



GOLD FIELDS

Q3 C2013

RESULTS FOR THE PERIOD
ENDED 30 SEPTEMBER 2013

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**Third Quarter Results
Period ending 30 September
2013**



Operator

Good day, ladies and gentlemen, and welcome to the Gold Fields Q3 results. All participants are now in listen-only mode and there will be an opportunity for you to ask questions after today's presentation. If you should need any assistance during the conference then please signal an operator by pressing star and then zero. Please also note that this conference is being recorded. I would now like to hand the conference over to Willie Jacobsz. Please go ahead.

Willie Jacobsz

Thank you, Dylan. Good day, ladies and gentleman, and thank you very much for joining us for this third quarter results. We are going to start off with Nick Holland, who will give a few opening remarks, and after that we will open the lines for questions. Nick is joined on this call by Paul Schmidt, our Chief Financial Officer, as well as Michael Fleischer, our General Counsel. I now hand over to Nick.

Nick Holland – CEO

Thank you very much, Willie, and good morning or good afternoon, ladies and gentlemen, depending on where you are in the world today. Thank you for joining us to discuss the Gold Fields results for the third quarter ended September 2013.

I am pleased to report that, despite the gold price being more than US\$50/oz lower this past quarter, our operations were again cash positive in the September quarter:

Gold production was up 10 per cent at 496,000.

Net earnings of US\$9 million compared with a net loss of US\$129 million in the previous quarter which reflects a positive swing of US\$138 million from last quarter, as I said earlier, this was despite a gold price that was about US\$50 lower than the previous quarter.

The main feature of the quarter was the continuation of our concerted and focussed strategy to engineer a sustainable and structural shift in the Group's cost base, a process that started in mid-2012.

Underlying the strategy of re-basing the Group's cost structure is a fundamental shift in strategy away from a primary focus on ounces of production, to a greater emphasis on generating free cash flow and improving the margin.

Our goal is to re-base the group's all-in costs for 2014 and beyond to ensure that we can sustain our business in the long term. We have made good progress towards this goal, as is reflected in all of the cost metrics for the September 2013 quarter.

- Our group all-in sustaining cost for the September quarter was \$1,089 per ounce, which is 23% or \$327 an ounce lower than the \$1,416 per ounce reported in the June quarter. I am sure you will all agree that is a sizeable reduction just in one quarter.
- Group all-in costs for the September quarter – this includes all capital expenditure of course – was \$1,176 per ounce, which is 25% lower or almost \$400 an ounce lower than the \$1,572 per ounce reported for the June quarter.



- Total cash costs for the September quarter were \$772 per ounce, which was 10% lower than the \$857 per ounce reported for the June quarter.
- And group notional cash expenditure of \$1,064 per ounce was generated for the September quarter, which was 14% lower than the \$1,239 per ounce reported in the June quarter.

I must apologise for giving you so many different cost metrics. But the good news is that as from the March quarter of 2014 we will only be reporting on the World Gold Council guideline of all-in sustaining costs and all-in costs. The reason we have given you all of the other metrics is because we have provided guidance on these metrics, so we want to provide a reference point for people. And we also want to do early adoption of the World Gold Council cost measures so that people will be used to it when we move into this in 2014. So if you can indulge us for yet one more quarter I think it will become much easier after that.

Interestingly, if you exclude South Deep, which is a developing mine in build-up, essentially a project, from the September quarter costs, then the group NCE was \$962 an ounce and the all-in cost was \$1,088 an ounce. I think that gives you a good indication of the robustness of the rest of the portfolio beyond South Deep.

If you compare Gold Fields' all-in costs with the rest of the top ten peer group you will find that, on an all-in cost basis - these figures have been derived by us because they are not always reported by the companies in question - Gold Fields is one of the lowest cost producers in the industry on an all-in cost basis. Certainly you can generate these numbers yourselves by looking at the guideline and then just aggregate all of the numbers from the various companies.

Other highlights for the September quarter is, as I mentioned, our gold production at 496,000 ounces, which on an annualised basis places us well above the upper end of the guidance that we've given for the year. And net earnings, as I've mentioned, were \$9 million, back into positive territory.

Specific Mine Interventions

I'd like to touch briefly on some of the specific mine interventions that we've done to help us re-base our costs.

As I've mentioned before, and I will remind people who may have forgotten, the reduction in marginal mining at St Ives, Agnew and Tarkwa by closing down unprofitable production, the benefits which are largely reflected in the September quarter results.

At Tarkwa the north heap leach operation will be stopped by the end of 2013, and the cost benefits of this will flow into 2014. That north heap leach operation is costing more than the prevailing gold price, so it makes strategic sense for us to shut that down.

Also restructuring and right-sizing of the corporate office as well as the regional and operational structures to be fit for purpose in a model with operational responsibility and accountability devolved to the regions on the assumption that they are appropriately resourced. And by and large they are at this stage. That helped us to reduce our head count across the global portfolio by around 5%, and including contractors, we have reduced our head count by around 9%. I think at the end of the year that is going to be close to 11% or 12%.

Capital expenditure for 2013 has been reduced by approximately \$180 million to \$790 million. How have we



achieved that? By real cost reductions, by reducing our gross capital, and also by looking at a different profiles of expenditure over the life of the mine, without impacting production or flexibility.

Cancellation of new mine growth projects has also resulted in less expenditure, given that certain of these projects did not provide an adequate return.

General cost savings and improved efficiencies have been pervasive across all operations as business improvement projects continue across the globe.

Also reducing the cash burn at Damang has been a key initiative, as well as reassessing the long-term potential of the mine. And we think we are making progress on that. We hope to give you some further information on where we stand at the next quarterly results early next year.

South Deep's cost base has been right-sized to match its slower than anticipated production build-up, but importantly without impeding the development and production momentum associated with this mechanised mine.

The break-up of the growth and international projects division and a significant reduction in all associated expenditure has also taken place during the quarter.

Break-up of Growth and International Projects Division

I want to talk briefly about the impact of all these cost savings on the growth strategy of the group.

In the light of our breaking up of the growth and international projects division I want to touch briefly on how we have reoriented our current strategy.

Greenfields exploration has been reduced from 16 projects across the globe to a smaller nucleus of the most promising projects of around five, mainly in the Americas. These projects will be managed from within the existing Americas region rather than by a dedicated exploration division as was done previously. That said, we have absorbed some of the key personnel into the Americas region to make sure that we have continuity on these important projects.

All other greenfields exploration projects will either be relinquished or disposed of depending on the status of those projects and whether or not we have vested an interest in these projects.

In the Australasia region, the key focus will be on near-mine exploration in the Yilgarn South region where Gold Fields has an extensive and highly prospective tenement position associated with our newly acquired and existing assets. All greenfields exploration in Australia has been stopped so that we can dedicate most of our resources to the near-term brownfields potential at the five mines in WA.

The Arctic Platinum Project in Finland, the Woodjam project in British Columbia, the Talas project in Kyrgyzstan and the Yanfolila project in Mali have all been earmarked for disposal. Where disposal proves impractical in the current market environment some of the projects may be retained for optionality, but with significantly reduced holding cost than the historical costs we've incurred. No final decisions have been made on the sale of any of these projects and we continue to monitor interested suitors that are looking at these particular assets.

Activities at the Far Southeast Project in the Philippines have been largely limited to those associated with



procuring the FTAA permit which allows foreigners to own a majority interest in mining deposit, and as a consequence expenditure has been significantly reduced. We expect the holding cost during this process to be pretty small.

At the Chucapaca project in Peru expenditure has been limited to the completion of a scoping study focussed on exploring the viability of a smaller, higher-grade underground option for this project. This work will continue into 2014.

As a consequence of these interventions the combined expenditure on all growth and exploration related activities is expected to reduce from around \$280 million in 2012 to around \$150 million in 2013. And we expect significant further reductions in 2014.

I think it is pretty safe to say that we're looking at around about a half of what we spent in 2013, half of \$150 million. Somewhere around that is a reasonable benchmark.

The break-up of the GIP division is well underway and is expected to be completed by the end of this calendar year. While some of the anticipated savings are reflected in the results for the 2013 quarter the bulk of the savings will be realised after the remainder of 2013 and into the first half of 2014. That is expected to further contribute to the re-basing of our costs.

Yilgarn Acquisition

Turning to the Yilgarn acquisition finally.

We can report that we have concluded the acquisition of the Yilgarn South assets in Western Australia from Barrick Gold on 1st October, and thus the Granny Smith, Lawlers and Darlot mines now belong to Gold Fields and have been integrated into the Gold Fields portfolio in a very short period of time.

A thorough operational review has been concluded on each of the mines, and Agnew and Lawlers are being merged in order to realise the synergies inherent in the combination of these contiguous operations. In fact, the Lawlers plant has already been stopped and has been cleaned out, and all of the ore from the three underground operations at Lawlers are now being sent across to the Agnew plant, enabling us to completely fill that plant and benefiting by reducing the overall cost structure for the benefit of both Agnew and Lawlers.

The transition to Gold Fields management was seamless at all three mines, and our attention will now turn to optimising the value of these operations.

For the December 2013 quarter Gold Fields will report on all three of these mines for the full quarter with Agnew and Lawlers being reported as a single entity. I'm sure you can appreciate that that is the practical way of doing it, given the operations have essentially been combined with one processing plant.

It is expected that the three mines will collectively add between 90,000 and 100,000 ounces to Gold Fields production for the December quarter at an NCE of around \$1,165 per ounce.

Guidance update for 2013

As a consequence of the Yilgarn acquisition, production guidance for the full year has been revised upwards to between 1.9 million ounces and 2 million ounces. The original guidance, as you can remember, was 1.825 million ounces to 1.9 million ounces. We are essentially adding between 90,000 and 100,000 ounces to the original guidance.



Cost guidance for the year remains unchanged from previous updates with total cash costs at \$820 per ounce and notional cash expenditure of \$1,240 per ounce. The original guidance we gave you in February was that cash costs would be \$860 per ounce and NCE was \$1,360 per ounce.

So in essence, what I want to say is the original portfolio of assets that we had before the Yilgam acquisition is set to achieve the guidance at lower costs, and the Yilgam assets are going to help us to add somewhere between 90,000 and 100,000 ounces this year at similar costs to the guidance I've given.

With that we are now happy to take any questions that either myself or Michael or Willie will be happy to answer. Thank you very much.

Operator

Thank you. Ladies and gentlemen, at this time if you would like to ask a question please press star and then one on your touchtone phone. If you then decide to withdraw your question please press star and then two. Our first question comes from David Leffel of Deutsche Bank. Please go ahead.

David Leffel – Deutsche Bank

Good morning guys. Good morning, Nick. Just one question related to the exploration projects that you're looking to dispose of. Could you maybe share with us what the current book value is and if you intend to reassess the valuation as you move them to assets held for sale in the financial year.

Nick Holland – CEO

On the exploration projects we expense everything that we spend as we incur it. We only start capitalising once we've got a reserve and a feasibility study. But if we look at the various projects that we've got I think a reasonable idea of the carrying value.

Paul Schmidt – CFO

About \$130 million on APP and about \$30 million on Yanfolila related to the acquisition from Glencar. All the other projects have effectively been expensed because they never got past a pre-feasibility study. So in total there is about \$170 million of carrying value that we will have to assess at year end.

David Leffel – Deutsche Bank

Excellent. That is very helpful in that regard.

Just a second question in a different direction, it was announced during the quarter of an investigation by the Securities and Exchange Commission. There is some commentary in your release. I was wondering if you could add any additional colour on whether you intend to try to engage the SEC to settle this. Should we hear that negotiations will be occurring, I guess?

Willie Jacobsz

David, because of the legal process underway we are precluded from making any comments on this matter at this stage. So you would please forgive us, we would prefer not to speak to that point.



David Leffel – Deutsche Bank

Okay. I can understand that. Thanks.

Operator

Ladies and gentlemen, a reminder that if you'd like to ask a question please press star and then one now. We will pause a moment to see if we have any further questions.

We have a question from Adrian Hammond of BNP Paribas. Please go ahead.

Adrian Hammond – BNP Paribas

Hi gents. I want to talk a bit about the operating model at South Deep. Could you give us more colour on how that is panning out so far compared to the beginning of this year? And talk to us a bit on face time and what is being achieved there. Thanks.

Nick Holland – CEO

Adrian, overall we've taken our average reef tonnes per month up to around 160,000 to 170,000 ton a month range. Last year that figure was somewhere around 120,000 tonnes a month. That is certainly the upwards impact from the operating model.

Face time has been improved by around 20% from what we had before. But there is still quite a lot of optimisation that we can put in place. For example, we just commissioned man carriers underground which can get people to the workplace a little bit quicker, but more importantly, less fatigued. We don't want people to have to walk all the way to the workplace up and down the ramps. They get fatigued when they have a long shift ahead of them. So that will help them to manage their fatigue. But it will get them there a little bit quicker.

We are doing time and motion studies to assess where the blockages are, for example the meetings in the muster room, the preparations in the meeting place before we go to the different stopes could be expedited. And that is all part of a process of continuing to optimise where we're going. But those are the benefits so far, about a 20% improvement in the face time and around a 25% improvement in reef tonnes broken and trammed.

Adrian Hammond – BNP Paribas

Thanks for that. And just any new updates on completion of the new ore pass systems?

Nick Holland – CEO

We got two ore passes that are due to be completed before Christmas. And in fact I was underground last week and went to go and see the status of those ore passes, so I think we're making good progress. We've got another one coming in the first quarter of 2014 and another one that should come around about the middle of the year. So I think that is going to make quite a big difference and will help us move our tonnage more easily through our infrastructure once it has been broken. So good progress is being achieved.



Adrian Hammond - BNP

Great. Thanks very much.

Operator

Our next question comes from John Tumazos of John Tumazos Very Independent Research. Please go ahead, sir.

John Tumazos – John Tumazos Very Independent Research

Congratulations on your asset purchase from Barrick in Australia. Do you have people and dollar capacity to buy more good properties or neighbouring assets? Or should we expect that for now that one good transaction is about all you're going to bite off?

Nick Holland - CEO

John, we always say that M&A is opportunistic and we continue to look for opportunities. I don't think we will be doing anything in the remainder of 2013. I'm pretty confident of that. But certainly into 2014 we will continue to look for opportunities. We are very selective. We screen everything across the globe on an ongoing basis. We have made some fairly successful acquisitions over the last decade, but that's because we are patient and we only buy the things that we think we can make a difference to. So we're going to continue looking. And I think if we can sustain the kind of operational performance that we have done in this quarter and the gold price doesn't completely dive on us then we should be able to continue to sustain our business at these sorts of price levels. And hopefully that will put us in a position where we have much more financial flexibility to look at things.

Obviously it's an opportunistic approach and most times it doesn't fly, but from time to time it works like this one has. So we continue to look for opportunities. That's all I can tell you.

Operator

Ladies and gentlemen, a final reminder that if you'd like to ask a question please press star and then one now. Gentlemen, it would appear we have no further questions. Do you have any closing comments?

Nick Holland – CEO

Dylan, I'd just like to thank everyone for dialling in. It's great to have the interest on the call. We hope to see some of those dialled in face to face in the not so distant future. We hope you have a wonderful remainder of 2013. Thank you once again for your interest and goodbye.

Operator

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

END OF TRANSCRIPT