Second Quarter Results
Period ending 30 June 2015
Operator

Good afternoon ladies and gentlemen and welcome to the Gold Fields Ltd second quarter results conference call. All participants are currently in listen only mode and Mr Holland will brief you on the results and we will take questions after that. If you should need assistance during the conference please signal an operator by pressing star and then zero. Please also note that this conference call is being recorded. I would now like to hand the conference over to Mr Nick Holland. Please go ahead, sir.

Nick Holland – CEO

Thank you, Dylan, and good afternoon or good morning, ladies and gents, wherever you might be in the world today.

Thanks for joining us to discuss the results for Gold Fields for the second quarter of 2015 and of course the half year. On the call with me today I’ve got Paul Schmidt, our Chief Financial Officer, I’ve got Nico Muller, the Executive Vice President of the South Africa region, Avishkar Nagaser, Head of Investor Relations, and Taryn Harmse, our group General Counsel.

Operational and financial highlights for the quarter are:

- Gold production up 7% to 535,000 ounces.
- Group all-in sustaining costs down 10% to $1,029 per ounce.
- All-in costs 9% down at $1,059 per ounce.
- Normalised earnings were at $22 million compared to a loss of $13 million in the previous quarter.
- Importantly we had a $59 million swing in net cash flow to an inflow of $30 million in quarter two from a net outflow of $29 million in quarter one.

And just to remind you, in quarter one it wasn’t that it was a poor quarter. We had mine scheduling that skewed production towards the second, third and fourth quarters. And we didn’t want to disturb that schedule and get out of sequence. So we honoured the mining profile that was determined by the engineers on the mine. And at the same time we also had some of the capital that was front-ended in Q1, and again that is just timing of the capital.

So on a year to date basis we’re pretty much in line with where we expect to be in terms of our production. And we are below in terms of where we thought we would be on our costs.

- Free cash flow margin was 9% in quarter two despite a slightly lower gold price in the June quarter.
- Net debt reduced by $22 million to $1.5 billion at the end of June. That’s an EBITDA net debt ratio of 1.44. That is well within our covenants. But we do have an objective to pay down net debt and target ratio of net debt to EBITDA of one to one by the end of 2016.
- We paid a dividend in line with our policy, albeit a modest dividend at 4 cents per share.

Now, the recent fall in the gold price is of concern, but of course it has bounced overnight and today. The interventions nonetheless taken at Gold Fields over the last three years ensure that there is no need at this stage to make any structural changes in the business. We have taken all of the hard hits. We’ve restructured the business. We had a head count reduction across the group of around 15%. And we cut marginal production and greenfields exploration that we didn’t think was adding value.
We’ve also sold virtually all of the non-core investments bar Arctic Platinum Project. Everything else is out and we concluded the Woodjam project literally just the last week. We remain firmly focused on delivering on our plans in terms of both cost and production irrespective of the gold price environment that we’re in but we won’t divert our attention from what we call the non-negotiables of our values, being safety, health, environmental stewardship and stakeholder engagement.

I’m pleased to report improved production across the group with Granny Smith, Cerro Corona and Tarkwa in particular outstanding performers. While production at South Deep was higher quarter on quarter this was negatively impacted by safety-related stoppages following the fatal accident that regretfully occurred during the quarter, as well as management-induced stop and fix interventions to get safety, productivity and work practises better than what they are now. This of course has impacted production as you would expect.

Encouragingly there have been positive trends from South Deep emerging over the last number of months as we see the rates of ore production, de-stress and new mine development climbing slowly. A three-year wage agreement entered into with our unions at the mine was another positive, and we have started to fill critical skills positions at the mine. We have probably completed about 75% of what we needed to do. In addition we have acquired 27 new category one machines to our fleet. That is in essence drill rigs, loaders and trucks which is expected to result in improved availability of equipment in the second half of the year.

However, as we’ve stated before, 2015 at South Deep is more about the inputs than the outputs. And a large part of our work is focused on three key areas, people, fleet and mining method. Principally due to this deliberate focus to fix the base for a sustainable long-term future full 2015 production at South Deep is expected to be approximately 6.5 tonnes of gold compared to the previous estimate of 7.1 tonnes of gold. However we are maintaining full year production guidance of around 2.2 million ounces as lower production from South Deep is offset by better than expected performance at Tarkwa, St Ives, Granny Smith and Cerro Corona.

The cost guidance of all-in sustaining costs of $1,055 per ounce and all-in cost of $1,075 per ounce remains unchanged. While delivering on South Deep remains our key focus it is worth emphasising the strength of our international portfolio, which during quarter two produced 496,000 ounces at all-in costs of $984 per ounce, generating net cash flow after all the bills had been paid including taxes and capital of $101 million for the quarter.

With that we will now take questions. Thank you, Dylan.

Operator

Thank you very much, sir. Ladies and gentlemen, at this time if you wish to ask a question please press star then one on your touchtone phone. If you decide to withdraw the questions please press star then two to remove yourself from the question queue. We will pause a moment to see if we have any questions. We have a question from Howard Flinker from Flinker & Co. Please go ahead.

Howard Flinker – Flinker & Co

Hello everybody.

Nick Holland – CEO
Hi Howard.

Howard Flinker – Flinker & Co

I have two questions for you. One might be a tough question. The first one is what caused the other category of expenses to drop? There was a category called other and it dropped significantly.

Nick Holland – CEO

Okay and the second one?

Howard Flinker – Flinker & Co

The second one, did I read somewhere that in your exploration you think you can find gold within properties or adjacent to your properties around $20 or $25 an ounce, something like that?

Nick Holland – CEO

I will take the second question, Howard, and then Paul, our CFO, will respond to you on your first question. What I was saying is that our strategy has been to focus on brownfields exploration on our mine sites because the best place to find gold is where you’re currently mining it. And we know that our leases are very prospective. We’ve looked around outside our leases too, and we think there are opportunities as well. Now, it is quite strategic because we’ve got spare process capacity, Howard. So if we can find deposits that we can economically truck ore from outside of our lease and fill the capacity in our plant it might be good business. That is the strategy we’re looking at. We’re talking to a number of people. It might be tolling arrangements, it might be acquisitions, it might be joint ventures. Let’s see where we go. But that’s the idea. Hopefully that gives you better perspective.

Howard Flinker – Flinker & Co

Here’s the hard part of the question. If you’re shooting for $20 or $25... Because mother nature doesn’t always cooperate.

Nick Holland – CEO

Look, we’re not necessarily shooting for that. I don’t know where that number came from.

Howard Flinker – Flinker & Co

One of your releases. I’m not sure if I saw it correctly. If I didn’t, please correct me.

Nick Holland – CEO

No, I don’t think we said it would be that cheap. I think it will be essentially more expensive than that.

Howard Flinker – Flinker & Co

Then my point is even more acute. Why do that when there are sound operating companies with experienced management selling for $4 or $5 or $10 per ounce of gold in the ground, and nothing for its silver? Or stated another way, $1 or $2 for the silver and nothing for the gold. And this is not Howie
Flinker getting a shovel and saying, hey, I think I found something in Mexico. These are experienced people. My question is, are you being too narrow-minded and stubborn to look next door to where you have instead of looking outside?

Nick Holland – CEO

Look, we could look outside. Howie, one of the things we’ve decided is stand-alone operations we would only be interested in in-production assets. I don’t want to go and buy projects that we’ve still got to try and build and often have major overruns. I’m interested in near-term cash flows with the team here.

Howard Flinker – Flinker & Co

There are some of either. There are some of either. I’m glad I own some of them.

Nick Holland – CEO

Great. That’s not our business model. Our business model is to buy in production. Like we did in Australia we bought in-production assets. We bought 500,000 ounces of annual production at $270 an ounce. Now we’re going to get a pay-back at the end of the year which his two years. That’s what we’re interested in. it’s tough to repeat those. We used to do that stuff, Howard, and the problem is we didn’t have enough focus. We were all over the place in terms of looking at different things. That’s why we had a portfolio that was spread over the world and we didn’t do justice to it. So we’re getting focussed again.

Howard Flinker – Flinker & Co

You might be focussed in the wrong direction if there are operating companies for $5 or $10 per ounce and you’re shooting for acquisitions of $270. That’s my point.

Nick Holland – CEO

Point taken, Howard. Thank you. Paul’s question.

Paul Schmidt – CFO

Howard, the other cost decreased from $10.1 million to $8.6 million. And the bulk of it was the rehab costs. The main reason it would have decreased was because of the weakening of the Aussie Dollar and the Rand when they get converted into US Dollars. But it is only down by $1 million. It’s not a big number. $1.5 million. It’s tiny.

Howard Flinker – Flinker & Co

I thought I saw $5 million or $7 million.

Paul Schmidt – CFO

No it’s $10.1 million to $8.6 million quarter on quarter.
Howard Flinker – Flinker & Co

Oh, my mistake. Okay thanks.

Operator

Thank you very much. Our next question is from Andrew Byrne from Barclays. Please go ahead.

Andrew Byrne – Barclays

Good afternoon Nick. Just a bit of an idea. In the presentation this morning you intimated there is an awful lot going on in Australia on the exploration side and potential M&A. Is it possible you could flesh out what your existing capacity is at the moment? And then looking ahead three or four years what kind of production base would you like to have in the region?

Nick Holland

The spare capacity we talked about, Andrew, was on the processing side where we’re using about 60% of what we’ve got across all four mines. So we’ve got 40% of unutilised capacity. If you look at Granny Smith we’ve probably got around 1.8 million tonnes. Darlot we’ve probably got about 300,000 tonnes. Agnew we’ve got about 600,000 to 700,000 tonnes. And at St Ives we’ve probably got around 1.5 million tonnes. So that’s all spare capacity.

We’re working very hard obviously on the lease and spending $85 million a year and our budgeted exploration this year of 456,000 metres which is like double what we’ve done before. But we’re saying let’s look beyond the boundaries of the lease. If we’re not successful on brownfields, or even if we are, can we find other things that might be better that we can sequence better. I don’t know what the three or four year profile is going to look like at this stage, Andrew. We haven’t got figures that we’re able to release to you.

But the first and most important objective is to try and keep the production at critical mass at the four mines compared to where they are now. So that’s why we are regrettably spending on the exploration. I’d like us to be able to keep where we are if we can. Obviously we want to keep the costs where they are as well or even lower. So we’re going for grade. Like Invincible at St Ives is getting an open pit that has a much higher grade than what we’ve seen in pits of that scale. Leviathan was probably as big an open pit in terms of tonnes, but it was half the grade that we’re getting at Invincible. I can’t give you definitive answers yet, but at minimum we want to try and maintain the production profile and improve the costs by focussing on grade. And if you can fill some of the capacity over time, even better. Does that help you?

Andrew Byrne – Barclays

That’s great. Thanks.

Operator

Thank you very much. Ladies and gentlemen, a reminder if you wish to ask a question please press star then one. Our next question is from Justin Chan from GMP Securities. Please go ahead.

Justin Chan – GMP Securities

Q2 C2014 Results
Hi gents. Just taking the focus to South Deep for a minute. In the first half you produced call it 2,500 kilograms. To reach your annual guidance of 6,500 kilograms that implies approximately 4,000 the second half of the year. Just comparing to your run rate of 500,000 tonnes at roughly 4.5g do you expect grade to lift in the second half or will most of the change be in tonnage?

Nico Muller – Executive Vice President: South Africa

We are expecting improvements in both. Volume improvements will be due to seasonal variations between the first and the second year, and also as a consequence of an increase in long hole stope contributions. We’re going to have a significant increase in the number of long hole stopes. We are also expecting productivity improvements through some of the operational improvements that we are bringing to effect as well as the 27 units of new capital fleet that we’ve acquired. Thank you.

Justin Chan – GMP Securities

Okay. Thanks guys.

Operator

Thank you very much. Ladies and gentlemen, a final reminder, if you wish to ask a question please press star and then one now. Sir, it appears that we have no further questions. Do you have any closing comments?

Nick Holland – CEO

No. I would just like to say it’s nice to see a little bump in the gold price. Obviously that has flowed through to the equities. But we probably could expect more volatility in the gold price and the market, so I think we’ve got to keep focussed on delivering on our production commitments and our cost commitments and doing it safely. And the markets will determine what that is worth. Thanks and we hope to talk to you again soon. Thank you, Dylan, and goodbye.

Operator

Thank you very much, sir. Ladies and gentlemen, on behalf of Gold Fields Ltd that concludes this afternoon’s conference. Thank you for joining us and you may now disconnect your lines.