Good morning and all of the best for 2015. We are well into the year. Also a special welcome, today to our Chair of the board, Cheryl Carolus, and also the Chair of the Audit Committee, Gail Wilson. Thank you very much, ladies, for joining us today and for your support.
We’ve put the results out a bit earlier this morning so hopefully you have had a chance to scrutinise some of the highlights for the quarter and for the financial year that we’ve just completed. It is pleasing to say that we’ve managed to beat our production guidance for the year. And we’ve come in below on costs. Costs are about 7% below and overall production about 1% above the guidance. So overall we are pleased with the outcome for the year.

I think if we look at where we were a couple of years ago and where we are now, and given the significant declines in the gold price, we’ve managed to reposition the operations to be cash positive at current gold prices and also at prices that could be even lower than they are today.

So the highlights for the quarter then. 556,000 ounces of production at all-in costs of $1,047 per ounce. Of course if we exclude South Deep, which is still really more of a project than an operating mine, then the international regions showed all-in costs of $975 per ounce. Certainly on those measures we are in the lowest quartile of all-in costs as published by the major gold producers.

And with cash flow of $54 million for the quarter, I think again we’re going to be in the top three or four in terms of cash generation. Now, if you can recall the change in strategy that I talked about two years ago - from a focus on ounces of production for ounces’ sake to moving towards a cash-flow focussed company - I think you can see that we have achieved that certainly in 2014.

For the year as a whole we have generated $235 million from our operations. Now, that is operating cash flow less all other payments, capex, taxes and royalties. So it is really the core cash generated from operations. There are no asset sales or disposals that are making that up. And that is a major swing compared to where we were last year.

So I think in terms of where to from here, South Deep clearly has been a challenge. We know that it has been a very tough year for South Deep, particularly as I had to make a very difficult decision with the board that we shut down most of the operations for four months. We deemed it appropriate for us to go back and
rehabilitate some of the ground support in the haulages. Many of the haulages had been in that state for quite some years since before we bought the operation.

And certainly our view as a company, and my view in particular, is that we are going to be super conservative when it comes to safety. So we deemed it appropriate that we should have international standards of safety at South Deep, which is why we made the decision of stopping the operation for four months and fix ground support. This obviously has meant that South Deep didn’t do too well in 2014. And as I mentioned earlier, that is going to have a knock-on effect on 2015. We will talk about that a little bit later.

In terms of right-sizing, the company has managed to sell most of the non-core assets in the group. Chucapaca went, Yanfolila went, Talas has gone, Asoso in Ethiopia has also gone. So the one that is still left on the block is APP. It is clearly not core for us, being a largely palladium and platinum deposit. There is some gold in there, but it is only about 8% of the split of the value. So it is not really something for us. We still have a process to try and sell that, but I can’t tell you if that is going to happen any time soon. That is really the last important remaining vestige of the past.
In terms of the strategic imperatives, we have set ourselves a target to make a 15% cash margin after everything, capex, taxes, royalties at a $1,300 gold price. We had to nail our colours to the mast and get an outcome that we thought was reasonable. We have managed to largely achieve that in 2014. Despite the fact that the gold price is slightly below $1,300 for the year we managed to get to a 13% margin. Had we had a $1,300 gold price throughout the year, we would have achieved that. You can actually back-calculate that.

We have said it is important for us to not focus on ounces. This company is not about growth in ounces. It is about growth in cash flow. Clearly you need a core production level to achieve that, but we are not going to do production in favour of cash flow. We are not going to grow for growth’s sake. That strategy is still intact and that is the way we will run this company going forward.

That said, some of the sins in the industry that we have seen over the last year are the so-called high-grading and taking shortcuts on development and stripping for the future. It is a one-year wonder if you do that. We need to make sure that we continue opening up the ore bodies for the future. You will see that we are spending significant amounts of money on brownfields exploration. We continue to spend significant amounts on development and opening our ore bodies for the future, because we are here for the long term.

Greenfields exploration has essentially been stopped. There is only one project in the group which has already graduated from greenfields exploration into what we would call scoping study level. That is Salares Norte in Chile. That is an active project that we continue to drill. We have a drilling programme underway at the moment. We want to drill about 42,000m this year. The bulk of that will be in high-resolution diamond drilling. And that is really intended to develop our understanding of the ore body and take it forward. I can’t tell you where the outcome is going to be, it is far too early in the process. But the early signs are encouraging. Other than that there is no greenfields exploration in the group.

We believe there is much more value to be driven by acquisitions of in-production ounces if we can find them, similar to the deal we did in Australia in 2013. Or alternatively, just reinvesting in our own ore body for additional and extensional growth.

The balance sheet. We said to you a year ago that we were uncomfortable with the balance sheet. Paul
(Schmidt, CFO) and I set a very tough objective internally to reduce our debt by $200 million. We have in fact surpassed that and reduced our debt by $282 million during the year. We continue to pay dividends. And of course South Deep, the only remaining asset left in South Africa, is a key imperative for growth into the future.
So here is our internal scorecard of the issues that we thought were important. Other than South Deep, which I think is very much work in progress still, safety also requires a lot more hard work – regrettably we had three fatalities during 2014, all at South Deep. We want to run fatality-free operations if we can. That is our objective. That was a blot on our copy book – still, it was good to see that we reduced our total injury frequency rate by 18% in 2014 against 2013. So apart from the fatalities that was a good performance.
Here is a brief look at our quarterly production and cost performance, both of which have headed in the right direction over the past two years, particularly in view of the declining gold price over the same period.
Here is another indication as to what we’ve done by looking at net cash flow. Back in the middle of 2013 the gold price dropped significantly over there. We were very concerned about the situation. We were losing cash. We were spending about $200 million to $300 million on project feasibilities and greenfields exploration. We had to focus on what we thought was core. We got ourselves back into the black in Q3 of 2013. And despite the gold price continuing to decline over that period of time we have managed to get the company into a cash positive situation for six quarters in a row. I think that shows you the strategy is starting to deliver notwithstanding the challenging gold price environment that we are living with.
I talked about the balance sheet and the fact that we have dropped our debt by $282 million. We are now down to an EBITDA debt ratio of 1.3. Our covenants kick in at 2.5, so we’ve got lots of headroom. But our view is that we should get back to a one-to-one debt to EBITDA ratio. That is going to take us some time to achieve, and depending on gold prices we would like to try and achieve that by the end of 2016.

Importantly the tenure of the debt profile has been moved out as well and we don’t have any maturities till the end of 2017. So from a liquidity perspective the balance sheet is good, the debt position is fine and the debt service costs are well managed at current levels.
We have said we’re a dividend payer. It has been our track record for many years. And you can see in our results we have declared a final dividend of 20 SA cents. That gives a dividend of 40 cents, which is double what it was last year. And also we are within the range of pay-outs that we said we would be. We said we want to pay between 25% and 35% of normalised earnings as dividends and we have committed again to that promise. The dividend will be paid towards the end of February, early March.
Let’s talk about South Deep. It’s an issue that I think has occupied our minds and it is a source of many questions by you.
We were doing well in early 2014 and the signs were looking promising. We had to make a tough decision to rehabilitate many kilometres of haulages underground, which thankfully we managed to finish in October on track.

But of course the knock-on effect is we didn’t de-stress for many months, we didn’t open up open stopes. So the open stopes we were hoping to mine this year unfortunately we can’t mine and we are not going to see the benefit of those stopes until maybe late in 2015 or maybe even into 2016. That is the main reason why the production for 2015 is lower than what we said it would be previously.

That said, I think 2014 can be seen as a low point for South Deep and 2015’s forecast is anticipating a 15% improvement to 228,000 ounces. The other thing we are doing, together with Nico Muller, the new Executive VP and Head of the South Africa region, is focussing on getting the basics right in the short term.

If we can do that better I think that will give us better confidence for the long term. So we are not going to be fixated about long-term targets today. We are going to be more fixated about achieving short-term delivery, which is something that has been difficult for this operation to do in the past. So the focus is going to be on the basics.

Looking at Q4, however, we did manage to see a marginal improvement in production as we completed the ground support programme. We got our production back up a bit. It is very good to see the de-stress went up quite a lot. In fact it was even better than in Q1, when we didn’t have the stoppages. That bodes well for the future.

That de-stress will be very important in terms of opening up the big open stopes we want to mine in the future. And just to put it into context, an open stope generally - with the same crew and the same time - can give you up to 10,000 tonnes per blast, whereas if you are mining benches and drifts typically you will get between 500 and 800 tonnes per blast. So it is a game-changer for us. The greater the proportion we can get from open stopes, the greater the volume that we can get.

Right now we are only doing about 25% of total mining from open stopes. As we get South Deep up to full
production in time that is slated to be around 70%. One of the key focus areas is for us to try and open up those open stopes later in the year so that we can get the benefit towards the end of 2015 and into 2016. Obviously South Deep has been losing money because we have a lot of the costs already in the system to support full production, but we are a long way from full production.

That is good and bad. Bad in the sense that we are not yet leveraging off the investment that we’ve made. It is good in the sense that we don’t need to put in much more incremental investment in terms of people and equipment. And certainly the bulk of the mine has been built. So any improvement from here is going to flow largely to the bottom line. There will be some incremental costs of course with higher production, but the leverage here is enormous. So we understand that and the team is working very hard to ensure that we can get back to where we need to be.
As I’ve mentioned over the course of 2014 the three key issues at South Deep are people, fleet and the infrastructure. And we have plans in place working on all of them. I think we have right-sized the workforce. I don’t think there is much more that needs to be done there in terms of numbers. We dropped it by 15% in 2014 through a voluntary separation process. Now is to get the right skills mix. That is a two-pronged approach. We are going to be looking to recruit as many good people as we can in the area. Certainly we’ve got a fit-for-purpose senior management team on the mine, led by Nico. I think that is a good first step.

In the longer term we’ve realised that we are going to have to train. We have got the facilities on site to train, but we don’t think our training programme is fit for purpose. So that is going to be a key focus in 2015, working with other mining companies where we can, working with tertiary institutions if possible. We don’t want to reinvent the wheel but we’ve realised we have to be a trainer of mechanised experts in the industry. And that is where South Deep is going to position itself.

Last year we decided that the mine was too congested. Too many people, too much equipment. That is not going to lend itself to good mining practises or good logistics. So the step to reduce the fleet along with the people was the right step. At this stage we haven’t seen the commensurate improvement in efficiencies and productivities. That is going to be the next step and that will take place over this year and next year.

Workshops have been upgraded, and I’m pleased to say that the 93 level workshop that we have been working on for two or three years is done. I have walked through it. It is like two rugby fields underground. It is probably too big for what we need, but I think it is going to give us sufficient space for us to do a much better job on managing our maintenance.

Ore passes. We have made good progress in getting more ore passes into the system so that we can reduce the tramming time. And that will help us get ore through the system and into the shaft much quicker. So we have made some good progress on that as well.
I have talked about the safety intervention and the knock-on effect of that. And I’ve also talked about the need for us to up-skill where we need to, and then train for the long-term strategy. I think you will find there are pockets of excellence at South Deep. There are areas we have done some really good work. So we have to nurture the up-and-coming talent for tomorrow.
So the way forward. I have talked about the skills. We have to stop the cash burn. This year with the major cost reductions that we have achieved in 2014, that’s going to help us. We have essentially in 2014 dropped the total spend by R1 billion from R5 billion to R4 billion. We don’t see much difference from that in 2015. So any extra production that we get – and we are forecasting 15% improvement at a slightly higher spot price – it is going to be very leveraged to that.

I don’t think we are going to make break-even this year. It is going to take now at least another year. I would project some time in 2016, possibly the latter half of 2016, we should be in a position to break even. Why do we believe that? As you get into more open stopes, as you open up those areas, you get the extra volume. Even without major improvements or any improvements in productivity we should see a better 2016.

There is a misconception that we have to spend a lot of capital at South Deep. Actually we have spent the bulk of the capital. If you go back to the programme we announced in 2009, we’ve spent all but R1.2 billion in 2009 terms, so around 85%. If you escalate that R1.2 billion to today’s money, it is about R1.7 billion. That is going to be spent over the next ten years. And the bulk of that is on an ice plant and some development which is not critical to the build-up. In essence we have spent most of the major capital already. Most of it now is in sustaining capital.

We talked about people, equipment and safety. We also have to make sure that we get our support done properly the first time and we don’t have to come back and do rehabilitation in the future. So let’s do it right the first time. That is going to take time to instil. Getting a proper system where you do all primary and secondary support in one hit is going to take some time to embed into the operation. And it is another reason why we are probably going to go slower this year than we would have liked. But let’s rather be right as opposed to quick, because if you try and be too quick it may not be sustainable and then you have to pull back. Let’s get it right and then expand with confidence as opposed to chasing long-term targets that may not be achievable.
INTERNATIONAL OPERATIONS REVIEW:
Strong performance across portfolio
Let’s talk about the international operations briefly. I think it is fair to say we’ve had a stellar performance from our international regions. So credit to all of them. They have all out-performed compared to what we thought they would do both in terms of production and in terms of costs. The all-in cost for the international operations was $975 per ounce and for the year just over $1,000 per ounce. So a great portfolio.

Remember it makes up 2 million ounces of the 2.2 million ounces. And I remember not so long ago the international portfolio was only about 1.2 million ounces when I got into this job. So we have managed to almost double the production from the international operations though organic growth and through acquisition.

At the same time we’ve been able to grow production but reduce the cost profile. And that is in the face of many headwinds. Power continues to increase. Wages continue to increase. Despite that we have managed it absorb these cost rises and still show lower costs. And as you can see in the book Gold Fields is projecting lower costs for 2015 compared to 2014, notwithstanding those headwinds.
St Ives has had a better quarter in Q4. As we expected we managed to mine the Neptune Stage 1 ore body. We didn’t get it all through the plant, but by the end of the quarter we had managed to mine it all. So we have carried quite a large gold in process by the end of the year. We will put that through in Q1 so you will see some of the benefits of that. You can see we got the costs down substantially and the grade up as well. I think that is the way we have to go into the future.

And talking about the future, we have started to build Invincible. That is a lake-based deposit so we’ve had to actually build causeways to get out to the deposit. And there is between 10m and 60m of sediment we have to move to hit bedrock. We are going to be at bedrock in the next month or so because we are moving all that material. We have got four diggers in the lake at the moment.

Invincible will be one of the best opens pits we’ve seen at St Ives. 4.7 million tonnes expected to be mined over about four years generating 544,000 ounces. So that is really a high grade open pit. We’ve been mining open pits in the last ten years of between 1.5g and 2g per ton, so this is really going to add significantly to cost reduction over the life of the pit and also improved cash flow.
With some of the mines coming to an end, production for 2015 is going to be very similar to 2014. But importantly we are going to do better in terms of costs as Invincible comes through. So here is the lake that we talked about. It is really a salt pan as opposed to a lake. That is Invincible there at the top. And then this is what we call the Speedway trend across the lake, which is 22km of strike that has been delineated.

We have done some aeromag work and we’ve been able to actually develop a greater understanding about the geological structures and opportunities. One of the things we are going to be doing this year is giving a substantial exploration budget to St Ives to explore this 22km trend in more detail. And the objective for the team is go and find us another Invincible or even a couple more Invincibles.

St Ives over the years has proved to be a very prospective piece of ground. It is around 60km long, and about 20km wide. So there is a lot of area for us to cover. So I think we can certainly find some more ore bodies in time. It is drill intensive. We are going to be drilling substantially more drill metres this year in Australia and at St Ives. We are hopeful that we will be able to continue to add to the ore body as we’ve done over the 13 years that we have owned it.
Agnew and Lawlers have had a great year. We have essentially achieved everything we wanted to do, 270,000 ounces. They outperformed guidance. All-in costs of $990 per ounce. The integration of Lawlers and Agnew has gone extremely well. We have managed to leverage off the synergies that we knew existed. We are now running one plant instead of two plants. We have reduced the overheads on site. And I think we are set up for another good year ahead of us.
Again just to show you a little bit of geological information, this is the old Agnew mine which is the Waroonga complex. That is the old mined-out open pit there. It looks like a bath on top. And you’ve got your portal which is your entrance to the base of the pit. That’s the Kim South ore body. That has probably only got two to three years to go. We are now aggressively developing into the FBH ore body which is adjacent to that. And as you can see so far we’ve got a reserve of about 348,000 ounces at 9g. That is going to be the long-term replacement for Kim.

And here are some other opportunities all around that we are drilling. Parallel sheer zones to Kim are showing that it is hosting mineralisation that is very similar. We’ve got a drill programme that has already started in these areas. We’re going to focus heavily on Kath and Waroonga North in 2015 and then all of these targets around. The drilling we are doing it is almost like filling in the pieces of the jigsaw puzzle. It looks like the mineralised footprint is going to be much bigger than what we initially thought. These are orogenic ore bodies. They continue to grow. You’ve just got to be patient and spend the time.
Darlot is an operation which came with the package when we bought the Yilgarn South assets. It was losing money under Barrick. We have managed to get it to make money over 2014 and also allow it $8 million to be spent on exploration - previously they had no money for exploration. So I think a good turnaround. A big focus on reducing dilution, improving mining recoveries underground, cutting out the low grade and focussing on the high grade.

We continue to invest in exploration. I wasn’t sure in March or April if we would even have a 2015 for Darlot, but as you can see we have given guidance for the new year of 83,000 ounces at $1,130 per ounce. We are quite excited about the second half because we are getting into a piece of ground called Lord’s Lower South which is a virgin ore body with much thicker reef packages. And that looks like it is going to be better for us. So the second half of 2015 we should see a reasonable performance in underpinning the 80,000 odd ounces for 2015.

We are still looking for the game-changer. The big focus is on the Centenary depth analogue which is a replica of the original Centenary deposit which produced over 1 million ounces. Are we going to get there? It is early days. The signs are encouraging. But we will keep you posted on that one. I certainly hope so.
Granny Smith has been nothing short of specular over the year. 315,000 ounces at all-in costs of about $800 per ounce. I think it is beyond anyone’s expectations. A lot of people have asked us what we are doing differently to what Barrick did. First of all, I think it is much greater attention. When you’ve got fewer mines like we do you can give attention. When you’ve got 30 mines around the globe it is harder to give attention. We are a smaller company with a greater focus.

We saw some short-term gains that we could change quickly. We have reduced dilution by 15%. We have improved recoveries in the plant from 87% to 93%, just by making a few changes here and there. That has made a big difference to us. And then just really a big focus on how we improve the operation, investing some money in fixing the plant. So we are confident that Granny Smith is going to be a good mine for us for many years to come. And as you can see our guidance for 2015 shows another good performance.
Here is the Wallaby ore body, which is the only source of mining at Granny Smith at the moment. Again there is the base of the old pit. You can see the ore body is slanted as we go down. And it is really a series of gently-dipping lodes at 150m intervals that we are mining. The bulk of our effort now is on Zone 100, which we will be starting to develop during 2015. That obviously means we’ve got to set up a lot of infrastructure and ventilation infrastructure as well. So there is more capital to be spent this year.

But as we get deeper we are seeing there is potential for step-out and that the strike length is getting wider. We are seeing the same thing on Zone 90, so we are doing some more step-out drilling there as well. Also the grades at depth generally have improved as we’ve got deeper. We haven’t got to the bottom of this ore body yet. And we continue to do exploration. This disappears under the salt lake as it dips over there. But the indications are it is going to extend. So we are keeping an eye on what we think Wallaby might look like in the next five or ten years and what that might mean for us.
Tarkwa in Ghana is truly a world-class surface mining operation, moving 90 million tonnes a year at a strip ratio of 5.5 and a 1.2g yield. One of the most productive open pit mines in Africa, and one that will be around for a long time. The key issue in 2014 was the impact of the heap leach closure at the end of 2013. We were still rinsing and irrigating the heaps for half to three-quarters of 2014. That is basically now done. So we are finished with the heaps. The other thing was to expand the CIL plant. You remember we talked about going from 12.3 million tonnes a year to 13.5 million. And in fact we are virtually now treating at 13.3 million tonnes per year and we could go to 13.5 million.

We are only putting the stuff through the CIL plant now. It means that we get 96% to 97% recoveries on all that we are mining. So that is a big benefit. In 2015 we expect Tarkwa to do about 585,000 ounces. That is an improvement on the 558,000 for 2014 and we expect the all-in cost to be about $1,040 an ounce - so I’m sure we are going to have another good year from Tarkwa.
I thought we were going to have to close Damang in 2013. We were losing $4 a month. I went up and spent a lot of time with the team. I must say they have turned it around. A lot of people didn’t think it was sustainable. Well, they have been cash positive for five quarters. And the year ahead looks good.

The focus at Damang is not just on improving the basics of our current mining, but it is looking for us to get Damang to a higher level of production down the road. And we think critical mass is probably a little bit higher than where we are. And so a big focus in 2015 and beyond will be to look beyond the current sources and look at the lease at large - in particular to extensions of the main pit.
Now, if you look at this diagram over here you and see the original pit that is mined out was there. That is Huni to the north. That’s the Saddle, which is an intermediate zone between the original pit and Huni. We’ve got Juno to the south over here. The exciting news for us is that we believe there is a trend over here of about 1km that links Juno with Damang and Nyame in one continuous strike. That is quite exciting because that would be almost a replica of the original Damang pit. And it is all outcropping at surface. So that is really the focus for 2015 - how we can prove that up.

But it is not the only one. We are also looking at Amoanda to the south. We think there is good potential. We will get into that soon, and also Tomento. So all along this strike over here it looks like there are mineralised packages. Because it is hydrothermal they are largely discreet. It is not one continuous disseminated ore body like you will find at Tarkwa. But because it is hydrothermal it is also going to be higher grade than what you will find at Tarkwa. But you’ve got to look for it and you’ve got to find it. So I think there is a lot more potential at Damang that we haven’t yet realised.
Cerro Corona had another great year. They did 325,000 equivalent ounces. The big focus for 2015 is trying to see if we can take the resources that don’t convert to reserve because of a lack of tails capacity and find additional tails capacity for that. If we can, there is the potential for another five to six years of life to be added onto the ten years that we have.

We are working on that at the moment. There is a pre-feasibility underway. And we hope to have what I hope will be good answers in 2015 so that we can actually extend the life of this wonderful ore body. Ten years is still a good life, but we want more than that. And it has been a significant cash generator for us and will be going forward.
Conclusions

Group 2015 Guidance

- Attributable production (gold equivalent): 2.20Moz
- AISC: US$1,055/oz
- AIC: US$1,075/oz
- Exchange rates: ZAR11.50 = US$1.00; US$0.80 = A$1.00

Five Strategic Priorities

- South Deep – The top priority
- Cash flow and margin – Make money at current prices
- Dividends – Pay between 25% and 35% of earnings
- Balance sheet – Targeting 1.0x net debt to EBITDA by 2016
- Growth – Brownfields exploration and opportunistic, value-accretive acquisitions

So in conclusion, we’ve given guidance per mine in the book in terms of production and costs. But overall we expect to be at 2.2 million ounces for 2015. That is similar to 2014. A pick-up at South Deep obviously. There is a decline at Corona. That decline is something we have anticipated. Copper grades are expected to come down. And also with the copper prices coming down to about $2.55 we’ve actually worked out the equivalent ounces at $2.60 per pound and $1,200 gold. And as a consequence of that, we lose about 20,000 to 25,000 ounces out of Corona.

Obviously this is all alchemy. You can actually go back to the physicals and see what the gold production and the copper production is. But for those who want to convert to equivalent ounces using this alchemy you are able to do so with the numbers we have given you.

All-in costs are expected to be lower than 2014, notwithstanding the headwinds of wage and power inflation across the world. Just to look at those two items, if you analyse our costs throughout the group, power and labour costs make up almost two-thirds. That is 60% of our total costs. And we continue to see potential escalation in those costs wherever we operate in the world.

It might be a little bit more benign in some jurisdictions, like Australia given the big pullback in the mining economy there generally, but in other areas it is going to be more challenging. Notwithstanding that we think that we can still contain our costs to within where they were in 2014. And here are the assumptions on the exchange rates. R11.50 and 80 cents for the Australian dollar against the US dollar.

South Deep is obviously the top priority. The other top priority is to keep the international operations doing as well as they’ve done. And maintaining a very high level of standard is never easy either. I think we’ve been through the worst at South Deep. We should be able to do better from here. We want to make sure we continue to generate cash and reward shareholders with dividends. And between Paul and I we are going to try and see if we can get the debt reduced further. And focus on exploration. Implicit in these numbers is about $85 million of brownfields exploration in Australia and around $5 million in Ghana. So you can see we are putting money back in to sustaining the future.
QUESTIONS AND ANSWERS

Adrian Hammond – Standard Bank

A couple of questions please. I’ve got one for Nico Muller. Since joining the company can you give us an idea of your impressions of South Deep, what issues, in your mind, are critical and where you think you can make the biggest impact. Secondly, for Nick, just on Cerro Corona. You are guiding lower production. Is there anything you can do to mitigate that? Is there any reserve upside potential that exists? And thirdly, just on Darlot, one of your mines that doesn’t meet your 15% margin. You are guiding production of 80,000 ounces for the year. Your costs come down dramatically. But in your third quarter - on an annualised basis - the costs were very high, at the same sort of levels. So I’m struggling to understand how you achieve a 15% margin.

Nick Holland – CEO

I will give Nico more time. I will deal with the other questions first and then I will ask Nico to deal with your question. So on Cerro Corona, one of the things we have expected for some time is that the grades would come down. And if you go and look at the reserve grades in last year’s declaration you will see that the reserve grades are lower than what we have been mining at. We’ve been getting a positive reconciliation at Corona for some time. Now, I don’t think necessarily that is going to disappear straight away. But we are starting to graduate back to the reserve grade over time.

What can we do about it? One of the things we are trying to consider is whether we can up the throughput. As the ore body has got harder and the material has got harder we’ve got some crushers with little rods coming out that we use to break up the ore. Now, that works well for fairly softish material. It doesn’t work so well for the harder material. So we have implemented jaw crushers at Cerro Corona, which essentially do what you’d expect them to do. It is like a jaw that is closing on the ore body, breaking it up.

We can take the old rod crushers and try and convert them into secondary crushers by modifying them. Then we could potentially crush to a smaller fraction, and that may enable us to increase the throughput through the plant. It is early days and there are no promises, but we are looking at that as a potential study. Our bottleneck is not in the back end. It is in the front end of the plant. So I can’t tell you what sort of numbers, but we are looking at that opportunity.

The other thing is if we can convert some of the resource back into reserve by finding some additional tails capacity either on site or off site we can add more life. And that, together with possibly a higher mining and processing rate, would enable us to leverage the ore body up further and offset some of the impact of the lower grades that are coming in. And we have known about this for a while, so we have had studies conducted. We’ve got outside parties helping. That would be one of the ways, Adrian, that we could optimise Cerro Corona from here. And we are quite confident that we will come up with a solution.

On Darlot, you are quite right. If you look at the current performance in Q4 and you look at the guidance you would say this doesn’t gel. I think one of the problems we’ve got now is, we’re sort of in a bit of a hiatus in that we’re trying to open up the virgin ground in Lords’ South Lower. And it is thicker reef packages, 4m to 5m. Whereas in the last quarter and probably into this quarter and quarter two we have been relying on remnants across the old, mined-out areas, which are quite far apart and quite discreet. And clearly it is going to be hand to mouth mining for probably the first six months of this year. But once we get into Lord’s South Lower then we will be in much better shape. The grades look like they are better. The reef packages are thicker. And I think that gives us a lot of confidence. We are
well developed into that area now, but we just can’t get there until about April. So that is the reason why the numbers look a little bit out. I will hand back to Nico to talk about South Deep.

Nico Muller – EVP: South Africa

First of all, it is a privilege to sit here and be part of the Gold Fields’ team. I joined in October and I’ve had a very interesting journey so far. I didn’t come into the process blind. Prior to my joining I had pretty open discussions with Nick. I had some idea of the history of South Deep, and I know it has been a challenge to meet our guidance and ramp-up profile. So it is not like I was totally surprised by what I arrived into.

I expected everything to be bad at South Deep, given the fact that we have not been able to ramp up. But I have been surprised by a number of positives. Firstly the ore body. I worked at Target in the Free State from 1995 to 2000 and it is similar. It is a multi-layered ore body, except South Deep is so much bigger. So it has massive potential, even though it is at depth. And the grades as well. We’ve got a great starting position in the asset. It is absolutely world class. 38 million ounces in reserve.

And then based on the capital programme that Nick and the team approved in 2009 for R8.5 billion, the bulk of the infrastructure has been installed. I think there are issues in terms of how the infrastructure is being maintained - there are some challenges. I don’t think the engineering function as a whole has been given necessarily the attention and the priority in the organisation at operational level.

We will raise the prominence of the engineering function to make sure that the very sound infrastructure that has been installed is maintained in a way that will support the continuation of the business and growth.

One of the areas that I feel particularly proud of - and I think will help South Deep - is what South Deep has done from a sustainability point of view. If I look at the safety performance since 2008 that has improved dramatically. I’ve learnt that when you injure people you have a lot of safety stoppages and there is a lot of disruption in the operation. So I am very encouraged by what South Deep has achieved in that area.

Also on the social and labour front. In 2014 in particular there has been a big pick-up in terms of the execution of projects which bodes well for community relations and the stakeholder sentiment towards South Deep. On the environmental front as well – there are a number of water management projects which have been successfully concluded or initiated in 2014. All of these things are very important although they are not directly related to production. They do provide an enabling environment which will create less noise for the operational team to operate in and focus on safe ounces.

Unfortunately as far as the management is concerned there was a big issue. I’m not sure how to say this softly. I think the team was largely dysfunctional for many reasons. I think the team operated under a lot of pressure, given the variance between the actual output and the corporate expectations and what had been communicated to the market. So there was a lot of noise and a lot of pressure. This made it very difficult to develop core strategies to focus on the enablers that will drive up production.

So a lot of discussion was on the variance between the actual output and the expected output, the massive disappointment associated with this, and the frustration because of that. My view was that a lot of the energy was devoted to that part of the discussion as opposed to how to address development of the mine. That’s why - in partnership with Nick and the rest of the team - we agreed that we have to simplify life at South Deep. Trying to achieve this ramp-up profile, we are at risk of just continuing investing in bigger and bigger dreams without developing the ability to get the basics right.
I understand the reasons behind the introduction of the Australian team in 2014. It was very unfortunate at the same time that we went through a labour rationalisation programme at South Deep. So the perception was from the DMR and the unions that we are bringing in foreigners at the same time as we were reducing South African employment opportunity. There was massive political resistance to the whole initiative. I think Garry Mills (former GM) and the team introduced good thinking in terms of congestion, but the benefit of it never flowed through in terms of results. I think it created a lot of tension between the Australian team and local management, who had to interact with the DMR and the unions. I think that gave cause to a less than ideal outcome which wasn’t anticipated in the beginning. Having said that, I think many of the things that were introduced will deliver benefits at some point in the future.

Also we had some great people, but often in the wrong positions at South Deep. This is obvious in some of the work practises which are very poor in my view. The working conditions underground are often not conducive to support an efficient mining operation. And there is absolutely no chance of ramping up and getting to full production when that is the way of working.

One of the things we have done to date is bring in a senior team that comes from an operating experience where there is a proven track record. We can’t have people in critical roles that are going through their first rodeo. It was very important to bring in experienced people in the right positions.

I firmly believe that if you don’t have the right team, you can have the best strategies and the best tactics, but you will battle on the execution side. So I think we are in a much stronger position today. We’ve got the balance between some experienced people from South Deep with a lot of knowledge and an infusion of new people with a sound track record in mechanised mining operations. That will assist us.

The issues at South Deep are well known. We’ve spoken about skills development and the availability of fleet and so forth. It is the ability to develop the execution to resolve those issues. And I think it is going to take us a bit longer. Nick has spoken about our strategy for 2015. We are going to have to simplify life. We are going to focus less on capital investment and growth and make sure we get the basic functionality of the mine up and running.

With forming a new team management there is a lot of trauma at the moment in the business, but we knew that was going to happen. It was part of the journey. I think we will be in a very strong position as we go through the year to develop a much better understanding of what the potential is going forward. We are very honest about where we are at. Maybe some of the things I said don’t sound so positive, but that’s because they’re not.

There is nothing that I look at that suggests this is not repairable. The upside for me personally is when I look at the things that are broken, I know that members of my team have worked in other businesses where they have dealt with problems and fixed them. It is just not an overnight process. We are going to have to be patient as a team and address problems aggressively.

Kane Slutzkin – UBS

Paul, can you remind me the value of asset sales you did last year? I’m just trying to tie that in with the net debt reduction.

Paul Schmidt – CFO

It was $81 million that came from the sale of Chucapaca. That was the only cash. The other one was shares in Hummingbird. And for Talas we got $5 million. So $86 million was the cash.
Kane Slutzkin – UBS

That makes sense. Then just on power. I’ve seen reports in Ghana - you had some issues there. How have you been impacted there? What percentage of opex is power at those mines? Is it a pretty big risk for a mine like Damang, which has already been through quite a long recovery? What is the risk there?

Nick Holland – CEO

Load shedding is a feature of life both in South Africa and in Ghana. We have actually put some information in the book that deals with that. In Ghana there are problems with the generation side of electricity in that the hydro is giving less because the dam levels are lower. They haven’t had enough rain in a country where it does rain a lot. And they have also had some units on the thermal side down. So that is the generation side. And there have been problems on the transmission side with maintenance that is behind. We’ve been lucky to have backup generation sets that we are using during these outages.

Ghana’s utilities has asked us to shed 25%. We have agreed to do so for an indefinite period. In fact, the whole industry has been asked to do that. We have been fortunate in that we can turn on the emergency generator sets at Damang. Obviously it is a slightly higher cost than what we pay on the grid. But the important thing is we can keep the production machine going without any impact. So that is the situation in Ghana.

We are also looking to move off the grid entirely in Ghana, hopefully by the middle of 2016. We are getting an over-the-fence deal whereby we will be completely off the grid from an IPP that has come into Ghana and already built a couple of clean coal plants. So it is a problem, but the impact on the business is not significant. Slightly higher cost; somewhere between $10 and $20 an ounce is the extra cost if you want to get a figure.

For South Africa, I will ask Nico to answer that.

Nico Muller – EVP South Africa

I suppose underperformance is our great friend in this regard. We have been asked to reduce our consumption by 20%, but we are in the very fortunate position that our whole plant is not operating 24 hours a day. So what we have agreed with Eskom is that we shut our plant down and some of our compressors for a longer duration than what they have asked us to do, and in that way support them. In turn we will be able to run all the critical components of the mine 100% of the time to support whatever production we are able to do. So we have had no impact and we don’t foresee an impact in the short to medium term on our operation.

Derryn Maade – HSBC

I just wanted to ask in terms of the guidance for 2015, and in particular the areas that have been very good to you in terms of free cash flow generation such as Australia, Cerro Corona, we are seeing a production guidance going down in those regions being mitigated by Tarkwa and a very small incremental increase at South Deep. So it is really your expectation for free cash flow generation in 2015 with that in mind. Is there a risk that you are swapping out your better margin ounces for your lower margin ounces in 2015?
Nick Holland – CEO

No, I don’t think that is the strategy. I mean the strategy is for us to get the best out of every mine. One of the things that goes behind our planning process is a rigorous review of different iterations, not just over one year but over five years. We like to try and look at the next five years and determine what is the best outcome for us in terms of achieving our group goal, namely sustainably getting 15% free cash flow margin at a $1,300 price. So we look at a whole bunch of iterations that fit in that and then also look at the NPV calculations. What is the best NPV? What is the best free cash flow? What is the best fit in the middle? So every asset is looked at in terms of that.

The other thing you have to remember is that certain assets require new capital from time to time. Tarkwa has just bought $50 million to $60 million worth of fleet that has been delivered earlier this year. So that capital, which is very chunky, comes through. Granny Smith is opening up Zone 100. So it has got to put in a lot of infrastructure, haulages, ventilation, raises etc. to set it up for mining. That has already been done for Zone 90 before, but because we are going into Zone 100 this year there is more capital that has to come in. That said, it looks like it is going to be a bigger lode potentially with higher grades than we have seen before. And that is before we have even understood the step-out possibilities.

We look at every asset in terms of how we can get the best out of it, not just this year but over the long term. And that is how each profile is determined. We want each asset - on its own merits - to achieve the group goals. Sometimes it means production is going to go down a bit. Sometimes it is going to go up. Cerro Corona, I think we’ve discussed. It is coming down because we have expected grades to come down. We’ve known that has been coming. We are looking to see if we can add life and we can add throughput.

I don’t know if I am answering your question. It is not about saying here is a top-down goal and how do we get there? It is optimising every single asset. The guidance you see here is the net result of all of that.

Derryn Maade - HSBC

One last one for Nico. Do you think that South Deep of 228,000 is a bit soft? Can you beat it?

Nico Muller – EVP South Africa

What we have done with our guidance to base it on exactly the same efficiencies that we’ve achieved in 2014. So we assumed absolutely no improvement, which I think we will achieve. However, I have also got a brand spanking new, very robust general manager at the mine, who is stopping hoisting left, right and centre. I support exactly what he is doing. He has to because the conditions are not great. If we promote that way of working we will never achieve an efficient approach to mining operations.

So at the moment there is a bit of tension between chasing a number and getting the work methodology sorted out. I’m confident that the guidance is very achievable. We should actually be able to do a lot better than that, but I don’t want to give any impression of what you can use for your modelling. I don’t want to impose that pressure on our operation – there priority is to fix the way we work.