skills of both our operators and the artisans and diesel mechanics who service the equipment.
These are some of the key issues that we are working on to really underpin the movement forward. It is all about the people. That really is the key issue for South Deep. It is not about the ore body. It’s not about the infrastructure. It is actually about the people. So the main intervention area is to up-skill all of our people. Now, that takes time. It doesn’t happen over a few months. But we don’t need a huge improvement in the performance of our people to actually achieve quite a bit. So there is certainly significant upside potential.

We have gone through a voluntary separation process whereby we have reduced the workforce by 15% from where we were. That is now complete. We’ve got about 3,400 people with 1,900 contractors. We actually think we’ve got enough for full production. We don’t think we need more people at this stage.

And in fact we’re going to be trying to redeploy some of our own people into contractor roles over the next 12 months and bring down those contractors as well. Some of those contractors are also engaged in capital projects like conveyers in the new mine development, crushing systems, silos which are being finished. Some of those contractors will come out anyway over the next six months. I can’t give you definitive numbers today as to where we will settle at in terms of our total complement, but it will be lower than where we are today.

We have taken surface equipment out of commission and we have reduced our total equipment by around 40% from where we were. We have also placed some orders for some specialised equipment which we think will make a difference. We have bought some new roof bolters that will speed up our development. But by and large we have been able to rationalise most of the equipment. In fact, we have ordered about eight new pieces of gear, so it is actually very little in comparison to the 80 or so that we are currently deploying in the operation or will be deploying at steady state.

I’ve talked about the training and also the fleet management programme. The new workshop is progressing extremely well on 93 level. I think when we do the mine visit in February next year we would like to take people down and show them the new workshop. Who knows, the mine may surprise us and have that commissioned by the time you have your visit. We will certainly put that out as a challenge to them.
Looking at the mining method, one of the things we have done, which is work we commissioned at the beginning of the year, so it has been ongoing for about eight months, is we have an international geotechnical advisory board made up of experts from this country, Australia and Canada. And they have visited the mine a number of times over the last eight months to look at the mining method.

One of the challenges that we put to our team is, is there an easier way of doing this as opposed to having this complicated 2.2m de-stress, have to open up the main access drive, a secondary access drive, two to three years of development before you can get in and do the open stoping. Is there an easy way of doing this without compromising the integrity of the mine or safety? So that is the quiz we’ve given all of them.

So they have come back with two thoughts which have been taken to a high level of conceptual design. The first one is moving the de-stress conventions from 2.2m x 5m to 4m x 4m. Essentially what that means is you treat these as normal development drives. You don’t need low profile equipment any more, and you can actually speed up all of the support if you can use one suite of equipment everywhere. That is something that would already make things much quicker. So we are going to be trialling that in an area in the eastern boundary of the mine which is outside of the current plan. We hope to start trying that in Q4, and we would have to give that six to nine months to see what it looks like. If we think it works then that would already speed up the de-stress.
Now, talking about a 4m x 4m, here is the existing convention that we have. That is obviously the Christmas tree design that you see for geotechnical purposes. And we would be moving to something that is more like this. But here are the key dimensions. 4m x 4m instead of 5m x 2.2m. That’s the height by the way. So the height would go from 2.2m to 4m. It just makes things much quicker.
The other method is far more revolutionary. That is in fact moving away from destress and using what we call an incline slot method. And essentially the incline slot method would be replacing the de-stress.

The other nice benefit of this is you’re going on strike and into the ore body. So even if you have bigger excavations there is no dilution. You are actually into the reef horizon. The incline slot method essentially means that the slots themselves actually replace the de-stress, and we would be putting in 55 degree slots into the ore body and then actually mining in between the slots very quickly. So the slot can be put in place and then you can mine the open stoping between the slots within a period of six months. So much quicker.

The other thing is it is a single pass system. You only go in and develop it once. You don’t need to come back and do manual support as you have to do in the 2.2m de-stress. And you don’t have to do footwall ripping to get the big conventional gear in there. It is a one-pass system.
Let’s try and explain it in a little bit more detail to you. So in other words here is your access drive over here. And here is your slot, 55 degree slot that you put in place over here. And then you will have another slot next to it. You push the drive out again, create your slot over here. These are 20m slots at 55 degrees. That is obviously an open void that we create from a Simba drill rig over here and from a Simba drill rig over there. These are on different levels. There is a different drive coming out over there. You also put sacrificial development drives over there so you can break out the open stope into these areas. So essentially that is going to be the open stope in between the two vertical slots.
So this is going to be a lot quicker. And then you can see over here how you have mined out the open stope in between. Those are the dimensions of the open stope. 20m wide, 20m high and 15m long. That would be the open stope. Then you will have a slot going next to it like this. And we envisage having four of these 30m slots across a corridor. So instead of having corridors of 240m and then having your stability pillars we are looking at having mining corridors of 120m with either 40m or 60m pillars. We are still modelling the final design there. In essence what it means is you will take South Deep from four corridors to eight corridors. Now, that has enormous benefits in terms of flexibility, in terms of mining quicker, and driving the whole area into a much more productive site. By making the mining spans smaller we believe that we can reduce the risk as well of seismicity on the mine.
So this gives you an idea of what it would look like at completion. You can see this is the old conventional de-stress. Here are the slots coming out and there are the open stopes in between. There are the access drives underneath. And there is the completed test area. So we’ve got a test area to the eastern side of the mine, and we hope to start that in Q4. We will assess the results of that. It is completely outside of the existing mine plan.
Let's talk about Australia which has been a great success for us. As we've said earlier, we are tracking about a million ounces a year. These are the four mines' production results. I think it is worth noting that Granny Smith has done 85,000 ounces in the quarter at all-in costs of $692 an ounce. I remember when I presented the acquisitions some time ago a lot of people were saying what have you missed here? Why would Barrick want to sell you their old, dying assets? Well, here is what the old, dying assets are doing. $692 an ounce, 85,000 ounces production. And this places Granny Smith, which is clearly the flagship operation, into the lowest quartile of all-in costs for the gold industry around the world. So I think that gives you an idea of our response.
What we’ve done is taken the nine months that we’ve operated the Yilgarn South assets and compared them to the nine months prior, and tried to do this on a like for like basis. And over the period of time that we’ve owned these operations we’ve done 367,000 ounces instead of 341,000 ounces under Barrick. Our all-in sustaining cost for this package is A$982 versus A$1,243. So we have taken out any exchange effect between the US Dollar and the Aussie Dollar. So you can see we’ve substantially reduced it there.

We’ve pushed up the grade. That is not because we are high-grading. It is because we are actually focussing on mining the ore body to the reserve as we see it. And we modelled the ore reserve when we bought these mines. In fact, we are tracking pretty much the grade that we thought we should be getting. And just a focus on improving our mining methods.
This morning on one of the radio interviews someone said to me but how have you managed to get Granny Smith to perform so well? I would say there are three things that have helped.

First of all we are mining in better grade areas. We are into the Z90 lode. That has certainly helped us to perform better. Secondly we have reduced our dilution. That was a conscious effort to reduce dilution. We have reduced it by about 15%. The other thing is actually so simple. We’ve improved our recoveries in the plant from 87% to 92% just by changing out the cyclones and putting in fit to purpose cyclones, which by the way were actually in the store when we bought the mine. So thanks, Barrick, for leaving those behind for us.

And secondly, by just changing out some pumps it helped us regulate the water flow better through the circuits. If you model a 5% improvement in recoveries on Granny Smith over the life you will find that is a big number of extra value that is being created with very little investment, in fact virtually no investment.

The carbon tax in Australia has been repealed. You may have seen that. That is going to give us a benefit in the second half of the year.

We are spending heavily on exploration as we look to drive these assets harder. Remember these are orogenic ore bodies, so they do need quite a bit of exploration to make sure that we can keep them going. And we are looking forward to building up the future.
Now, for those of you who did go on the Australia visit, our exploration head did give you a presentation on orogenic ore bodies.

And one of the questions that people often have is they look at the reserves of the mines in Australia and they say you’ve only got three or four years reserves; these mines are dying. That’s because of the nature of the ore bodies. Orogenics typically are not fully disseminated upfront. They are disseminated over time. They tend to pinch and swell. They follow vein systems. And they tend to keep on replacing and replicating themselves over time. So I think the conventional way of modelling gold mining companies just using declared reserves will not give you the value potential in these operations.
Let's move to St Ives. Here is a picture of the Neptune pit. You can see this is the salt lake here around it. We are stripping that pit now and we are getting very close to exposing the mineralisation. The interesting thing about this is it is a paleoplacer ore body, similar to the Wits style ore body, which means it has potential to get bigger. We're going to be mining stage one over Q4, but there are four other stages and we are not yet sure of the vertical or horizontal limits of the ore body. So there is quite a bit of work for us to do there.

As Neptune comes in I think that will fundamentally change the nature of St Ives. You're talking about a 3g to 4g ore body. Certainly phase one will be about 4g. Now, the open pit grades we have been getting in the past have been 1g to 1.7g, so you're talking about a doubling of the reserve grade. We will get that in Q4. The stripping is going well, and I think that will set us up well for the rest of the year at St Ives.
Of course Invincible is the talk at St Ives at the moment. It is also a lake-based deposit. Over a period of two years we have already got a resource of 1.3 million ounces. Look at the grade over here as well. Open-pittable, potentially 4.5g. And you can see over here the reserve. Most of that is in fact open-pittable at 4g. And we expect to be mining that in 2015. In fact, we are going to be starting the strip already in Q4.

We don’t know where this ore body is going to end, because already we’ve got a strike over here of 1.9km. It does go through the other side of that shear zone. But interestingly down to 800m we’ve found 26m at 6.5g. And at 850m (this is the width of the mineralisation) we found 21m at 12.8g. So this thing is going to be sizeable over time. So we don’t know what the vertical limits are and we don’t know what the horizontal limits are at this stage.
Here is an indication as to where it is. I said earlier that Neptune was on the lake. Very close to the Lefroy Mill. We're going to do causeways across to Invincible. In fact those causeways are well constructed at this stage. They are almost complete. I saw them a few weeks ago when I was there. So we can actually access Invincible. That is going to be a very short trucking distance for us.
But where does it end? We’re not even sure yet. Here is Invincible here at the top. That is the 2km strike we just talked about which has the potential to be 2 million ounces. We have encountered mineralisation in Invincible South. We have encountered mineralisation in Heracles and also in what we call Incredible, and right down at the bottom here at Pandora.

So we are going to be doing a lot more drilling across a trend that is 22km. We found visible gold at some of these intersections.

So we are quite excited about this. We have mined on the lake before, but we have never really spent the kind of time and effort to explore this. So one of the things I will be doing next year with the team is giving them a reasonable exploration budget so that we can give this a good kick. So this could be something really interesting for St Ives. And it continues to show why it is one of the most prolific pieces of land package in Western Australia.
Let’s move across to Agnew/Lawlers. Steady as she goes. I think we are very happy with the performance. This quarter we did 66,000 ounces at $1,000. So they are achieving their goals. In fact, they are over-achieving their goals in terms of costs. And I predict that the rest of the year should go reasonably well. We are quite comfortable with those two mines. The synergies have largely been captured. We have rationalised the processing. We are now running one plant. That has helped us to reduce our cost further. We have reduced the overheads. We have everyone now in one camp on the site, and that has also helped us reduce our costs further.
So there is lots of upside potential here too. This is the Lawlers ore body and these are the targets in the circles for next year. This is close to existing infrastructure over here in the 600 and 700 series. These are like parallel lodes going across where they replicate themselves. That is going to be the focus for next year. This was previously drilled, but we are going to get to that once we get to this. You can see the strike length here is 4km of strike. Hidden Secret, we are going to be doing some drilling there as well. And where you see the arrows that are going to be extensions of existing areas that we’ve mined. So we’re going to push the 200 series, the 500 series, what we call Batavia over here, and then Sheba. So there are lots of opportunities to extend based on surface borehole information that will help us to go in the right places.

If we look at Agnew itself this is the current mining operation, what we call Kim. That is all mined out. You can see this is the area we’ve developed over here. Just to prove the point, we have continued to develop so that we’ve got at least two years ahead of us at any point in time. These are all of the spiral declines that are being pushed out.

So the area that is quite exciting to us at the moment is what we call FBH. We are going to be moving into that area during the course of Q4 and sending across a drive that links it up from over here. The grades in here are very similar to the grades we have been getting from Kim in the last five years we’ve mined it, so really good grades coming through. It looks like it goes through the link, so all of this could be linked up. That is why it is called a link.
We’re going to be looking at Waroonga North which is on a parallel shear zone to Kim. And we think there might be a replica there. And the Kath body, which is only 100m away, is really an extension of Kim. So it is very easy and quick to get into there, and we have got some reasonable drill intercepts over there too. So lots of opportunities for us to keep on adding to the resource and reserve base of Agnew.
Granny Smith has clearly been a great performer. Here you can see the plant. That's the dome that has made Granny Smith quite famous. You can see that quite clearly when you fly into the strip from the air. There are the conveyers and there is the primary crusher in the back here. They've done very well.
So far for the half year 150,000 ounces at $788/oz. That is way beyond even our expectations, so we are very excited about what they’ve done.
There is lots of potential for exploration. The lease area over here is about 61,000 hectares. And here is the lake, that area in the background over there. We are looking at a number of targets outside of the Wallaby underground operation itself. Here is Wallaby. That’s the underground mine. Here is Karinga. That is potentially an open pit deposit, but it could be more underground that open pit in due course. Jubilee Deep, the wedge shear. You can see the dots there as they come up. Platypus. Boomer. And then what we call the northern fleet targets, Dallas, South Alabama and something called Raw Prawn, would you believe?

They have got a good record of replacing their ounces. It is in a prolific area. Remember it’s an area that has had over 20 million ounces mined in the area. We have mined 2.5 million at Granny Smith, at Wallaby 8 million ounces, at Sunrise 10 million ounces. So it is a prolific area. The lake is under-explored. It is not that well understood. We have done a geophysics exercise and review on the lake to determine targets. This is a salt lake like Lake Lefroy at St Ives. It is not quite as big as the one at St Ives, but it has got similar potential. In fact, the Wallaby underground mine is starting to move under the lake as it moves across, so eventually it does end up under the lake.

These are some of the targets. Where they get these names from is anyone’s guess. And then something called Tailpipe that we are looking at. So we are going to be spending some money over the next couple of years looking at some of these targets as well as the Wallaby underground mine. No money or time or effort was spent on this stuff over the last five years. Nothing. They were starved of exploration dollars. We are going to put some dollars into this because we think there is potential for multiple additional deposits to add to Granny Smith. There are plenty of opportunities.
Let’s move to the Wallaby ore body, which is what we are mining at the moment. If you recall there is the old open pit, and then we have got these gently-dipping horizontal lodes, what we call zones in the different areas. At the moment we are mining principally Z80 and Z90. Those are the two areas we are mining. We are developing into Z100 and we are also doing resource development at 110. We are doing some exploration drilling in 110 to 150.

Now, each of these lodes has the potential to be in situ about a million ounces. As we get deeper into the ore body we are finding the lateral extensions are getting wider. That is one of the areas we are going to be working on, to understand the lateral extensions of the different lodes.
Here is another indication. The mineralisation tends to be above what we call the Thet’s Shear. And over here is the lake. So this is moving under the lake over here. And this gives you an indication as to the resources in the different zones. So if you look at Z80 there is about a million ounces in situ. At Z90 there is about 1.1 million ounces. At Z100 there is almost a million. And very limited on 110 because we just haven’t drilled it yet.

So I think as we drill more the potential for this to keep replicating itself at depth, the indication is very good. As you can see the grades over here are getting better. We are seeing 9g resource grades as we are getting into Z100. It is a very good ore body.
This just gives you a different perspective as to where we’re going. The point I would make here is that we are doing exploration drilling in 130 to 150 and we are doing resource drilling in 110 to 120. And here is the step-out drilling we are doing on Z100. We are going to be testing the lateral extensions over here to see how far laterally it goes from where we thought it was.

This is getting to around 1.1km or 1.2km. Now, the rock conditions are very good. We don’t need to use any paste fill at this stage. It has not been a problem for us. And one of the things we are actually doing is deciding whether we can improve the extraction ratio by putting in paste fill. So that is a study we are doing at the moment. So conditions are very good, very competent rock conditions. We are not concerned about the depth over here. Obviously we will need to put in some additional ventilation and cooling capacity eventually, but so far no real problems. Vertical raises, usually what you do is you just drop them down further and get some more ventilation in. So no real concerns at this stage.

We think we can mine down to 1.5km without the need for any additional infrastructure beyond the declines. If you want to go beyond 1.5km you would require additional infrastructure. So we are looking at that down the road. Is it worth us putting in a shaft system down the road? That will depend on exploration success. But it is too early to make that call. The other thing is if we can increase the extraction ratio from where we are now. Given the fact that we don’t use paste fill we need bigger stability pillars. But if we could use paste fill instead maybe the stability pillars could be less and we might get more of the ore body out. With grades increasing to 8g or 9g we want to be getting all of it if we can. So we are going to be looking at that over the next year.
Moving to Darlot, this is the one that came for free. We didn’t value this in the package we bought. And they have done very well. They were losing money. They are now making money. We have restructured the operation.

What we said to Darlot is you can invest whatever you make in exploration with a view to finding a game-changer for us. That is going to be the strategy over the next year.
So the areas that we are looking at for the game-changer is what we call the Centenary Depth Analogue. Essentially this is a replica of this. Structurally in between two shear zones. It looks very similar. And we have already got some interesting information that has come out. So we are targeting this as a potential analogue of what we have previously mined in Centenary. This is another area we are looking at, Middle Waters. Lord South Lower is what we are developing into now. So we will be mining this next year. And then we are mining bits and pieces around, which tend to be a little bit inefficient. So if we can get a couple of stable sources of ore supply it will be good for us to consolidate the operation. And then we are also looking at some other potential open pit targets like Cornucopia and Waikato. It could also extend into underground down the road.

So who knows? The early indications are good. And just to give you an idea, this is an analogue of Centenary which mined about 1.3 million ounces. So it could be interesting over time. But as I said earlier, it has got to achieve in the long term the 15% free cash flow objective.
West Africa, steady as she goes. We are very happy with the performance of the region. 181,000 ounces in the quarter at $1,084 per ounce. Damang did have a plant shut for about nine days. So I think under the circumstances for them to have done 40,000 ounces was very good. I think it shows the depth and extent of the turnaround that has taken place. And we are very confident that Damang can continue to perform well into the future.
We have now got the mine to steady state following the closure of the heap leach operation. 140,000 ounces this quarter at $1,026 all-in cost. As you can see a great performance. We are working on a mill expansion. We want to take the mill from 12.3 million tonnes per annum to 13.3 million tonnes per annum. It is essentially de-bottlenecking the back end of the plant, putting in some additional tails piping facilities and very little else. That will be finished by the end of the year, so we should see the benefit from Q1 in 2015. So that will give you another 10% production.

Recoveries through the CIL plant are amazing. We are getting 97% recoveries. So basically anything you throw into that plant comes out the other end almost fully. We are looking also at exploration opportunities. We’ve found some hydrothermal mineralisation on site. This is a paleoplacer ore body of fairly low grade, as you know, about 1.2g to 1.3g. It is very extensive. But the hydrothermal overprint potentially gives us a higher grade sweetener. We are looking at opportunities for that. It is early days, but we are quite excited about that. We haven’t tested the lateral extensions of the pit for over ten years, so it is time for us to get the drill rigs out here. And drilling is pretty cheap in Ghana for us to start testing the lateral extensions of those pits.
Here is Damang. Here is the original pit. It is quite deep. That is mined out. This is Huni over here and the saddle. Extensive stripping has already taken place. And here is Juno to the south. We are mining Juno over here and we are mining Huni and the saddle over here. But further down on this trend there are other opportunities to augment the ore reserves and the mining plan going forward.

Also having done a lot of stripping over the last couple of years we are now starting to get some of the better grades deeper into the saddle that we always thought were there. And in fact the indications are that they are there. So the drill rigs didn’t lie to us. They certainly showed us where to go.
Here is the trend that we are talking about. Here is a smaller version of that photograph I showed you up top. That is going north; that is going south. There is Juno, saddle and then Huni. We are looking to find some additional targets on the 17km trend. In fact, the length from Damang down to Tarkwa is about 30km and it is all potentially mineralised, but we are only going to look at the 17km trend for the moment. And the targets that are most exciting are Nyame, which could be combined into Juno, Tomento North and also Amoanda.

So we are going to get to some more of these. We have mined over here and over here previously when gold was down at $400 and then we moved out. And at $1,000 price we are looking to see what we can add into the portfolio over time. So we are quite excited about the potential upside at Damang.
South America very briefly. It just continues to perform exceptionally well. During the quarter we did 77,000 ounces at all-in costs of $789. It is $307 if you account for the copper as a credit, but on an equivalent basis it is actually about $780. You can pick your choice as to what you want to put in. That is $789 all-in.

The key issue here is that we do have a ten year life ahead of us. We did stop work on adding another 15m to the tails dam because we felt we weren’t getting the requisite returns for the amount of money we were spending. But we aren’t going to walk away from those ounces because there is another 30 million tonnes that could potentially come back into the reserve. It is in the resource. That is around six years of extra production.

So we are looking at different methods of getting additional tails capacity, whether it be dry tailings on site, whether we can acquire in the area around us, additional sites, old defunct mines that could be used etc. And I’m pretty confident that we’re going to have a solution to this over the next 12 to 18 months so that we can actually bring those ounces back.
So in conclusion, we’ve taken a lot of your time so I appreciate your patience. Our group guidance for the year is maintained. Re-basing of South Deep of course continues to be a top priority as we look to get this mine to cash break even by the middle of next year, which is still our target.

Brownfields exploration across the world is key particularly in Australia and Ghana. And we are going to continue the momentum on the international project sell-down, and that is going to help us to improve the debt position of the group and make sure that we have the flexibility to take advantage of opportunities down the road. Thank you very much for your time. Between myself and my colleagues we will now take questions.

Questions

Alan Cooke – JP Morgan

Good morning, it is Alan Cooke from JP Morgan. Just three quick questions. Firstly, on South Deep you mentioned in the booklet changes to the shift roster. If you could give us some colour on what is changing at South Deep in terms of shift arrangements and what that might do to the ramp-up programme. And in addition, while you are trialling the changes to the de-stress mining and potentially to the mining method what hypothetically if you have success with either or both of those would that do to the ramp-up profile? Would that change in terms of ounces and will it change the timing and the plan for South Deep? If you could help us with those.

And then two other short questions. The big inventory shift that you’ve had over the quarter at Cerro Corona, that was quite a big shift. Is there something untoward there or is that just normal? I haven’t seen a big inventory swing like that at Cerro Corona before. Lastly, at Damang you said you were moving the high-pressure grinding rolls from Tarkwa to Damang. Is that still going to happen and will that make a change or help you will milling and crushing at Damang?

Alfred Baku – VP Operations Ghana

Thank you for the question. With the HPGR, the high-pressure grinding, we are not going to be moving it
across any more because of the high operating cost. Two, we have also actually come up with a lot of initiatives to be able to deal with the material that we are actually treating. One of them is an oxygen plant that is going to push our recovery from the current 89% to about 92%. So considering the operating cost of the oxygen plant and the cost of the HPGR we are no longer going to move the HPGR.

Paul Schmidt – CFO

Alan, there were issues in the March quarter at the Salaverry port about ships coming in to take out our concentrate. If you have a look in Q1 our sold was far less than our produced. In Q2 our sold is far higher. Obviously it is GIP that was built up in Q1 and then subsequently released in Q2. So it was all about the concentrate sitting at the port.

Nick Holland - CEO

The build-up plan for South Deep. I think it is too early, Alan, for us to give a definitive conclusion. I think once the trials have been run and we can actually model this through the entire ore body extraction sequence we will have a better feel. But the idea is to make things simpler, avoid a three pass system and actually open up the ore body quicker. De-stress you’ve got a 24 month lead time to open up the ore body s we currently do it. So if we could find a way to do things easier then I’m sure it is going to make the build-up easier to achieve in the timeframe. But at this stage I wouldn’t want to give you an educated guess. I think once the trials have been done we will have a better feel. But it is all meant to make things easier and improve the extraction sequence.

In terms of the roster we changed to a seven by 7.5 roster with 9.5 hours back to back instead of the four by four roster of 12 hours. We have done it for two principle reasons. The roster was very unpopular with our staff who weren’t too keen on 12 hour shifts. And we weren’t actually achieving the leverage out of it anyway. And having reconfigured that, we actually believe this is going to be a better roster because there are actually overlaps on this roster. The four by four didn’t really have overlaps. So when one crew comes in the other crew is still there, so you can have a proper handover.

The other thing is we’re now moving from four cycles to three cycles with the change in roster. So that has enabled us to reduce our workforce. That is why we have been able to drop 550 out of the workforce because we actually don’t need those people. We think this is going to be adequate for us in the long term. It will essentially give us two shifts which together add up to 19 hours per day. You never got 24. The other thing was there was an hour lunch break in a 12 hour shift and here there is only a 30 minute lunch break as well. So we think this is going to work better, and it is certainly something the employees are much more comfortable with going forward.

Adrian Hammond – Standard Bank

I have two sets of questions. First on South Deep. It sounds to me that the mine planning is all going to change. Talking about a ramp-up profile is actually futile now once we’ve established these two new mining methods. Are these mining methods tried and tested anywhere else? And in retrospect what would you have done differently?

Nick Holland – CEO

One of the things that have induced us to look at what we call the incline slot method is you go and visit Agnew mine in Australia for example. They are doing exactly what we are suggesting. The only difference is the ore body is vertical, whereas here the ore body is dipping at about ten degrees. To quote Garry Mills, the General Manager, this is putting Agnew on its back with a slight variation in the geotechnical design because of the fact that you don’t have gravity to help you as much as you do in Australia.

The other thing is the geotechnical experts who are looking at this are people who have also helped us design Agnew previously. So they do know what they are doing. It is not as if we are talking about something that is completely brand new. This is bog standard. In fact it is not just Agnew that has this mining method. It is also the other underground mines we have in Australia, other than Granny Smith which is more a bored and pillar type design. That’s the main difference.

So it is something we have done elsewhere. It is not something brand-new. But that said if we are going to deploy this it is going to take at least a year for us to test this properly and make sure that it works. And we also have to make sure that we drive all of the faces down to one consistent advance level, because you can’t
piecemeal do this. The other thing is we may still have to employ benching and drifting. This will work well for ore bodies of about 20m thickness. And when you get closer to the shoreline, corridor four, you’re talking more about 5m to 10m thickness. It might be that we are using classical drifting as opposed to this. But when you get to more distal areas like corridor one where the package is up to 120m wide this will be perfect. It should fit in nicely.

So I can’t tell you what the impact on the build-up plan can be. It is early days. We’ve got to continue working to the build-up plan that we’ve got, because realistically we can only implement the new method by beginning of 2016. I don’t think we should expect to see it on either of these bases before then. And that will give us a better indication as to what we look like. But in the meantime we just keep going.

**Adrian Hammond – Standard Bank**

Do you think these methods could increase the steady state profile that you’ve given us?

**Nick Holland**

Production? No. but I think what it would do is it would de-risk it. As I said earlier, imagine mining eight corridors at 120m. In other words, having four slots going across and then either a 40m or 60m pillar. It is going to be advancing eight de-stress horizons or slot horizons as opposed to four. So it is going to help you maybe to accelerate and it is going to provide more flexibility. If one area it not working, it’s not the whole corridor you lose.

**Adrian Hammond – Standard Bank**

Thanks. And just quickly a question for Alfred. Damang, you’ve obviously done a turnaround there but it is just edging along now. What is your new plan? Can you give us some light on your new plan regarding your movement into the target range of the 15% free cash flow margin? When do you think you will reach that and how long do you think the satellite pits could give you in terms of additional reserves? And are you considering bringing in some of those reserves that were recently removed? Thanks.

**Alfred Baku – VP Operations Ghana**

I will start from the back end on the reserves from the satellite pits. As Nick mentioned, the focus is on Amoanda and the Tomento corridor. It is still early days. However, the results we have received so far indicate that Amoanda is actually going to add some reserve. We believe that Amoanda can do about 150,000 to 200,000 tons above what we are looking at. This year we should be able to pick from all the exploration work we are doing to actually push along. In terms of our turnaround we are concentrating on the saddle, the Huni and also the Juno. Steady state to get us to 15% free cash flow - I would say end of next year, 2015, we should be able to get there.

**Kane Slutzkin – UBS**

Good morning. Kane Slutzkin from UBS. Could you just remind me what the reserve grade is at Granny Smith? I'm trying to get a sense of the sustainability of this quarter’s performance. I think it is around 6g. Year to date is around 6g. I’m just thinking, the level going forward is around there, right?

**Nick Holland – CEO**

Just on 6g, but we must just emphasise a health warning on that. We are using the Barrick reserve grade because at the end of last year we didn’t do new reserve for these mines given the timeframe. We only got them in October. So essentially we took the Barrick reserves and then we just knocked off the depletion. So as you can see we are getting better grades than the reserve grade, which gives you an indication of where we might be going.

Ultimately I think the results you are seeing are showing that we probably at the end of this year will have a much better indication of the reserve grade. At depth it is getting higher. So as we open up Z100 we expect to improve the grade profile. But I wouldn’t want to hazard a guess today as to what I think it will be at the end of the year, Kane. But at this stage we are pretty confident that Granny Smith should look a lot better than what the reserves were at the end of last year, both in terms of tonnes and grade.
Kane Slutzkin – UBS

Just one last one. On St Ives could you give us an outlook for the rest of the year? If you look at the cost profile it is still relatively high relative to the rest of the Aussie portfolio. With Neptune etc. coming on how does the cost profile look for St Ives? Because obviously that is a bit of a drag on the Aussie region.

Nick Holland – CEO

We haven’t updated our guidance. So I would go back to the guidance we gave in February and look at that as a proxy. When we reviewed the business plan for St Ives it was a tale of two halves. It always has been. Argo mine fell off in the June quarter. We always knew that was going to happen. And we also knew Neptune was going to come in the second half of the year. That is going to have a fundamental impact when you bring in a 4g ore body to replace what was a dying underground mine that was at the extremities. That will have a major impact. St Ives is very sensitive to grade. So with Neptune coming in that should help to ensure a much better second half than what we have seen in the first half. But we are sticking to the guidance for the year overall.

John Cransell

I would like to ask a couple of questions on South Deep. Obviously next year it going to be a very variable kind of a year. Looking two years out what sort of cost structure are you looking at? Where can you see it coming down to? And from the work you’ve done are there any changes in the kind of output you’re going to get out of it?

Nick Holland – CEO

I think we should be better next year. It is very volume sensitive, so as you get the extra volume you are going to see the cost impact. We have actually re-based the cost base. We didn’t say this in the presentation, but if you go and look at the overall cost base for South Deep a year ago, capital and operating costs, we were spending around about R5 billion a year. And we are dropping that down now to around R4 billion a year. So the cost base overall has come down around about 20%. And with the review that we’ve done in terms of people and equipment the indication of the work done over the last six months is the mine was probably over-capitalised in terms of people and equipment. That’s the reason we’ve had the voluntary separation process. And we’ve taken the fleet down from about 140 to about 80, the fleet that we require. So all of those are going to have a knock-on effect. Less fleet, less people required, less maintenance, less re-build, less consumables.

So all of that is going to help. But the key for us now that we’ve actually right-sized the cost base is now about the volume. All of the volume that you get will actually flow through to the bottom line because the costs are not going to change much from here. So we’ve got to drive the volume up.

We are currently only achieving a blast of about 0.75 per day. If you look at the rolling six month average, about 0.73 per day. Our first objective is to get to a blast per day, which is still pathetic actually in the context of what we achieve in Australia, one blast per 19 hours. It is very conservative in fact. We want to get to one blast per day. And full production, just to give you an idea, would be two blasts per day. And we are saying we want to get to that in four years from now.

John Cransell

Are we talking $1,100 an ounce?

Nick Holland – CEO

Full production? No that would be $900/oz.

John Cransell

And four years you think it will take?

Nick Holland – CEO
By 2018, the full year 2018 we believe we can achieve the 650,000 ounces base at $900 an ounce. Now, obviously all of the work that we’re doing on these new mining methods – as Adrian has pointed out – we might have to remodel. But if anything we’re not going to make those changes unless it makes things better or de-risks where we’re going.

John Cransell

There has been some criticism in the press about Gold Fields and South Deep that you hear about not meeting the government’s requirements. Is that just press or has that been resolved now?

Nick Holland – CEO

I think like most companies in the mining industry we have had audit reviews and comments passed. And there are some areas we need to address. But by and large we are substantially compliant. I wouldn’t say sitting here that there are major gaps in our area of compliance. And, certainly in terms of the Mining Charter the measurement point is at the end of the year, not now. And we believe we will be compliant by the end of the year. So no, we’re not concerned. But we value the ongoing dialogue with the Department of Minerals. We treat it seriously when they come out to review it. And we treat our commitments seriously. So our commitment to our shareholders, our government and our board is that we will be compliant with all of our commitments, and that is what we intend to do.

Darren Mader – HSBC

Good morning. It’s Darren Mader from HSBC. Two questions. In the release on South Deep you mentioned that the second half performance is expected on a production basis to be pretty much the same as the first half. Does it mean that you are lowering the guidance for FY14 on that basis? And the second question just relates to Cerro Corona. Are you looking to accelerate the brownfields options there? Given the performance of that mine has been good over time it has significant optionality from the brownfields projects. When can we expect a feasibility outcome or something along the lines that would signal that process is being progressed?

Nick Holland

On Cerro Corona. We are looking at a couple of things here. We’ve done some deep drilling holes previously into the foot of the porphyry. And the indication is that the mineralisation continues way beyond the expected base of the pit. And that is not unusual for porphyries. This is what you call a pencil porphyry. It has the potential then to open up into a much bigger porphyry at depth. We’ve only got a few holes to test this theory, so we’ve got to do some more drilling in time. the other thing we would need to do is if we were going to expand or increase the life of the ore body the two key constraints is obviously waste storage capacity and tails capacity. We’re blessed in the sense that the strip ratio here is 1:1. For every ton of ore there is a ton of waste. But the site is very constrained. For those of you who have been up to the site, it is a very small footprint. So one of the things we would need to do is secure additional tails and additional waste storage facility, which we are doing anyway. That process continues. It is nothing else but see how much more of the resource we can get back into the reserve, and even go beyond the 30 million tonnes. We will get back to looking at the drilling programme in time, but I would like us first to explore additional tailings and waste storage capacity first. And that would give us a better basis to do more drilling in time. We’ve got time. That’s one of the benefits. But quite right, Darren, the potential for Cerro Corona to continue at depth and laterally is certainly there.

Coming back to the first question, if we are going to do similar in the second half as the first half, particularly with the ground support issues and the intensive training programme we have put in place, we have said that at best we are going to be about 7 tonnes for the year on South Deep. That is our latest indication at this stage. Overall guidance for the group remains unchanged because in essence what we have found is we’re getting over-performance from Granny Smith. We are getting over-performance from Tarkwa. We’re getting over-performance from Cerro Corona. It all balances out. So we are still saying the 2.2 million ounces for the group is still the number.

Patrick Mann – Deutsche Bank

Morning. It’s Patrick Mann from Deutsche Bank. Just a broader strategy question on the 15% free cash
flow margin. We’ve had gold range bound around $1,300 an ounce. Should we be thinking of that as a cost target? Or rather if we get any significant moves in the gold prices expenses should it move up or down with that? And would there be more spend on exploration ounces, would there be increases or decreases in grade? In terms of now that we’ve reached that target if we see any shifts from here. How does it develop going forward?

Nick Holland – CEO

Look, if you back-calculate our break even price at a 15% margin it is about $1,150. So if gold collapses down to $1,150 we are still break even. In all honesty, if gold goes to $1,150 to $1,000 I think we are going to be hanging on. We are going to try to retain the optionality of our assets and we are going to basically run this company so that we can actually come out of the difficulties and still have operations intact. If gold does go to $1,000 I don’t think it is going to stay there too long. Bear in mind the long-term replacement cost of an ounce of gold is probably somewhere around $1,500 to $1,600. We are already below that. And we see quite big drop-offs in supply two to three years out from here, even at these prices.

If gold prices go up I think the important thing we’ve got to do is not lose our discipline and not be seduced into the allure of the low grade ounce. And Paul and I will certainly make sure the operations continue to be focussed on that. Obviously you have to look at the dynamics in some of the operations. Would it mean that we might change things here and there? We might. But no fundamental big shift to low-grade ounces. We think it is all about grade. Grade is key. So don’t be too keen to chuck some low grade into your plants. The other thing is if you can fill your plants with high grade you don’t want to be substituting any of that for low grade. That’s the other temptation. If you go for the low grade you sometimes end of substituting the high grade you’ve already got with the low grade. So I don’t think we are easily going to move away from that strategy if prices go up.

Greenfields exploration we’ve essentially stopped. That is probably going to be a strategy for the foreseeable future. We have been far more successful with acquisitions and with brownfields exploration. That is not to say never because never is a long time, but when gold is at $2,000 an ounce and there is a massive shortage of gold maybe we will look at it again. That day will come I’m sure.

Nick Holland – CEO

Thank you very much.