Q1 C2014

RESULTS FOR THE PERIOD ENDED 31 MARCH 2014

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First Quarter Results
Period ending 31 March 2014

Nick Holland – CEO

Good morning everyone. I take it you've managed to have a brief cursory look at the Gold Fields quarter one results which were released at 08:00 this morning. I don't intend to give a synopsis of the results now other than to say that our production and our costs are tracking guidance for the year. In fact, if you look at our production and our cost on an annualised basis we're actually doing slightly better in this quarter than guidance for the year.

We've reaffirmed our guidance for the year that we gave at the beginning of the year when we gave the year-end production guidance of 2.2 million ounces, All-in Sustaining Costs of $1,125 an ounce, All-in Costs of $1,150. We are still confident that we can achieve those numbers for the year based on these results.

Obviously there is a lot of detail in the book, and as always I'm sure the sell side analysts have managed to come up with a number of questions in the limited period of time. We'd like to give you an opportunity to ask those questions and for myself and Paul Schmidt, who is with me, our Chief Financial Officer.

Please let me just say if you need more time to analyse the results and you want to circle back to us for any follow-up questions we will make ourselves available for that over the next couple of days.

Adrian Hammond – BNP

I have three questions for you. Firstly on South Deep. You had a poor performance in the last quarter with a focus on decongestion of the underground ops. What is it looking like now at the moment in the last month? Can you give us some indication on the production run rate? Secondly, how close are you to completing the next ore pass? Is it still on schedule for June? And then thirdly, around Cerro Corona. Could you give us some guidance on grades and recoveries over the next year please?

Nick Holland – CEO

The one point I would mentioned, Adrian, is that while South Deep is a continuous operation it is also subject to the Christmas break we have every year. Over ten days the mine was shut. Typically there is a slow start-up in South Africa after the Christmas break. So in essence we have probably lost at least half a month of production. That is just one of the features of the South African gold mining industry where labour likes to return home. The better comparison is to look at March last year, and compared to March last year the production results are very similar.

That said, you've highlighted the point that we discussed on the visit. We are going through a transformation process, and the need for us to change some of the working practises and to get a much more focussed, mechanised mining culture on the mine has meant there has been some interruption. We have been reassessing the right-size in terms of equipment and how we deploy that. We're looking also to try and reduce reliance on contractors. That is work in progress. Overall I think the picture is encouraging.

The Australian team has now been here for nearly four months. I think they are making really good progress in realigning the team. We've shown you that we think the de-stress for the year should still be achieved. And in terms of production - the initial interruption has not only affected the March quarter but the early part of the current quarter as well - that's the reason why we've pared back the guidance for the year. But that will still be a healthy increase on the previous year.

And importantly we still believe that we can achieve the cost estimates that we've set for the year. So it is very much work in progress, Adrian. There are a lot of things happening on the operation. I think as we sit today versus where we were when you visited the mine we've seen significant progress. And let's not forget that we're building on a platform whereby the mine has already been built, essentially. The key infrastructure is in place to support the build-up.

You've been through the presentation on the ore reconciliation over the last seven years and all the work we've done to confirm our confidence in the ore body. So the big focus now is to get the mechanised culture improving. You can work out based on the guidance for the year that we're giving, what sort of improvement that we would expect to see over the balance of the year.

We're making good progress on the ore passes. We should have additional ore passes coming through around the middle of this year. That is certainly going to help to de-bottleneck production. We put two in place towards the end of last year. In fact, we took you to one of them when we did the underground visit. The other two are still on track for around the middle of this year, so that should further help to de-bottleneck the areas. What we've learnt over the last couple of months is that by reassessing the equipment requirements we have been able to decongest and de-bottleneck the infrastructure underground. So that will also help. And we're looking at the way that we mine and whether we can actually do different production scheduling, get equipment tackling more than one heading etc. But it is early days. But certainly those ore passes should come through in the middle or just after the middle of this year.

On Cerro Corona, I've got to point you really to the reserve grades that we've given when we put out the published results in the Integrated Annual Report. I think that's what you should use in terms of the go-forward. I recall it is about a 0.92 g/ton gold and I think it's 0.49% copper. We've said that the recoveries for copper are around 86% to 88%. Recoveries for gold are around 67% to 69%. I think those are still good numbers to use.

We are going to be putting out the Mineral Resource and Reserve Supplement around the middle of this month, so that's another week or so away. The supplement will give you a lot more detail around those headline numbers which you saw in the IAR. So if you can bear with us for another week we will give you a 170 page document that goes into a lot of detail on each and every mine and all of the various projects we have in the group.

We are getting positive reconciliations, which is great. And we've achieved that at Cerro Corona over five years. I hope that it will continue. We've been reasonably conservative in terms of assessing and determining the grades. So I would rather you used those for the future. We continue to try and optimise the operation and improve the ore flow reconciliation, so we will try and improve from there.

Patrick Mann – Deutsche Bank

Two quick questions on South Deep if I can quickly. Just on the de-stress mining, you reported it was down 44% from the December quarter but you've held it steady for the year. I suppose the question is how much of that decline was expected and how much have you pushed up your targets for the remainder of the year? And then the second question was just on holding the cost guidance for the year steady. What exchange rate are you using for those numbers please? Thanks.

Nick Holland – CEO

In terms of the de-stress we did expect to have a seasonal drop in the de-stress this last quarter. But it has also been impacted by the transformation process, which has impacted development ore tonnes and de-stress. It has had a further impact this quarter. But we believe that the steps that the team is putting in place is going to help us perform a lot better going forward than what we have. And we're confident that the de-stress can be achieved.

Remember there were times even last year when we were getting de-stress above the run rate. We were getting de-stress above 5,000 square metres per month for a number of months. So what we need to do for the rest of this year is not really more than what we've achieved in some of the better months of last year. Even with some of the skills issues that we've had - this has already significantly improved in a short period of time. So we should be able to achieve that.

In terms of cost guidance we are using R9.50/US$, which is what we've used before. And we still think there are opportunities for us to look at further cost reductions. You will have seen we've managed to cut some of the capital. And I must stress that it is not by putting the build-up plan at risk. The most important thing for South Deep is for us to preserve the integrity of the build-up plan. So that is really about optimising capital expenditure, looking for efficiencies and real savings. So that is already part of the benefit that has offset the reduction in production guidance. And then we continue to look at the opex space, which is significantly higher than the capex space. And there may well be further opportunities to reduce contractors. We are reassessing all the contractors on the mine to see if we can actually get our own people to do some of those jobs. I think would be a good way of reducing the cost base further.

Patrick Mann – Deutsche Bank

Sorry, just to be 100% clear, if the Rand hung around where it is then you're forecasting to actually come in ahead of your guidance?

Paul Schmidt – CFO

For South Deep we would.

Patrick Mann – Deutsche Bank

Could I get in one more question on the financials? Just in terms of the other expenses and those retrenchment costs that came through, is that largely done or are you expecting that to keep coming through in the remainder of the year?

Paul Schmidt – CFO

The bulk of the retrenchment costs were at Tarkwa. So we don't expect big retrenchment costs beyond the March quarter when they were US$20 million. We don't expect big costs coming through for the balance of the year as we sit at the moment.

Andrew Snowdowne – Merrill Lynch

Good morning guys. I have two questions on South Deep. The first one is just on development. You've just done the development rather than de-stress. That looks to have dropped to 1.6 km in the quarter. When we look at the pattern in the last three or four quarters we've seen quite a marked decline. I was wondering if you could maybe talk about that. Is that a decision to reduce the overall development or is it just a nuance?

I think when we met back in November you mentioned that development accounts for around a third of the cut-backs at South Deep. Correct me if I'm wrong on that. The second thing is we've seen the yield jump up to 4.7g/ton. You did make some comments on that. Could you just talk around that a little? Is that sustainable for the rest of the year?

Nick Holland – CEO

In terms of the development, Andrew, the issue is that we changed from outsourcing the development in the new mine – that's below 95 level – to bring it in house. And with the transition arrangements we've had a hiatus in the development rate. And that's one of the reasons development has come down. We have now redeployed those areas with our own people and we're up and running again. We've reassessed the development needs as part of the revised build-up plan that we announced in February. And we are confident that we can actually achieve the build-up plan with the development rates that are forecast. Now, obviously this quarter that is not what we were expecting to do on a steady state basis. But now with our own staff redeployed into the development areas we are starting to build that development up again. Again I don't think it is a source of concern in terms of the overall build-up plan, but that's the main reason for it.

The other thing is on the grade itself you will see if you analyse page 26 of our results book, that we actually break out the grade between surface and underground. And in the case of South Deep we actually break out the ore milled or the total tonnes milled between ore and waste and we give the underground grade and yield undiluted, and then we give them fully diluted. If you look at 2013 in fact around 20% of the tonnage we milled was waste. And that was a function of some of the areas that we were developing, particularly some of the ramp areas.

Looking forward we have done a lot of the heavy lifting in those areas and we would predict going forward we wouldn't expect the waste percentage to be more than around 10%. Certainly for this year 10%. So that gives you a lift already in terms of the waste percentage. And over the build-up period we believe it should be somewhere between 5% and 10%. So that already gives you a benefit in terms of the overall yield. So a structural shift in the mix of tonnage. And that is really a focus on ensuring that we don't put waste through. And secondly, given the fact that we've done a lot of the ramp development we don't believe that that is going to be a significant problem going forward in terms of mixing.

Now, we've looked at separating out the waste. That is something we will continue to look at. In other words, not milling it. But we need to be confident that we don't end up with dilution issues, in other words ore to waste, waste to ore etc. I think the safest is let's continue doing it. The other thing is the in-section waste is still mineralised. And that's going to be the bulk of the waste now. In other words, when you mine a cut for geo-technical reasons you have to take a bigger cut than just the mineralised piece. So you have in-section waste, but that is still partly mineralised. So we will get something out of it as opposed to stockpiling that waste. But going forward we would expect to maintain waste to ore ratios similar to the numbers you're seeing on page 26.

Andrew Snowdowne – Merrill Lynch

Okay. In terms of the development you did 1.6 km this quarter. What is the target for the year that you're looking for? Is it around 8 km?

Nick Holland – CEO

I don't have that figure right now. It's not a number we've put out before. But we can certainly get back to you on that. I think it is probably closer to 9 km. It's not a particular guidance number we give. But again, we don't believe that the level of development is going to be constrained. Remember when we talk about development some this is not development of the new mine. Some of that development is actually producing gold in the current mine. In other words, when you do a drift or fill or you do a bench that comes through development metres as well as ore production. So you can't just look at development as a proxy for what we're looking like in terms of building the future of the mine. So that's why it is not a number necessarily that we've put out there. The most important number, Andrew, for understanding the development going forward is the de-stress. That's a far more important number.

Kane Slutzkin – UBS

Just a quick one just touching on that comment you made around the potential to reduce contractors at South Deep. Can you just quickly confirm what your current breakdown is there in terms of permanent staff to contractors?

Nick Holland – CEO

We've got around 4,000 permanent staff, about 4,300, and contractors, including capital contractors, around 2,000 odd. So one of the things we are thinking of doing is whether we can actually reduce that. But there are still specialised functions and I can't give you definitive numbers as to what we're going to get down to because it is work in progress. But some of those functions we might be able to redeploy some of our own people. Certain specialist functions we can't. Some of the drilling we tend to outsource as well. We may want to continue doing that.

But that's the opportunity we're looking at. It's not contingent, by the way, on achieving the cost guidance that we do that. We're looking here at opportunities to go above and beyond in terms of moving costs down. That just gives you a further idea of what we're trying to do to restructure the cost base more, but without impacting the production build-up. We will give you more detail as the year unfolds. I think when we do a mine visit again on August 25. When we have that visit we will have quarter two behind us we will be able to give you a much clearer update as to where we see production costs, de-stress and we can even touch on some of the development.

Alan Cooke – JP Morgan

Just two quick questions if I may. The first is if you're going to lose 46,000 ounces at South Deep on your guidance this year are there any specific mines across the rest of the portfolio that you anticipate will produce more than you'd originally planned for?

Nick Holland – CEO

There are always plusses and minuses in this game, Alan, as you would know better than all of us. Certainly the performance out of Tarkwa is going well. I think you've seen for the quarter Ghana overall has got its All-in Costs down to just over $1,000, including Damang, which has had another outstanding quarter. So Tarkwa is doing well. Granny Smith is doing particularly well too. But I think overall we're comfortable about the 2.2 million ounces guidance. The other mines are there. If you look over the years, the resolution on the international assets has been very good in terms of production and costs. And we see that continuing. 30,000 ounces in the scheme of 2.2 million is almost a rounding error. It is like a 1.5% delta. So we're confident that that it will be absorbed elsewhere, probably by those operations. Cerro Corona has a habit of always doing a little bit better as well. We hope that they will continue to do that. That is principally where it would come from I think.

Alan Cooke – JP Morgan

If we look at your new disclosure – and your all-in cost disclosure is excellent by the way – if we want to get back to cash costs or total cash costs should we just take the operating costs that you've disclosed now in dollar per ton and scale that back through the ton? Will we get back to a number which was the original total cash cost number if I do that? Or should we be adjusting it?

Paul Schmidt – CFO

I don't want you to go down the cash cost route, but you must just take my operating cost. As far as I'm concerned that's as close as you're going to get, and then add the royalties to it if you want to get it. Remember our operating costs had all the cash cost numbers in. We had the G&A. We had everything in. I believe for cash costs you should be including G&A. I know it was excluded in cash costs. Take that, add the royalty and that should give you the number that you're looking for.

Nick Holland – CEO

We realise that you want to obviously project the earnings, Alan. So that's probably the best proxy. That's why we've given the build-up, so you can get visibility on how we arrive at all the numbers. So hopefully it helps you to get there. If not, let us know and we will see how we can help.

Alan Cooke – JP Morgan

I'm really loathe to complain because I think your All-in Cost disclosure is the best in the industry. But we will still be comparing total cash costs across the industry.

Nick Holland – CEO

I realise that the evolution of our cost reporting is still in the early part of the journey and we're still struggling to get everyone onto the right page. And you've got to predict earnings. The other thing I would say though, while we're on this point, is that we're not totally comfortable that there is complete transparency between All-in Costs and All-in Sustaining Costs. And I don't think many companies can justify pushing anything in fact into All-in Costs except maybe single mine companies where they are building up or one or two mines. But in the majors the stuff they build in is largely going to be replacement, and to regard that as growth we think is an incorrect interpretation. And the industry is probably shooting itself in the foot because you guys know that. But I don't think necessarily other stakeholders like governments and communities etc. would understand that. We have to accept this is still a journey and we're not at the end of the journey.

Nick Holland – CEO

Thanks everyone for dialling in. I would like to have a further chat with you when the dust settles and maybe we can get together, those of you who are in Johannesburg, and come and have a cup of tea. I'm sure there are a lot more questions you would like to ask myself and the team. Give us a call, and we will try and do that over the next two or three weeks. Thanks for dialling in.

END OF TRANSCRIPT