

Gold Fields Limited

2011 Investor Day

Questions and Answers
(New York Session)

New York
7 December 2011



GOLD FIELDS

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Victor Flores

Thanks Nick. My question is for Peter. Could you just spend a little bit more time talking about the rationalisation at KDC? First of all, is the asset performing now as expected relative to what you anticipated at the time that the two joined? You put the slide up showing all the various shafts. I want to get an understanding what you really meant. It sounds like you're pulling back tonnage from some shafts to focus on the ones that are going to give you the best margins.

Peter Turner

Thank you. What we're saying in a nutshell is we're going to look at all opportunities. If you look at some of the older assets we're looking at fairly low volumes in terms of let's say KDC 7 and 8 for example. They're typically mines that are doing 5,000 or 6,000 square metres. Now, what we would do in an environment like that is really look at the mining location, the mining horizons, where they are, and look at how we can optimise tramming routes.

Let's just use a basic example. This really cuts to the core of our mining at K3 as well and combining a few of those assets. It's exploiting the productivity of those assets and saying, well, let's combine a 6 and a 5 and make it 11 from one, rather than 5 and 5 from two in terms of mining volume. And that way we can then look at closing down a shaft barrel for example. Let's call it shutting a shaft barrel. Producing the same gold but essentially out of one barrel rather than two.

Secondly, looking at the pumping arrangements between the shafts like that. Energy in South Africa is at a premium. When you're lifting water 1,500 metres to 2,000 metres there is a lot of energy that goes into that kind of process. So we're optimising pumping systems, looking at how we can combine pumping systems between those units. This is work in progress at this stage. We



will probably be finished around March next year and be reviewing this with a view to optimising it. It is around optimising the whole operation and rationalising footprint. That's largely the principle of what we're talking about here.

Victor Flores

Great. Thanks. And as far as how the asset is performing relative to expectations?

Peter Turner

Well, what we've done is we've obviously combined the west and the east. We have a common management structure now which is one senior Vice President controlling both with senior operations managers on each of these mines. And getting dedicated resources to these operations rather than sharing resources over a very wide footprint. What we believe this has done is create dedicated focus per operation, per site. And it has created a lot more ownership. We're seeing the traction with respect to ownership of management and the leadership of these various operations.

Look, it has been a fairly short while now, but I can say without any doubt that it has had the desired effect. There is nothing like the captain of the ship running his own ship, rather than somebody else. And we have seen the effects of good management and good leadership coming through, and we're seeing improved safety results in a lot of these areas. So structurally it is working well, no question.

Question (Unknown)

Hi. Thank you for holding this investor day. I just have a couple of questions. My first one is with regards to Ghana. If the tax situation doesn't improve and you chose not to continue to expand there what other opportunities do you see in the general region or in general in order to achieve your production target for 2015?

Nick Holland

Okay. We shouldn't forget that in the region we've also got the Mali projects. I call it the Mali projects because in essence we've got the project to the south that we call Yanfolila, which is the one that Tommy and Peet spoke about. That has the potential for 200,000 ounces a year production. But also north of the Sankarani River in what we now call Kangare.

Because the area is so large, we have that area that Tommy spoke about as well. And we are aggressively pushing exploration in that area. So certainly, we could focus a lot more of our efforts on Mali.

At that point in time our strategy on Ghana would be to maintain things as we are. But I still remain hopeful that we will achieve a similar result as to what we achieved in Peru through engagement.

And we are engaging and hope to get a win-win situation with government that will allow us to develop the projects that we've spoken about. But if not, there are more than enough opportunities in the group, both in terms of the projects that you've seen, but also remember there are projects bubbling under. And we are hopeful that one or a number of those could come through. I think you've seen an extensive list both from a greenfields exploration perspective as well as a detailed inventory list at different levels of resolution from each of the regions.



So at the end of the day, if we don't do the expansion I think it would be a pity. I think they have the potential to be very good projects. But at the end of the day it is all about allocation of our resources to achieve the best returns for shareholders. And those are critical parameters that we bear in mind. So we will keep engaging. We hope we will find solutions, but at the end of the day if we don't, I still think there is enough gas in this portfolio for us to achieve our goals.

Question (Unknown)

Thank you. And my second question is more general. Given your cash flow projections and your capex needs, can you provide any guidance as to when you may expect to need to access the debt markets again?

Paul Schmidt

We are always looking at accessing the debt markets. I suppose it depends on what the rate is. We did an investor update about three months ago, and it was just when the world went into total turmoil and the rates became highly uncompetitive. At the moment we've got a facility that is expiring in May next year. We are looking at renewing it. And bank debt at the moment is very cheap relative to ten year and longer financing. So at the moment probably we are going to stick with traditional bank debt, but if the markets open up we will look at accessing it when the rates are competitive again.

Question (Unknown)

And around what rate is bank debt in comparison?

Paul Schmidt

At the moment bank debt is most probably Libor plus about 1% to 1.5%. So total all-in cost of about 2%. Where at the moment a ten year bond is in the region of 7%. There is a big differential at the moment. That's why I'm saying it's not very competitive for us.

David Christensen

Maybe just to follow on that point, I think the operational story that you've told and the financial positioning story that you've told, is as the current ratings that you have. But you are not trading anywhere near your rating and have the ability to access the debt markets to raise capital. Do you look to do anything with regard to your secondary levels more aggressively? Are you conscious of it and are there any plans to improve them?

Paul Schmidt

I think the one thing that we're going to do in the new year is we're going to register our existing bond with the SEC. It has been one of the criticisms from some of our investors that the previous one was not registered and that we are missing quite a significant portion of the American market that will only act if it is SEC registered. I think we will also be looking at most probably more investor updates in terms of our existing bond to try and see if we can bring the existing spread down. But a lot of the existing spread revolves around the South African story that we have. We had an investor update about two months ago and that was the biggest concern with most of the big fund investors that we saw, the South African story. I think a lot of things are starting to clear up

in South Africa at the moment. The nationalisation story I think has quietened down. I think that will hopefully alleviate some of the pressure we have been experiencing in terms of our bond compared to some of our peers.

David Christensen

I was going to follow on the debt question. Is this one time debt to equity ratio set in stone? I think there is a lot of concern around this bond issue. The rules may change given the capital aspirations of the group.

Paul Schmidt

As I said, I can still issue another 1.4 billion of debt before I even get to the one times. Nick and I have said for a short period we're prepared to go over the one times debt to EBITDA. But for a long time, no. We would most probably then issue equity to bring it down again. One times for a sustained period is our comfort level.

David Christensen

At 7% with the bond blowing up the way it has is that a realistic target for the group to guide debt and equity holders to?

Paul Schmidt

I think we have still got the capacity to use bank debt. We have substantial ability to access the bank debt market. And as I said five year bank debt is very cheap. At a 2% all-in cost it is far more attractive to me to access that market than go to the debt market. We have no need at the moment to actually get in extra debt. With the gold prices where they are at the moment, especially the South African gold price, we are amassing quite a large amount of cash in the group as well.

Question (Unknown)

One last question on the Ghanaian project. What sort of hurdle rate would you be looking for to come out of the discussions before you proceed? Can you give us an idea of the geared and ungeared sort of returns that you'd be looking for?

Nick Holland

We indicated previously that greenfields projects need to get a hurdle rate of 10% real. We look at all of our projects in real terms. Obviously for tax purposes you've got to do them in nominal and escalate back to real terms. But greenfields projects, 10%. Of course Damang is not a greenfields project. There is a mine that has been running there for 15 years. We've owned it for ten years. As Tommy indicated to you, the drilling that we've done – and we've done over 60,000 metres of drilling – indicates the style and extent of the mineralisation below the pit floor is virtually identical to what we've been mining for the last 15 years. So they have a high level of confidence in the ore body. And that will be proved up I'm sure as we get our resource statement out some time in the new year.

So there is a much lower risk attached to that, and that is more of a brownfields expansion project. So I think there we would be looking at 5% or 6%, certainly not much less than the incremental cost of debt. If we finance this with incremental debt clearly we want to make sure that we have a hurdle



rate that comfortably gets over that. And then we will look at any specific adjustments that we may want to make in terms of technical risk.

But that is only one factor. You know when we look at these things we look at a range of issues. We look at technical complexity, we look at the length of time that our capital is going to be at risk, we look at the unquantified upside, we look at the potential scale and economies of scale in particular, issues that we could factor in. We try to work out what we've quantified and what potential upside there might be. And all of those things are really factored into the overall issue. I never believe in one number, an IRR or a payback period. It's a range of issues.

And of course robust gold prices. Currently we're using around \$1,500 as a long-term gold price. And that is one parameter we'd also look at. Clearly we do sensitivities as well and see what the potential is for a higher pit or potential underground. There is no doubt that we haven't ended the mineralised zone yet and the drilling has gone way beyond the floor, as Tommy indicated. So there is potential for an underground operation. That would give us further upside because by getting into a deeper pit we can actually create a better platform for us to access the underground. So there is a range of issues we'd look at there. But typically a brownfields project has a lower hurdle rate than a greenfields project.

David Christensen

Don't sit down, Nick. As a couple of the shareholders have mentioned here the company has made impressive gains in terms of operating performance, exploration and project development. There were some great slides to reflect all these. What was missing was the share price chart that shows the last five years. What things do you think are weighing on the share price performance that have negatively impacted on its performance? And what can the industry do to change the focus away from investing in gold bullion to investing back in the mining shares?

Nick Holland

I think, David, that is an excellent question and one that exercises all of our minds on a regular basis. Certainly if you look at the results that were put out in the September quarter I think it gives you an indication that finally the gold companies are starting to deliver the gold price to the bottom line, and us in particular. And in the quarter ended September we generated \$300 million of earnings in one quarter. We generated substantial cash flow. I believe that that creates the potential for us to pay a higher dividend. And as Paul indicated, if we continue along the lines of what we've done over the last four or five years paying out around about 42% of our earnings as dividends, then shareholders should be rewarded if we're able to achieve that. That is the first thing, translating the gold price into higher earnings and translating that into higher dividends. I think that will help to bring back the disconnect that exists between the gold price and the gold shares.

I think the other thing is our strategy that we've outlined today. We believe that if we can execute that strategy that that will create a platform for significant additional fundamental value delivery. If we can get these projects away, which are going to be better than what we've got now, that will continue to diversify the portfolio. I think what has weighed on us in particular is the decline in the SA production that we've seen year after year. It is something that is very clear, and it is something that we have to turn.

Based on the questions that were asked of Peter earlier I believe that we are seeing a stability

coming into the operations, KDC and Beatrix, that we haven't seen before. If we can continue to build on that momentum then I think we can get more support and get more confidence from investors. The other thing that is weighing on us is whether South Deep is going to deliver. I think a lot of people want to believe that South Deep will deliver, but they don't have enough confidence yet to believe that.

When we take people underground and we show them the progress on South Deep, that it is in fact truly a mechanised mine already and there isn't just a few drill rigs there and the rest of the guys are standing with hand-held drill rigs. It's not that. When they truly see it is a mechanised mine that we're building up I think they start to believe. I think the next year or two is going to be critical on the delivery of South Deep.

What's amazing is that the fixed infrastructure at South Deep to support full production is going to be finished by this time next year. By this time next year we're going to have the full hoisting and processing capacity to support full production. We're going to have the tails dam. We're going to have the backfill plant to support full production. That's amazing. And also the refrigeration capacity. So the work and the effort the guys have done and achieved over the last two or three years is really good. That's going to give us a wonderful springboard to then build production.

So in a nutshell for us, if we can continue delivering on the growth strategy, if we can stabilise production in South Africa and take advantage of the Rand gold price... Remember the Rand gold price today is something around R460,000 a kilogram. That is about R100,000 a kilogram higher than what it was four or five months ago. If we can capitalise on that and keep production where it is – the cost control has been superb. Now we've just got to maintain production stability – we will see the results.

And I think the combination of all of those for Gold Fields in particular will give us recognition. But it is going to take a number of quarters of sustained delivery. We know one swallow doesn't make a summer. We know we've got to continue doing it quarter after quarter for people to believe it. I think we are on our way. September was a good quarter, and I'm hopeful that as we get to the end of the year we're going to replicate the performance that we put in place in September, with possibly higher prices. I think that will get people to start believing this is real. We can see the cash flow. We can see the benefits to shareholders. We will get people excited again about getting back into gold equity.

Victor Flores

Thanks. Another question for Peter. Just going back to South Deep. Can you tell us how the de-stress is progressing? Is that going as expected? And how many square metres of de-stress will you have to be doing every month or every quarter once you're at full capacity?

Peter Turner

If we look at that slide, I think it is slide 120, that is the de-stress build-up slide. Now, your question is how is the de-stress going. If we look at where we are and we look at the trends over time, this quarter's estimate is 8,000 plus. So what we're saying is at this point in time we're in position to meet next year's first ramp-up target. We will be at 9,000 square metres roughly per quarter for the first half of next year, and from then on it goes to 11,000. We've got sufficient equipment. We've got the skills in place.

If you look at that slide, which is the one just before this build-up slide, Victor, the one where you

see all the pretty pictures and the colours, you will see the de-stress drives, the blue and the red sections. In fact, what we've done is there are three phases of this de-stress. There are three levels, if you can call it that, the top level, the middle level and the bottom one. Now, what we are doing at this point in time to get us production ready for next year is we're ramping down to level two and to level three. So consequently we're going to have more attacking points for this ore body. And it is the primary focus for us at this point in time.

I'm quite comfortable that we're going to meet the de-stress ramp-up plan. We are on target now for next year, and we've got new machines in place. We've put a lot of effort and energy into getting the de-stress sequence right. The key to this is making sure you have a mine plan and you stick to it rigidly. It's a fundamental focus for us now to monitor this on a daily basis to make sure that every single face that is blasted is in the right place, at the right time and so on. So there is a lot of effort going in there.

I think maybe a sense of comfort is we've just appointed Ken Matthyson who is accountable for the design of this process. He was the manager in charge, and we've now given him the helm of this ship to actually manage. The feasibility that is in place here, is the feasibility that he actually developed. So he's on top of this all the time. It's a core focus for us.

Question (Unknown)

Just finally on South Deep. Have you changed the long-term outlook for the asset down to 700,000 ounces per year? Or is there still some wiggle room to get higher than that?

Peter Turner

No, look, at this stage I think it is fair to say it is really a round up in my opinion. We're still where we planned to be all the time. All we're saying is that the run rate may be closer to 700,000 ounces by the end of 2015. But there is nothing to suggest that the asset can't get to 750,000 in the long term when we get there.

Nick Holland

Okay, we've got to wrap up, guys. Unfortunately we're out of time. So we can take one more question. Is there anything else? One more. Going, going, going. One more. Victor, the last question to you.

Victor Flores

Maybe if we could ask Juancho about the timeline of the potential expansion of Cerro Corona and to what size would he expand the plant and what size heap leach would you put in?

Juancho Kruger

Okay. The timeline, we've just kicked off the pre-feasibility study, Victor. So that should be worked through 2012. This is an important project for us, but it basically entails a full, complete study not only on the plant expansion but also the impact on the tailings and the waste storage capacity, how fast we need to grow them in order to be able to increase our production through the expansion of the plant. So far we're focussed on delivering the pre-feasibility study hopefully in 2012. We need to analyse as well when the best time to start filing for the EIA application is, because we might want



to do it also during the year. But that is something we are still analysing. In terms of size and the impact, it is very early days. If you ask me what I would like to do is probably get something along the lines of 8,000 to 9,000 tonnes per day of additional production capacity. But again, it is all linked to the bigger puzzle. The plant is just one of the pieces of the puzzle.

We're going to be producing probably 80,000 to 100,000 ounces per year when we start that production.

Thank you.

Nick Holland

Alright. Thanks very much everybody. I'm afraid we're going to have to bring it to an end. We appreciate your attendance, and we wish you a happy Christmas. If you're travelling, travel safe. And we look forward to seeing you all in 2012.

Thanks once again.

END OF TRANSCRIPT