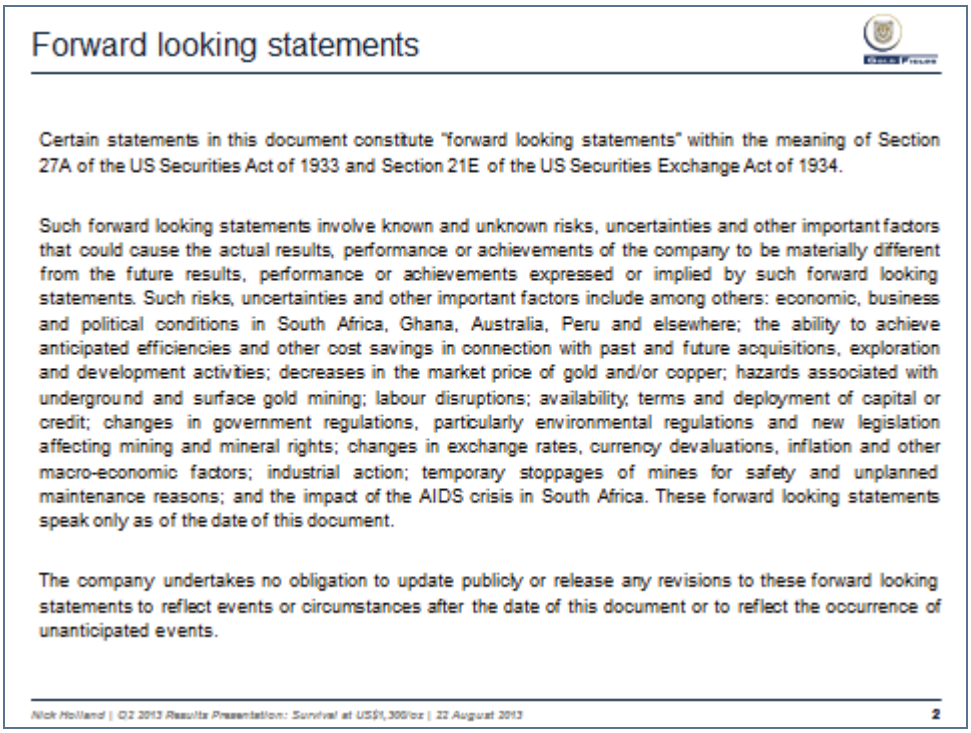
Q2 2013
Quarterly Results Presentation Transcript
22 August 2013



Nick Holland – CEO

Thank you very much, Willie, and good morning everyone. Thank you for joining us today. I'd like to extend a special welcome to our Chair, Cheryl Carolus, in the front over here and also Gayle Wilson, Chair of our Audit Committee who is here today. We are very grateful you could make the time and appreciate your presence here today.

Q2 Financial Results

Salient Features

		Q1 F2013 Actual	Q2 F2013 Actual	YTD F2013 Actual
Gold produced (attributable)	k'oz	477	451	928
Revenue	US$m	805	637	1442
Operating costs	US$m	(402)	(397)	(799)
Operating profit	US$m	404	240	644
Net (loss)/profit	US$m	27	(129)	(102)
Normalised (loss)/profit	US$m	68	(36)	32
Revenue	US$/oz	1 625	1 372	1 503
Cash costs	US$/oz	819	857	760
NCE	US$/oz	1 291	1 239	1 266

Operations Have Hit Their Targets

There is quite a lot to talk about. Let's talk first about what has happened in the quarter under review.

As you can see our gold production on a managed basis has declined to 470,000 ounces in the quarter. The main reason for that is the well-publicised industrial action we had in Ghana which meant that we lost our Tarkwa and Damang operations for a number of days. It took some time to get them back to steady state thereafter. In fact if you adjust for that one anomaly, all of the other operations have done reasonably well.

Our revenue has been negative impacted by the gold price. We've had a very significant decline in the gold price in the last quarter so our revenue is down from $805 million to $637 million.

Notwithstanding that our costs are well controlled. In fact we've managed to reduce our costs, helped in some part of course by the exchange rate in South Africa. As you all know now, we don't benefit or suffer that much from exchange rate movements because most of our assets are dollarised.

Operating profit is down to $240 million.

And then we've incurred a loss for the quarter of $129 million, principally because of some impairments we have made in Ghana. I will talk about those a little later.

If you strip those out, however, we still incurred a loss of about $36 million, and that is principally again because of the 5% drop in production and of course the gold price dropping around $250 per ounce, as you can see there.

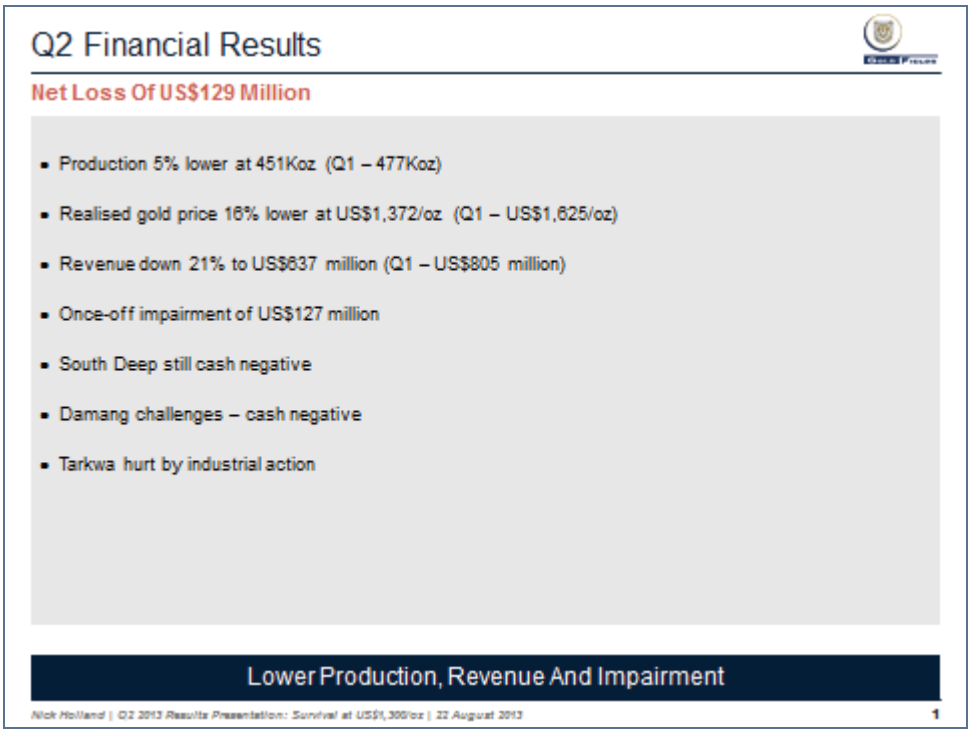
Cash costs are still well controlled, $857 per ounce despite the lower production. And that is still within guidance we gave. Remember at the beginning of the year we said we would be about $860. We are still within that. And the NCE is significantly below guidance at $1,239 for the quarter. That is below last quarter, but importantly significantly below the guidance for the year as we've continued to look for ways to rationalise our cost.

By and large, other than the industrial action in Ghana, the operations have really hit their stride. As I have said, the gold price is down 16% to $1,372. And obviously the combined effect of the production drop and the price drops means that revenue has declined to $637 million.

I think some key highlights in the operational performance is that South Deep is still cash negative. That obviously is a key objective for us to get away from and get the operation back to initially break even and start generating cash over time. We are making good progress at South Deep, and I will talk about it later, but at this stage we have not yet got to break even.

Damang has been hurt by a number of challenges, particularly as we had to close the original Damang pit during the quarter because of safety concerns. We had a of rock fall on the east wall of the pit. And we decided that we're going to close the pit three months earlier than planned. That meant we had to get our fleet redeployed into lower-grade areas because we hadn't yet opened up higher-grade part of the ore body. We had to use lower-grade stockpiles to fill the plant. And we still have some challenges too on a very old plant that we're fixing. So that's another opportunity for us to harness into the future and turn Damang around, and I think we can.

Tarkwa we've talked about. Those are the key highlights in the quarter.



The impairment - we've seen an impairment of $127 million for the quarter. It is all related to Ghana. There is about $16 million related to stockpile write downs at Damang given that the price has declined.

But the rest relates to writing off the assets on the south heap leach operations at Tarkwa where we have made a strategic decision to stop heap leaching. And we've also made a decision not to build a new Carbon in Leach plant (CIL). We were thinking of another 8 million ton a year CIL plant and we have decided not to do that.

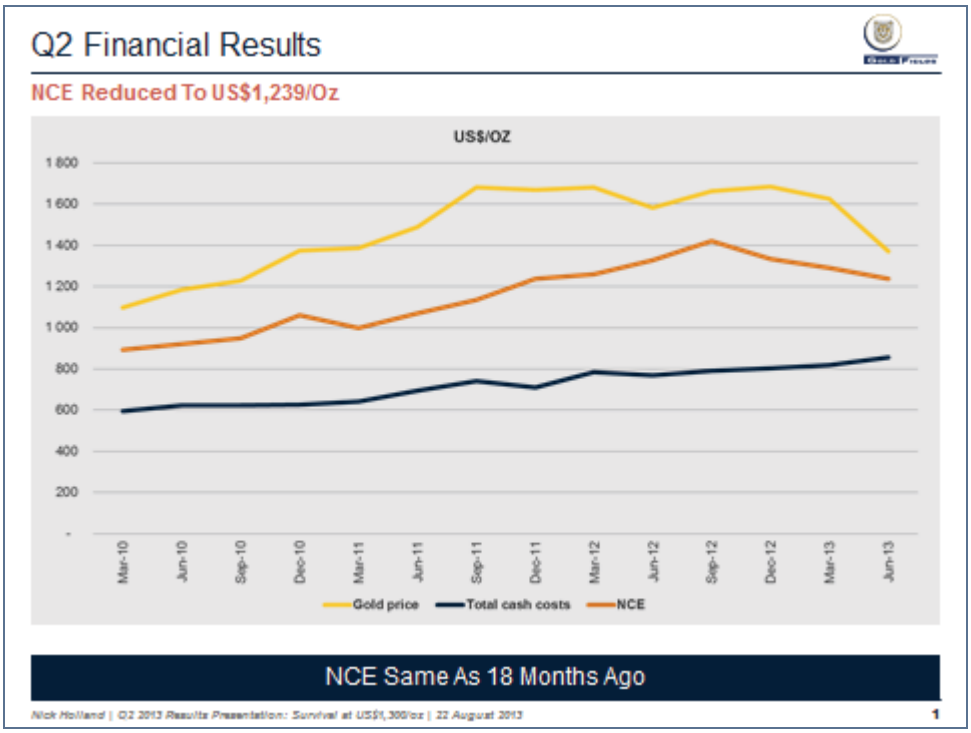
So essentially, what Tarkwa will become in the future is a CIL-only operation.

One of the reasons for doing that is the dissolutions we're getting on the heap leach pads which have been declining. We've been flagging that for some years. We're now down to about 55%. We think that there is a much better scenario for the mine to take that material, instead of leaching it and getting 55% recoveries, to take it through the existing CIL plant and getting 97% recovery. That means we're going to pull back the mining, and we're going to stop the heap leach operations. That meant that we had to write off all of those assets. So that is really a structural change in the business.

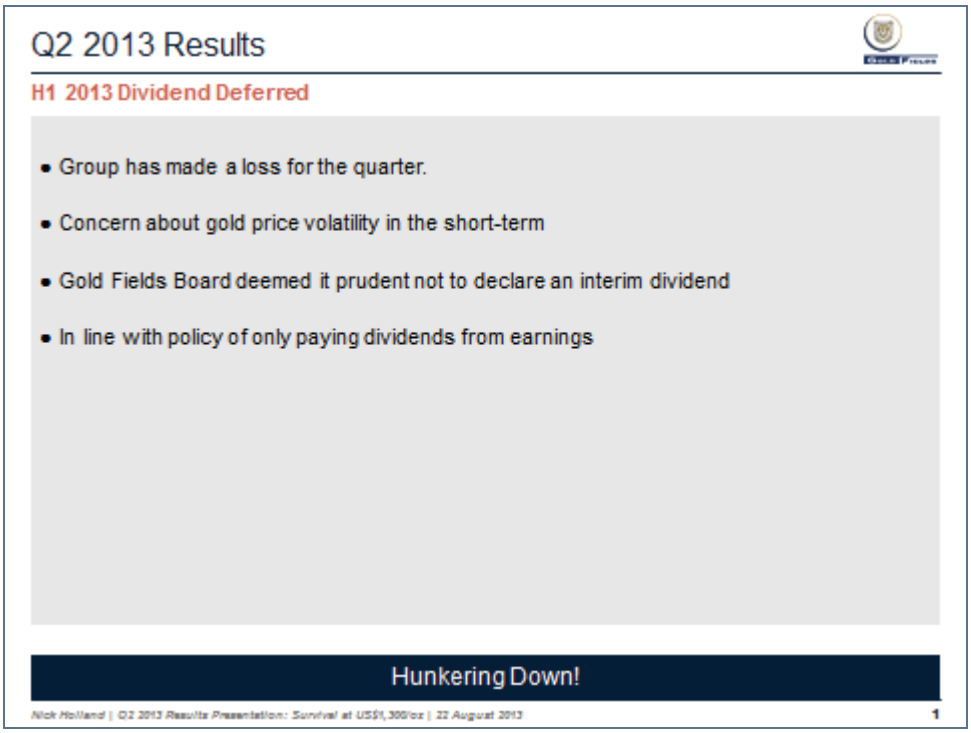
Regarding any potential further impairments, we have not yet assessed the carrying value of our underlying operations. That exercise will be done at the end of this year. The principal reason for that is that we need to re-run our life of mine technical models on a bottom up basis at a $1,300 gold price, which is what we are going to use for our declaration at the end of this year.

Last year's declaration, if you can recall, was done at $1,500. This year we will do it at $1,300. So we have to wait for those technical models to be done. We expect that work to be done towards the end of the year.

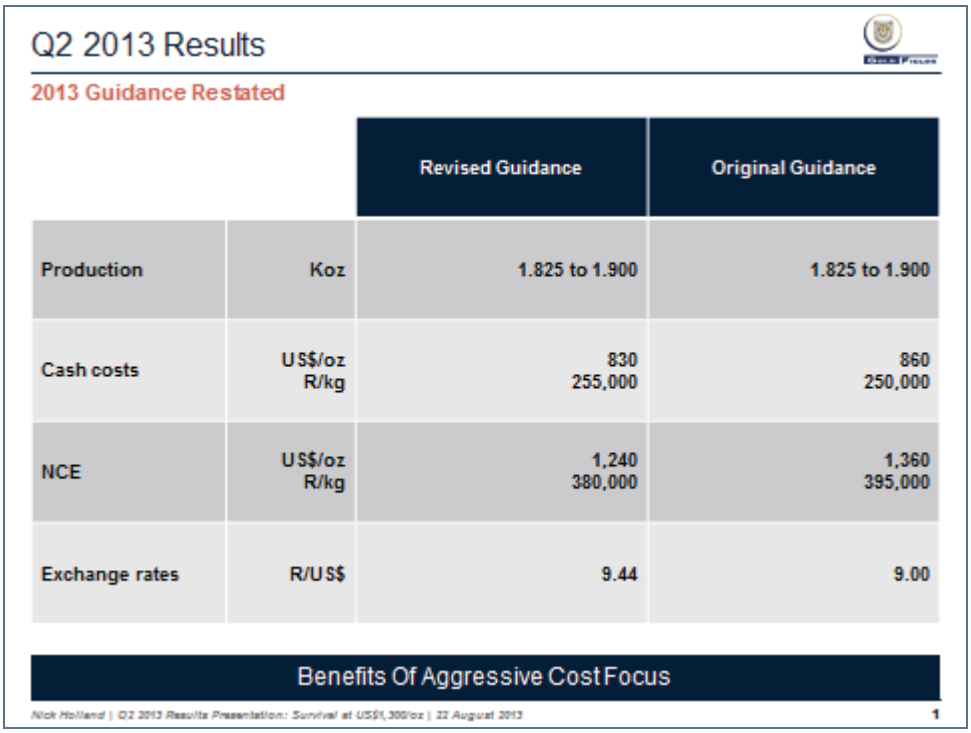
So unlike some other companies that have made large write downs on their existing assets, we have not done so at this point in time. All I can say is that I can't predict at this stage what the outcome is going to be, but it certainly is an indicator that at the year-end we will have completed this assessment and will have to decide if the carrying values of our assets are still appropriate.



One of the key focuses over the last year has been on cost control. And one of the highlights of that is the fact that, if you look at our all-in cost – remember NCE is operating cost plus capital expenditures – we've managed to keep that at the same levels that we reported 18 months ago. That is despite inflation, which in the mining industry has been somewhere between 12% and 15% per annum over the last two or three years. We've managed to absorb all of that and keep our costs flat. So I think that gives you an idea of what has been achieved.



Our dividend has been deferred. The fact that we've made a loss for the quarter and the concern that the board has expressed about the volatility in the gold price, we're not really sure where the gold price is going in the short term and predictions are all over the place, so the best thing for us to do is to hold our fire and not declare a dividend at this point. We will reassess that again at the end of the year and see what happens. We have always said it is our policy only to pay dividends out of earnings. We've got to make the earnings to pay dividends. We haven't made the earnings.



Q2 2013 Results

2013 Guidance Restated

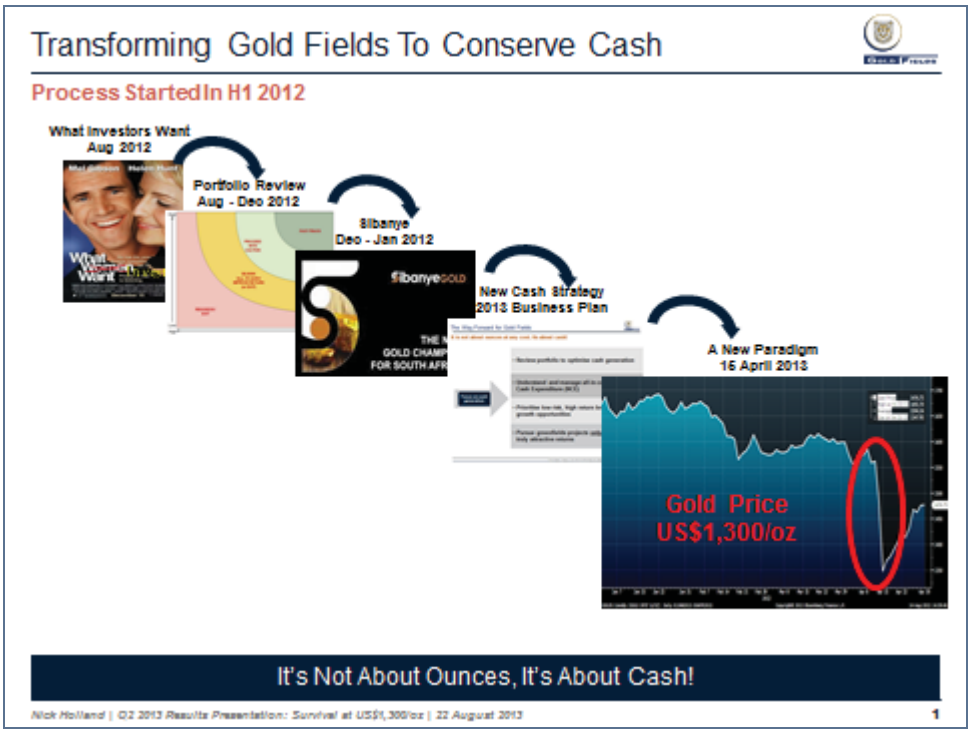
		Revised Guidance	Original Guidance
Production	Koz	1.825 to 1.900	1.825 to 1.900
Cash costs	US$/oz R/kg	830 255,000	860 250,000
NCE	US$/oz R/kg	1,240 380,000	1,360 395,000
Exchange rates	R/US$	9.44	9.00

Benefits Of Aggressive Cost Focus

Nick Holland | Q2 2013 Results Presentation: Survival at US$1,300/oz | 22 August 2013 1

If you look at our guidance for the year, we are still reaffirming our production guidance of between 1.83 million and 1.9 million ounces which we gave in February of 2013. We believe that we can come in at lower costs and we believe that we can come in significantly below the target on NCE. We are targeting now about $1,240 per ounce. In our initial guidance we told you it is going to be $1360 per ounce.

So that has helped us to offset some of the impacts of the lower gold price. The exchange rate had some impact, but the bulk of this is real savings.



I want to look at where we've come from almost a year ago to where we are today.

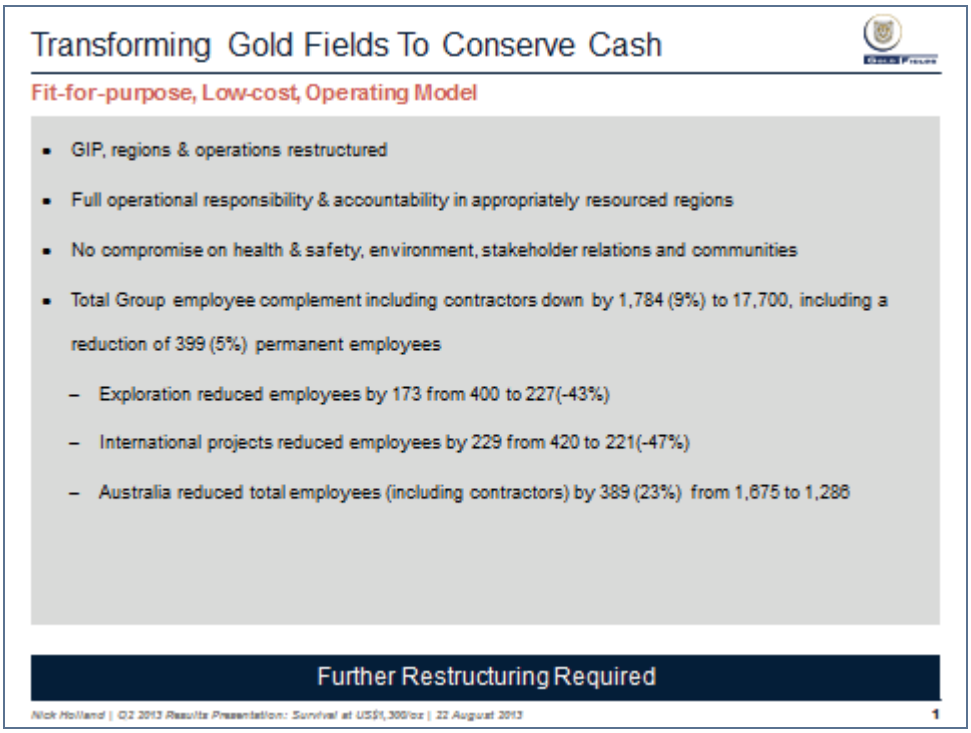
On 31st July last year I did a presentation for the Melbourne Mining Club in Australia about what I thought the status of the gold industry was at that time. And I think a lot of you may have seen it. In essence I felt that the way the gold industry had performed over the last 20 years was not conducive to investor returns and that we needed to move away from growth targets and production to actually getting back to actually putting money in the bank. That got us thinking, well, what does that mean for us as a company? And we engaged in an extensive review of our entire portfolio on the basis that no holy cows would be assumed. We will take a fresh piece of paper and look at the business.

That culminated in a decision for us to split our business and to de-merge Sibanye and create a separate company that could actually drive the best possible value out of those assets. That deal was consummated and completed in February of this year. If I look back on that transaction I think all of the rationale for doing it exists today, probably even stronger than then. And it is really good to see that the Sibanye operations are starting to really gather momentum. They themselves are improving their own performance. I think by letting them free, by liberating them, we have incentivised that team to do a much better job. I think the outcome is very clear.

For us it has meant that we've had to re-look at our own business. Gold Fields now has changed from one of the top companies to a mid-tier company. We're about number ten or 11. And that has meant that we've had to move away from just ounces of production, which I think a lot of people in the market are still stuck with. They ask me, what is your production, why is your production going down? What they should be asking me is, what is your margin per ounce? That is what we've been focussing on. A new business plan has been put together for this year that focuses on how we improve the margin per ounce, how we improve our cash flow. That has meant that we've cut ounces. We have not been afraid to say we're going to reduce marginal ounces. I guess I am pleased that we did a lot of the stuff that we did do at the end of last year, because I didn't know the gold price was going to drop so much.

And the fact that It has, and the fact that we've done what we've done, has helped us to be prepared for where we are. Nevertheless, $1,300 or so is a reality today. We don't know how long that is going to be around. Maybe it is going to go lower before it goes higher. We have to be prepared for all eventualities, so there is still more for us to do.

We've rationalised our head office over the last three or four months. We've cut our staff down to 56 people. Our corporate cost is about $10 per ounce for the group. It has been streamlined. And it is not just a question of taking people out of the system, which we don't enjoy doing. It's a question of refocusing our operations and what they need to deliver.



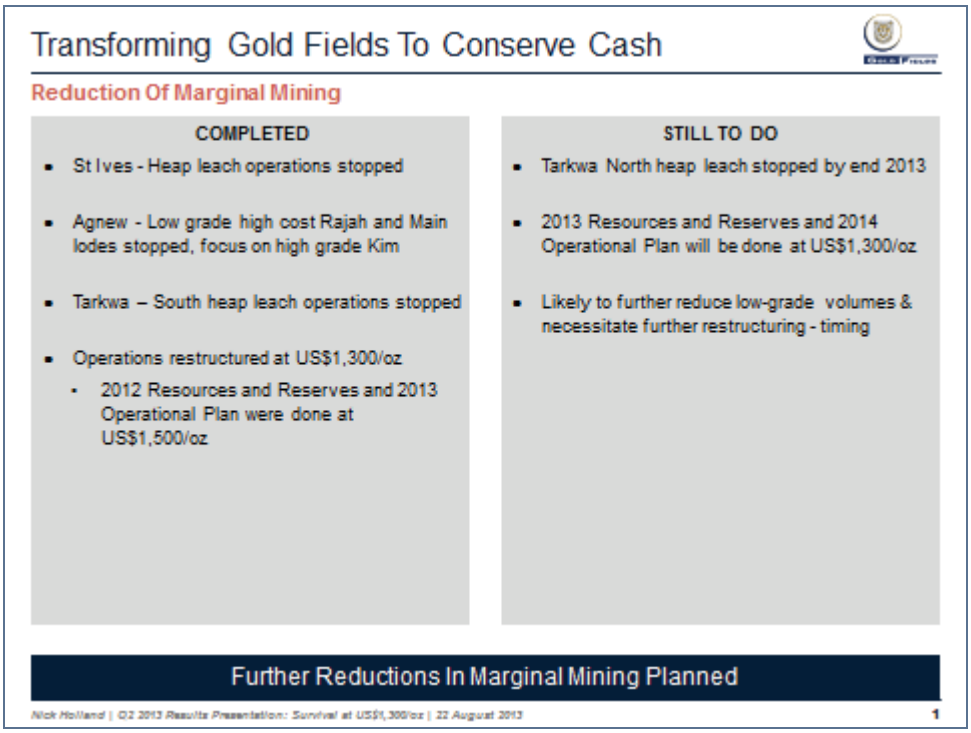
Our regions now are virtually fully empowered to operate with minimal amount of interference from us but in accordance with very clear strategies that are pre-agreed, in accordance with business plans that are rigorously approved and reviewed by us. So we're looking at a very different Gold Fields where we are empowering our regions to deliver.

Having said that, we won't compromise the four key important issues in our business, which is safety, health, environmental issues and stakeholder relations with all of the people we interact with in communities. We have to make sure we manage all of those relationships. That is part of the mining value chain.

Our total group employees including contractors has declined by 9% to about 17,700. And permanent employees are now 9,900. We've had a 5% drop in those permanent employees.

And our exploration and growth division have also halved more or less their staff. I think that we're still looking at further ways to rationalise. We have all of our projects under careful scrutiny at the moment to determine whether they do have a future or not in the group.

Of our regions I think Australia is probably the furthest down the track in terms of rationalisation. They have cut their staff by 23%. Richard Weston and his team have done a great job of reducing their cost base by $300 per ounce over the last year.



If we look at what we have done in terms of reducing marginal mining, these were the steps that we completed already by the end of last year.

We shut down the heap leach operation in St Ives. That was producing about 40,000 ounces a year, but it was trading dollars.

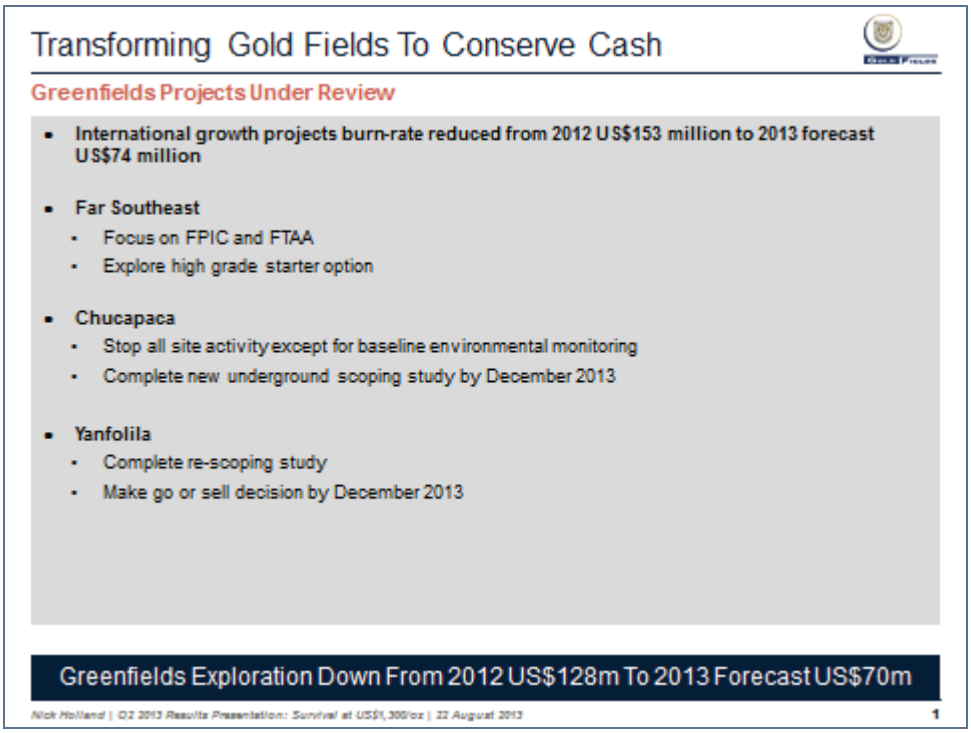
At Agnew we've moved away from the more marginal low-grade operations that were taking our focus off the more high-grade ore body. That has been done, and very successful too.

At Tarkwa we've closed down the south heap leach operations.

We are also looking now to re-run all of our business plans for 2014 and our life of mines at a much lower gold price. We will see what that means. I think we are probably going to see more marginal mining reduced from the portfolio as we look to protect and enhance our margin per ounce.

The heap leach operations in Ghana, as I've mentioned, the north heap leach is going through a process of closure. I believe that should be completed by the end of this year. And that will obviously change the production profile.

On our growth projects what I can tell you today is that three of them are up for sale. We have commenced the process on Arctic Platinum, on Talas in Kyrgyzstan and Woodjam in British Colombia. There may be others added to this list before the end of the year. We're going to take a very tough approach on our projects, and if we don't believe that we can get value out of these things or they don't fit strategically we will make decisions on the rest as well.

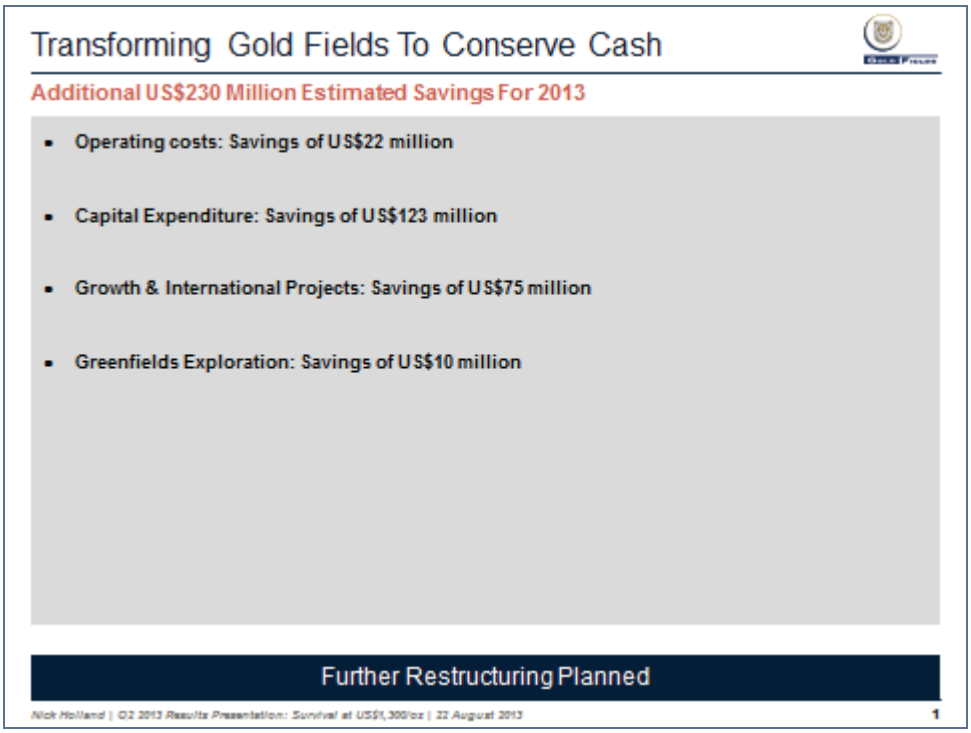


If we look at our greenfields projects, at Far Southeast we have been very successful in getting our free prior and informed consent from the indigenous communities around the mine. And 84% vote was achieved from the elders who represented the various guys in the area. We are exploring whether we can't do a higher-grade starter underground operation there. That work continues. Far Southeast continues to be a world-class ore body. As you know we have about 800 million tonnes at about 0.7g per ton gold and about 0.5% copper. It is world-class operation. We've got to figure out how this plays a role in the future of Gold Fields.

As you can see we have cut our burn rate on our projects by half this year. It will be about $74 million. And I think it is probably going to be lower again because we are reviewing that still some more between now and the end of the year.

At Chucapaca we are looking at whether we can do an underground operation there. Work continues on that and we hope to have a scoping study by the end of the year. That would be a smaller, higher-grade operation if we did that.

On Yanfolila we are looking to complete our scoping study of that and make a decision on that by the end of the year. If we don't think that works that will also be added to the list of disposals.



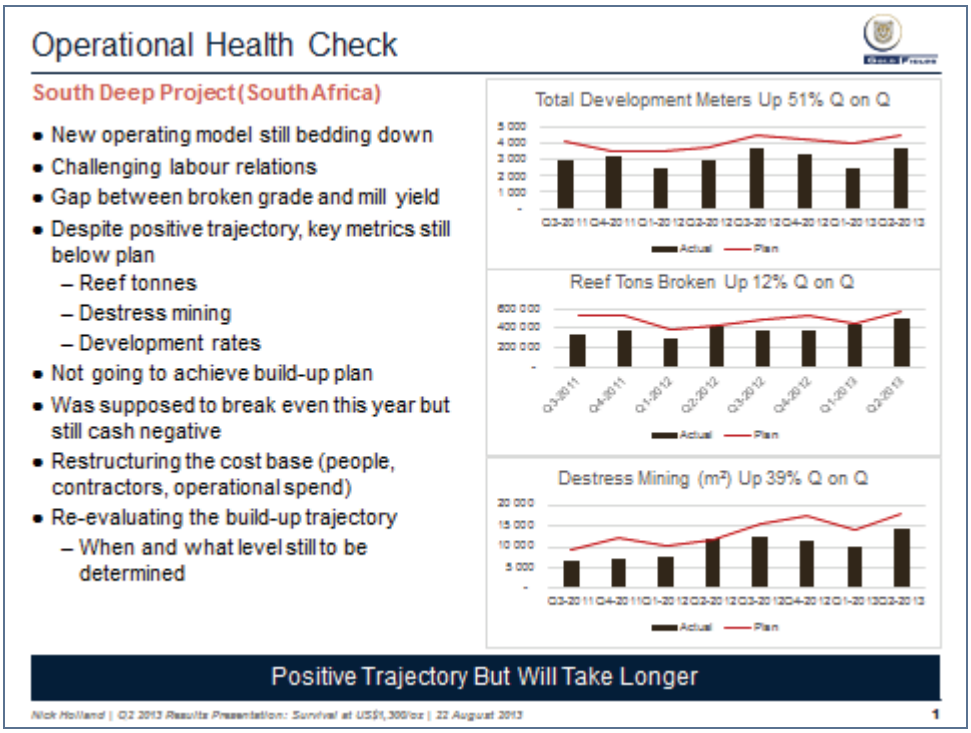
What have we done in terms of cost savings this year, never mind what we've done last year?

Overall we've saved around $230 million, of which we've actually banked in the first half of the year about a half of it. So this is not empty promises. Half of that has already been banked, as you have seen from the NCE. And we're going to continue to get more savings over the rest of the year.

Our most important thing on cost savings is to make sure we don't repeat the sins of 1999. And I suppose one of the benefits of having been in this company for 16 years as I have is I saw what happened when the gold price went very low in the late 90s. What was happening there is high-grading in that the reserve grade in the ore body was actually not being adhered to. Companies were mining much higher grades, and that meant that they were actually sterilising the ore body down the road.

They were cutting on development, stripping, and that impacted the integrity of the operations. We spent years trying to catch that up. We have to try and not make the same mistake again. One of the key challenges for us to maintain the operational integrity of our operations. Keep the development going, keep the waste stripping going, because we need to make sure we've got a mine for tomorrow when the gold price will be higher.

Let's do what I would like to call a health check on where we are.



South Deep. As you know, we put in a new operating model at the end of last year whereby South Deep is now working 24/7. That model is bedding down nicely and we have seen a nice pick-up in our reef tonnes, as you can see in the second graph over there. There has been a very nice pick-up, a 12% increase quarter on quarter. It has been increasing steadily over the year. Our development has gone up by 51%. We are seeing improvements there. And our de-stress is up 39% quarter on quarter. That is one of the key elements of opening up the ore body for the future production profile.

I must say I think the labour relations on the mine is still challenging. We are having quite a lot of teething issues in bedding down the new operating model as the workforce gets used to it. But I'm comfortable with Kgabo Moabelo and his team. They have got this under control. We will make sure that we deal with all of these issues.

A concern at the moment is we have a gap between our broken grade and our mill yield. Our broken grade is tracking what the ore body tells us it should do. The problem with the yield is we're not getting all of the broken rock out from underground. That's a function of a lack of ore passes. We thought we had sufficient ore passes. Some of them have hung up. And in some cases we have not been able to get the logistics to work. And we have also had some equipment availability issues and getting stuff to the ore passes.

So we are dealing with those issues. And we believe that with the addition of additional ore passes at South Deep –we will go from six ore passes to nine ore passes over the next 12 months – that we will alleviate this problem. Importantly, one of those ore passes will come in by the end of the year. That will help us get a much better reconciliation of the grade.

But notwithstanding all of that, we believe that the rate of build-up is positive, but it's not positive enough for us to achieve what we believe is the 2016 target. We said earlier that we hope to be at 700,000 ounces a year by 2016. The view today is we don't believe we're going to achieve that.

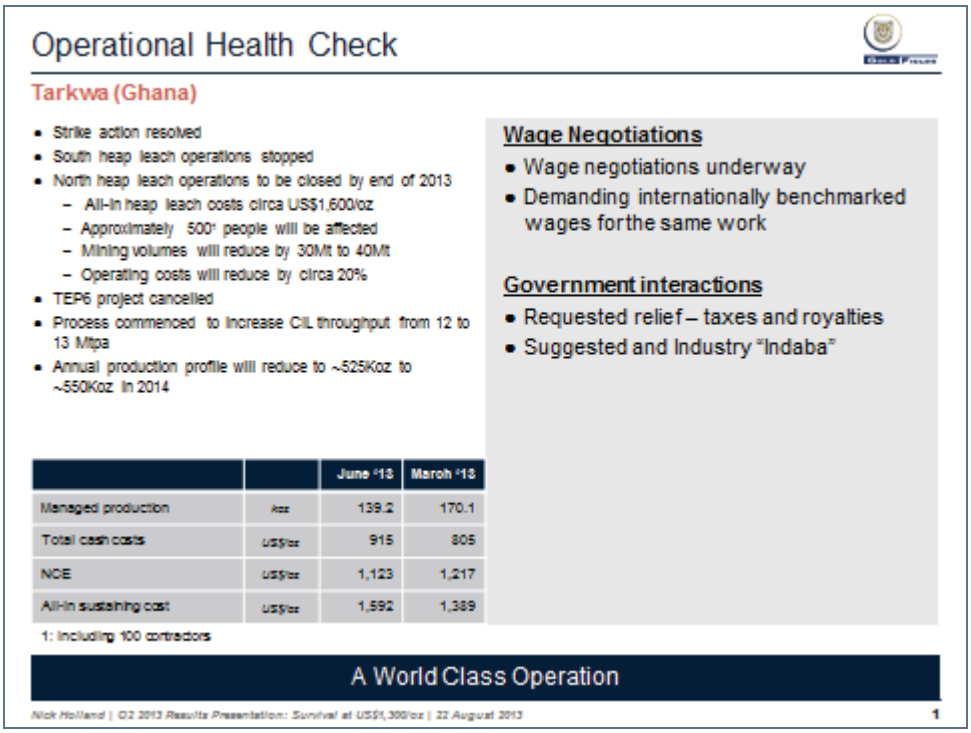
As a consequence of that we think that the operating cost base is out of synch with where we are in the production profile. The first step is for us to restructure the cost base. We are doing that now. That's going to entail a reduction across the board of our activities and ancillary services. At the same time we are re-evaluating what we think the build-up will look like for South Deep. That work is probably going to be finished by the end of the year, and we will give you

a better view then.

The key issue in the short term is how we get South Deep to break-even - cash flow - as soon as possible. Even if the build-up is going to take longer, that is the first and most important objective. We are driving hard to achieve that.

Secondly, what is the right build-up and how can we get there? What is the timeframe? That work is being done, as I said, and we will give you an indication by the end of the year.

This in no way reflects a changed view on South Deep. We still believe this is a fantastic ore body and we believe we have a much better understanding of the issues. It just means it is going to take longer to get there. But the prize is worth it.



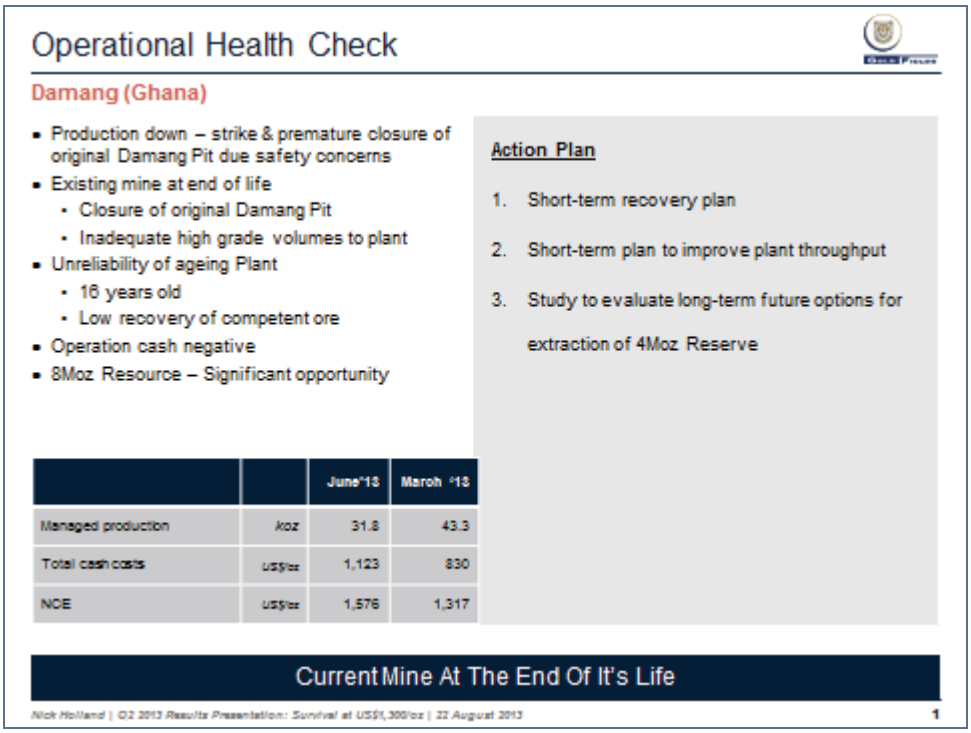
If we look at Tarkwa, we had the strike action that impacted us in the last quarter as I mentioned. And we are closing the north heap leach as well. This gives you an indication of why. With the lower recoveries and dissolutions we are getting off the heap leach the costs are now way above the spot price at about $1,600. It makes no sense to mine ounces for a loss, so we've got to pull that back. There will be about 500 people impacted on the mine, which is around about 15% of the workforce.

Our mining volumes are going to be pulled back as well, because if we are only going to feed a plant we don't need 140 million tonnes a year. We are probably going to be around 100 million tonnes a year, which would mean a pull-back of 30 million to 40 million tonnes.

There will be a commensurate reduction in our costs.

We're not going to build a new CIL plant. We will focus on the exiting CIL plant of between 12 million and 13 million tonnes a year. That will mean that Tarkwa's profile will drop from the current guidance of 630,000 ounces to between 525,000 and 550,000 ounces next year.

The other key issue is we are still engaging with the government on what we believe to be a fair dispensation on fiscal rules. And we need a levelling of the playing field as well between the major producers, which we currently don't have. We are hoping to have the discussions with government over the next couple of months on this particular aspect.



If we look at Damang, the issue here has been the fact that we've closed the original Damang pit early due to safety concerns. That meant that we had to move into the Huni saddle. The Huni saddle is essentially part of the Huni extension in the north, but the saddle itself is very close to the original pit. What we are seeing in the saddle is a very similar style of mineralisation to what we mined in the original Damang.

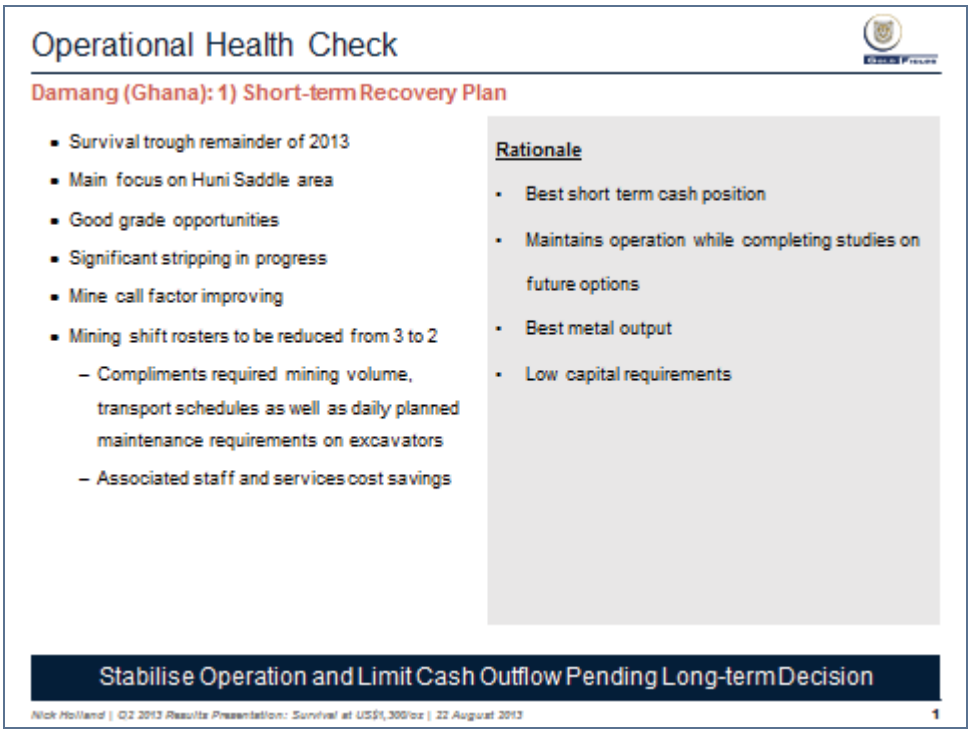
We are seeing a lot of conglomerate with epithermal overlays. We mined that very successfully in the original Damang pit. We believe that this is a replica or an analogue of what we were mining there. That is good news because if we can get the grades back up to the original Damang pit grades that bodes well for the future.

The other thing is that the plant is old, 16 years. We have done maintenance over the years since we've owned Damang, which is the last 11 years. But we've come to the point where it needs significant rehabilitation to fix that. That has meant that we haven't always had high availability in the plant, which has reduced the volumes.

The operation is cash negative. We have put in a short term recovery plan to stop the cash going out and get this as close as we can to break even.

Then we are looking at the longer term. Let's remember this is a world class ore body, 4 million ounces in reserve, 8 million ounces of resource. How do we bring that to account in a way that can be profitable at current gold prices?

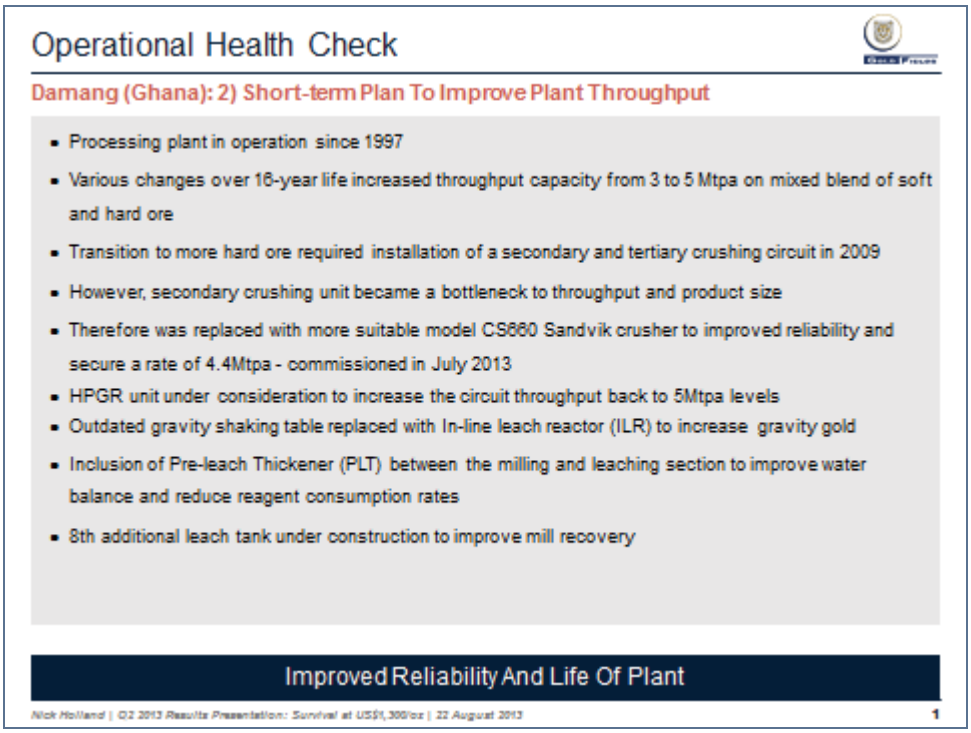
So we've got a study underway at the moment to look at that.



The short term recovery plan is to focus mainly on the higher-grade Huni saddle area. The grade looks good. We have stripped a lot of the waste away, so we are starting to access the ore body. We are getting a much better reconciliation now between what we are mining in the pit and what we are sending into the plant.

And we are going to be reducing our people there by around 150 by moving from three shifts to two. We don't need to do that anymore with where we are going. And we can comfortably achieve our mining targets with two shifts. That's the short term.

Our processing plant is undergoing a number of key remediation measures. And this is more important because in the past it has operated at 5 million tonnes a year, but with a strong mix of oxides to supplement the harder fresh materials. Of course the oxide material is very soft and crumbly and doesn't need a lot of crushing, if any. Now we are moving almost exclusively to hard ore.



And that has meant we've had to upgrade the front end of the plant, the crushing in particular.

What we did in 2009 didn't really work for us. I think we've under-estimated the hardness of the ore. Now we are putting in a much better secondary crusher, a CS660 secondary crusher. That is done. So that is already going to make a big impact.

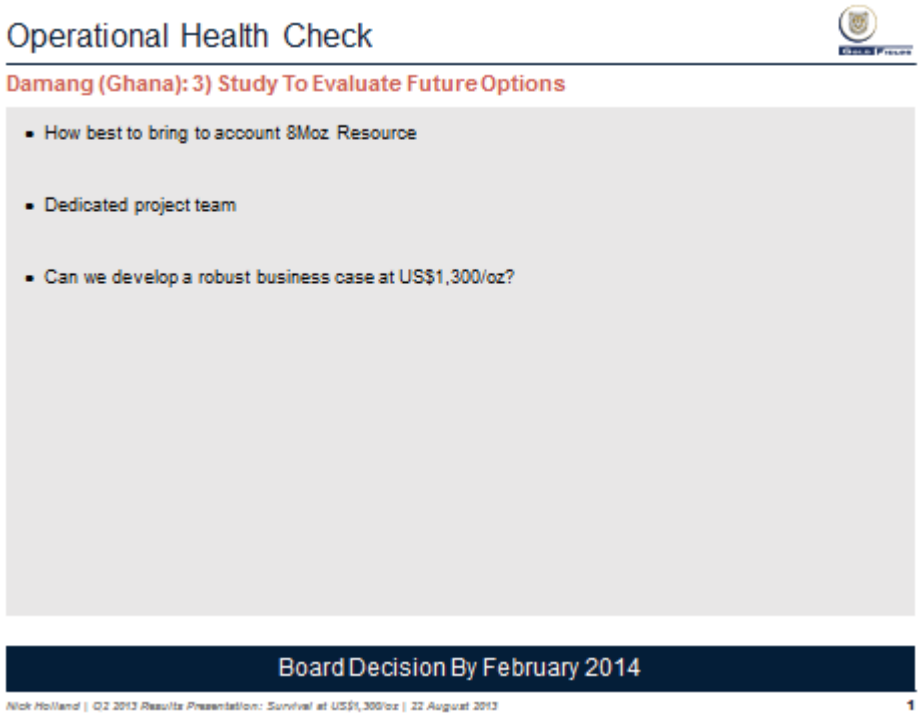
We are looking at whether we re-deploy the HPGR that we had at Tarkwa, the high-pressure grinding roll which basically crushes the ore down to a very fine fraction to improve throughput and recoveries. We are thinking about that at the moment. And we have also replaced the old gravity shaking tables with an in-line leach reactor. We will rely more on leach cyanidation to capture the gold and get that in the front end of the recovery as opposed to the back end.

We put in a pre-leach thickener as well. That has improved both water balance and use of reagents and will also improve recoveries. And we are virtually complete with another leach tank.

So these measures will get Damang back up to 4 million to 5 million tonnes a year of processing capacity.

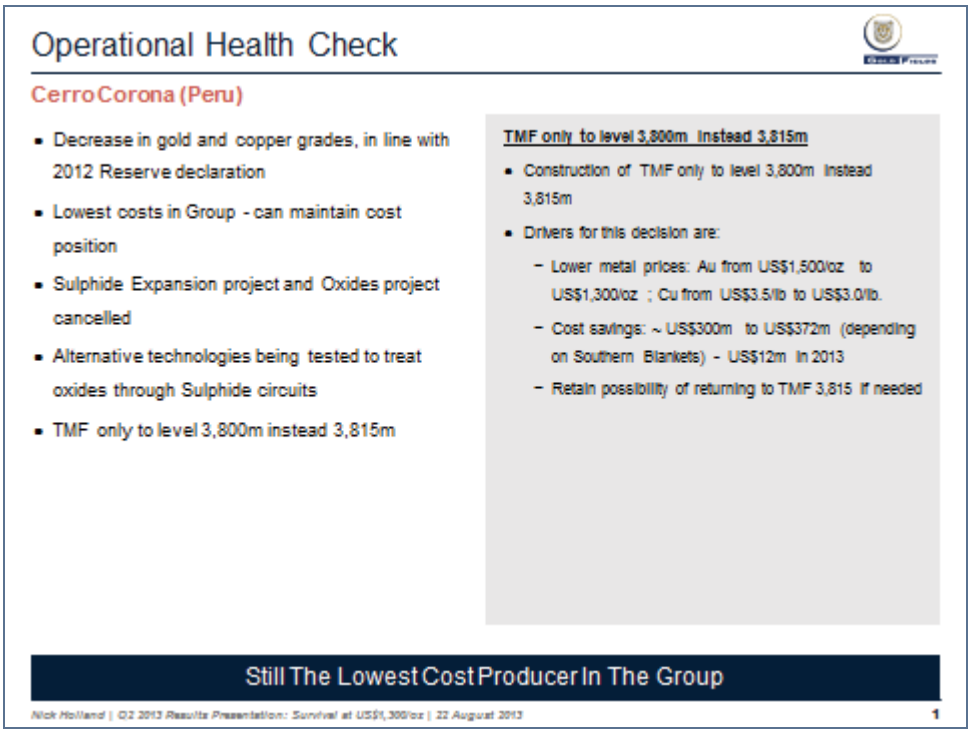
Currently we are doing about 3.4 million, so there is a lot more upside here.

And with the grade coming out of the Huni saddle looking better and getting more reliability in the plant I think the future for Damang is exciting.



That is the project study team. We put it together.

We expect to have a report for you by February as to how best we are going to take the longer term future of Damang and bring that to account.

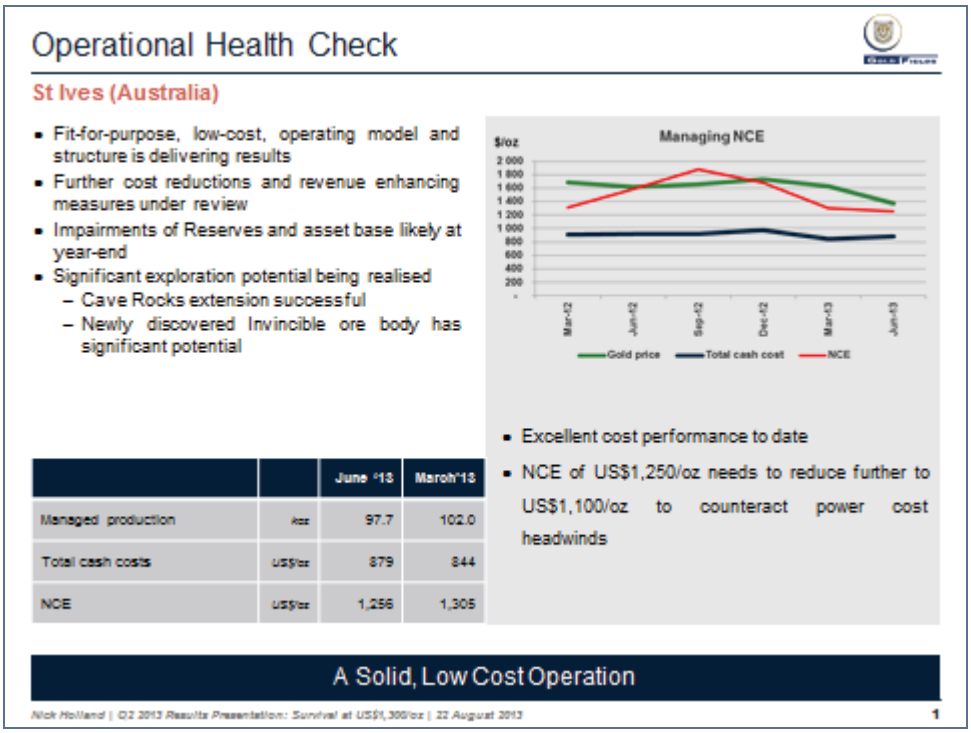


Cerro Corona in Peru. Again I must welcome Ernesto Balarezo. I don't know if a lot of you have met Ernesto. He has come from Lima. He has taken over from Juancho Kruger, who served us with distinction for many years. I think the only thing I can say to Ernesto is it has been a seamless transition. The challenge for Ernesto is how do we keep this excellent performance going.

As we know, it is one thing getting to the top of the pile. It is even harder to stay at the top of the pile. The lowest costs in our group. The operations for the quarter have performed exactly in line with what we would have expected. Some slightly lower grades, but the rest of the year looks good. The guidance still looks good.

An important thing we are doing here is we're deciding that we're not going to pursue a tails dam that goes up to 38-15, which would allow us to process another million ounces. We believe that the costs of doing that are not warranted. It would cost an extra $300 million to $370 million over life. We don't think that is worth doing now, so we are stopping that work. But more importantly we don't lose the optionality of those ounces today.

We will be cutting our capital. And you will see that already in this year that we will be reducing our capital spend particularly into 2014 and beyond. We think that is a very smart decision. We are also looking to see whether we can take the oxide stockpiles we have – we have about 7 million tonnes of oxides at 1.5g – and actually treat that through the sulphide plant and co-mingle with the harder sulphide ores and get some of that out.



At St Ives in Australia - here I think we have done a very good job in restructuring our operations. We have taken about $300 per ounce out of the cost base in St Ives relative to last year.

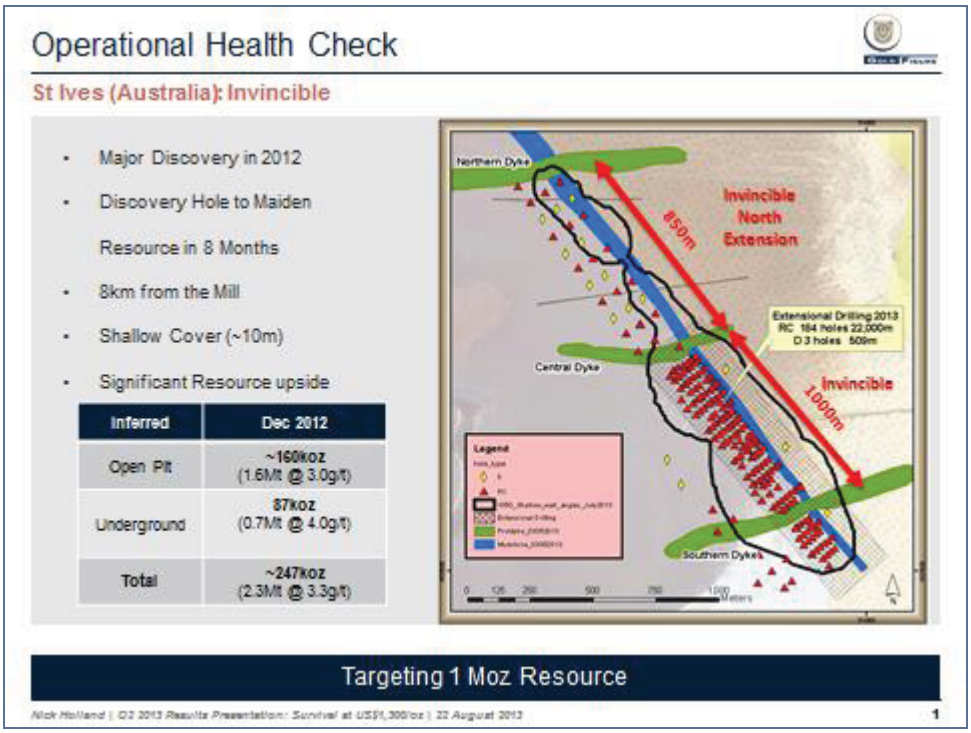
We are now in a situation where we've got significant life extension at Cave Rocks, one of our operations.

And we are at an NCE of about $1,250.

We are looking now at opportunities for us to reduce that further and try and target more savings for about $1,100.

That is going to require a step change in productivity and efficiencies.

Given what St Ives has done I believe that we can replicate that performance again.

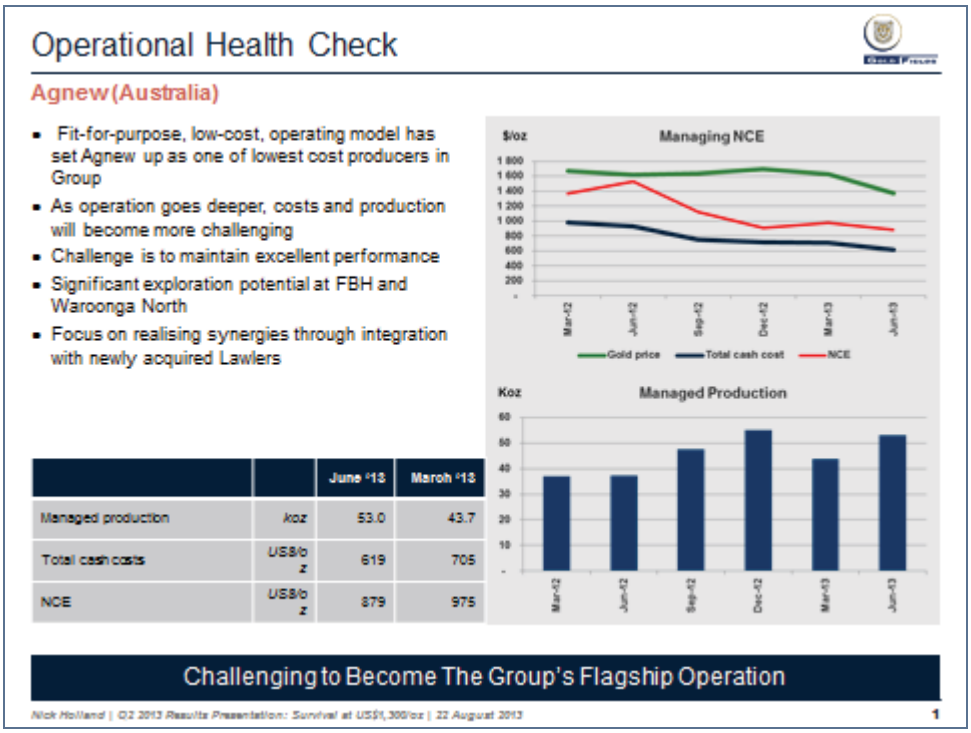


One of the exciting developments at St Ives is the addition of Invincible, which is a new open pit and underground deposit that is hosted in one of the sheer zones that runs perpendicular to the main sheer zone.

And we have a strike here of almost 2km. It is still open. We are getting very good drill intersections in the ore body and we've already had a significant addition to our reserve and resources last year, 250,000 ounces.

We can see a million ounces here. And more importantly, it's higher grade. This is not going to be a low-grade deposit.

That is exactly what St Ives needs, the addition of a long life, higher-grade ore body. That can help address the cost structures and help drive down our costs to $1,100 over time.

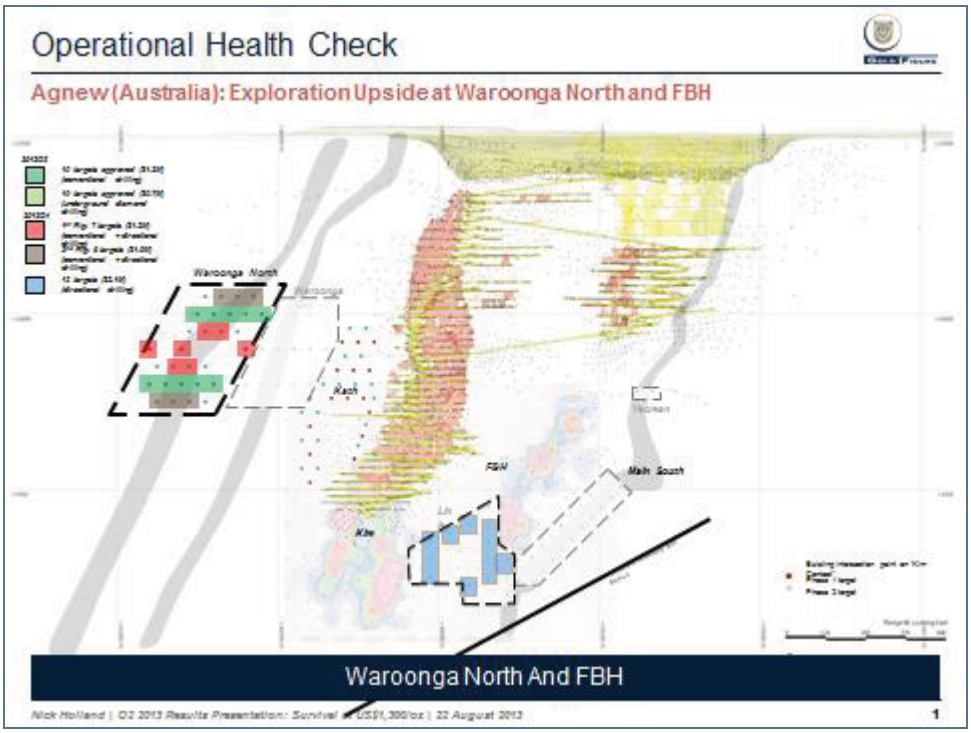


Agnew continues to perform exceptionally well.

As you can see our NCE is down to $879 per ounce. That's right in the lower quartile not only in Australia but also in the rest of the world.

The Kim ore body continues to show fantastic grades.

We are getting around 9g to 10g per ton. It continues to extend at depth. And we are seeing the potential for additional ore bodies around the Kim ore body that could be as exciting over time. I will talk about that a little bit later too.



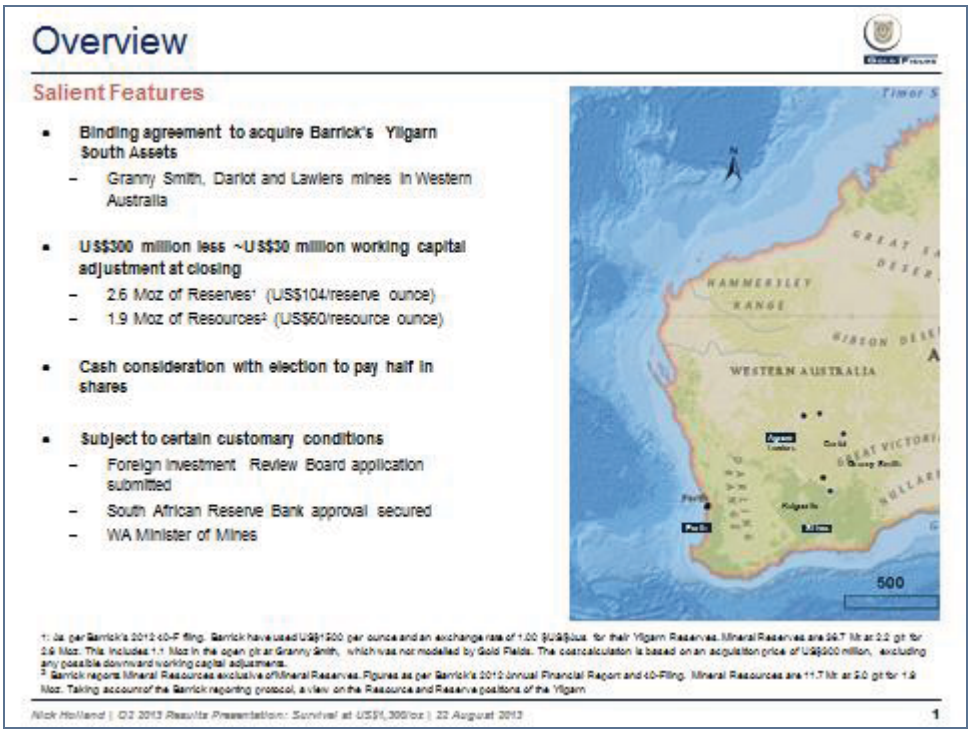
In fact, I will talk about it now. If we look at the Kim ore body here in the middle we're looking at another sheer hosted ore body with a very similar dip called Waroonga North. We've done some drilling into that and we are seeing almost an analogue of Kim in that particular area.

Then we've got something called Kath which is next to Kim, which we think is indicting that Kim is swelling out at depth. It could be an extension of the original Kim ore body.

There is something you see there called FBH. That is a higher grade, much higher grade core of mineralisation that seems to be an extension of both Kim and Main to the right there.

One of the theories we have is that this is one big mineralised zone. We just haven't managed to join all of the dots yet. That will be the challenge over time. So we are allocating more exploration dollars to Agnew to look at how we can further extend this operation.

I want to talk about something we've announced this morning, the fact that we've acquired Barrick's Yilgam South assets in Western Australia. Let's give you some of the background to the deal and the rationale for that.



We bought three mines in Western Australia that are in the same area as Agnew and St Ives - Granny Smith, Darlot and Lawlers. The purchase price is $300 million with a likely rebate of about $30 million for working capital adjustments between now and closing.

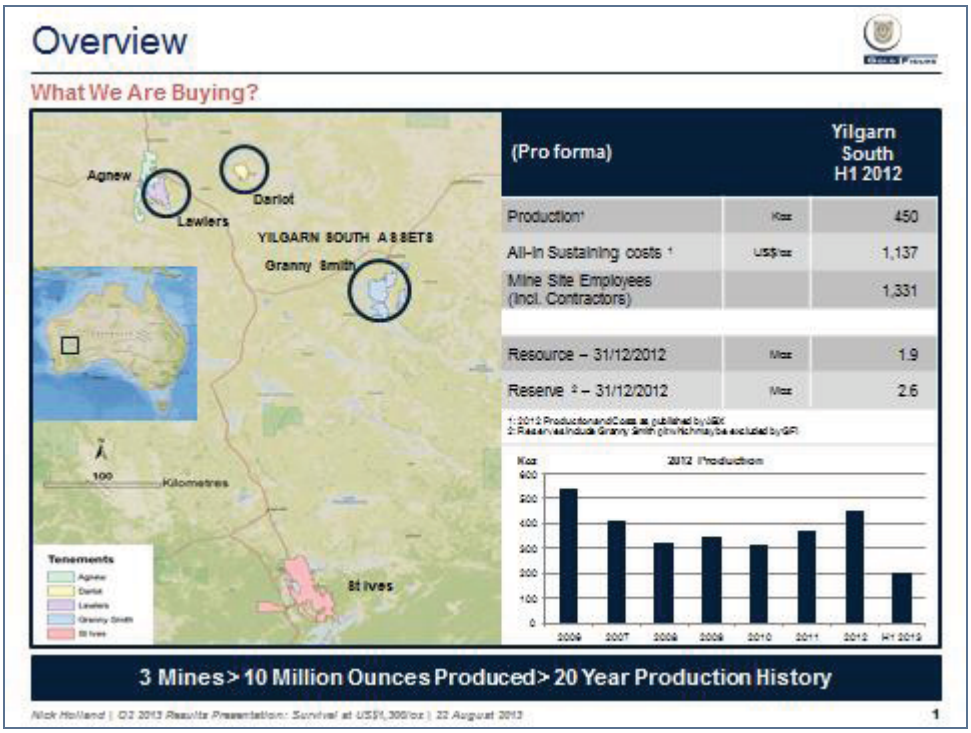
We are buying 2.6 million ounces of reserves and 1.9 million ounces of resources in addition to the 2.6 million ounces of reserve.

We are paying $104 per reserve ounce for in-production ounces. We are paying $60 per resource ounce for in-production ounces.

We have the election of paying the consideration either all in cash or half in shares.

We have most of the approvals we need. The only thing outstanding is the Federal Investment Review Board and the Minister of Mines in Australia.

We hope to have those within the next couple of weeks.



Let's talk more about what we've bought. So these are the three mines you can see over here.

Lawlers is adjacent and virtually contiguous to Agnew. In fact, if you stand next to the old Waroonga open pit you can actually see the Lawlers office block just over the way. That's how close it really is.

Darlot is not far away from Lawlers, and then Granny Smith is between Agnew and St Ives.

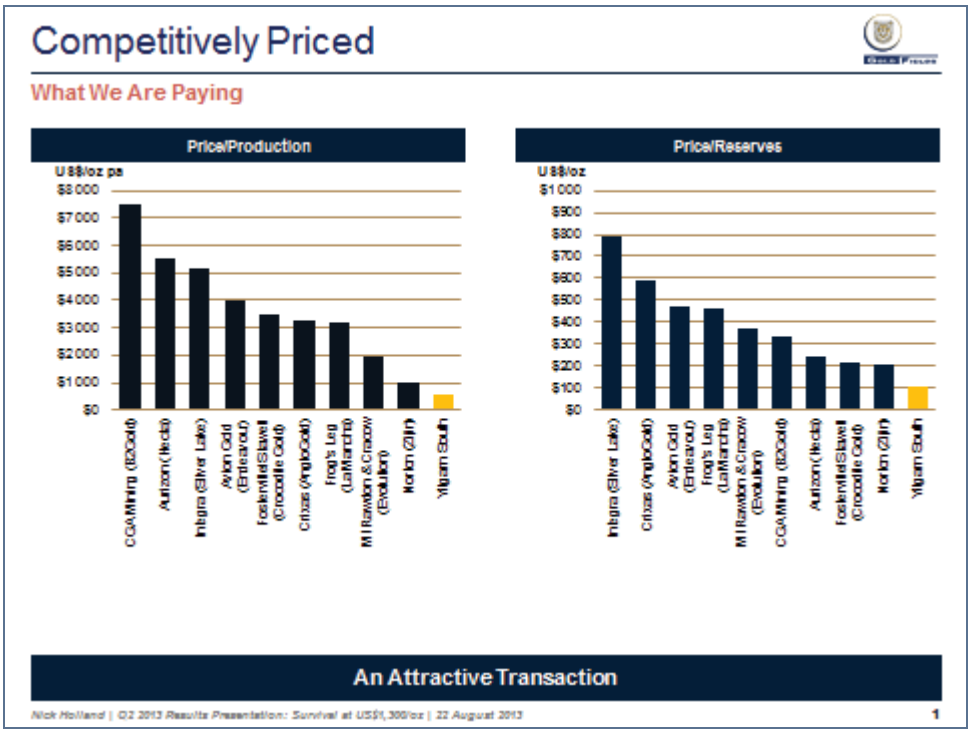
The first half production on an annualised basis for these assets was 400,000 ounces a year.

The all-in cost as reported by Barrick is $1,137. That's what they have generated in terms of cost structures.

The mine sites employees are about 1,300 which includes 300 contractors.

I have given you the resources and reserves already.

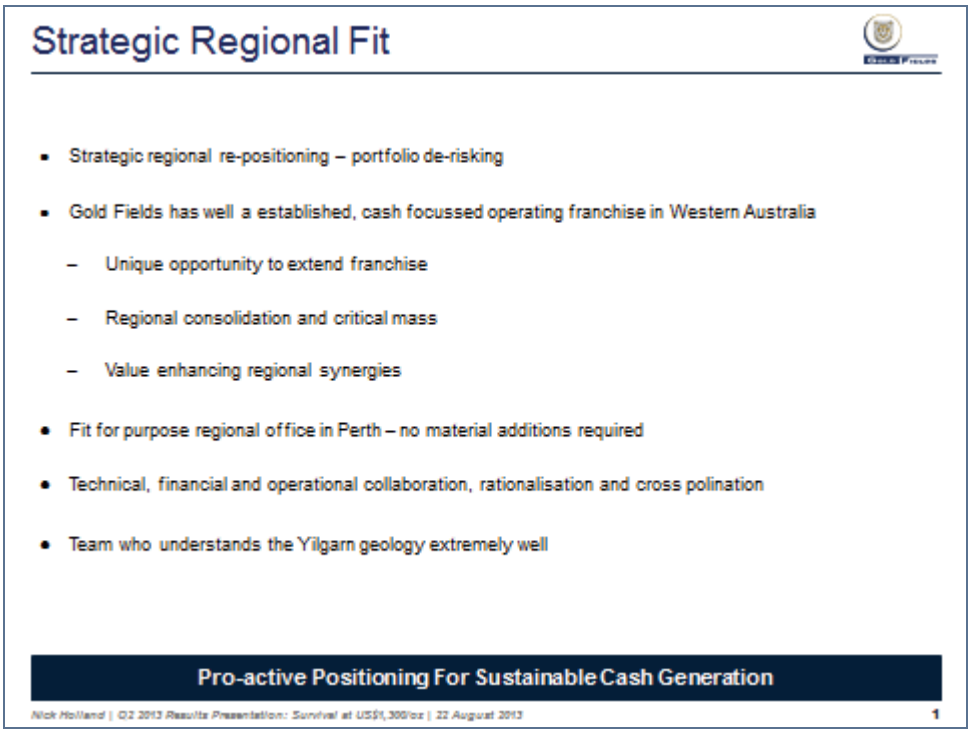
That is the long-term production profile you see at the bottom.



So how does this benchmark in terms of what we are buying against other deals, particularly in Australia over the last few years? As you can see, on a price per production ounce we benchmark very well. On a price per reserve ounce we look just as good.

Our Chair was saying last night, 'when things are cheap you should go shopping' and so we've gone shopping.

We think that this is an attractive acquisition.



So why are we doing this?

Well, first of all, we're in Australia. We have a very strong platform of delivery.

We produce 600,000 ounces a year in Australia.

We have been there for 11 years.

We know the country.

We are comfortable with the area.

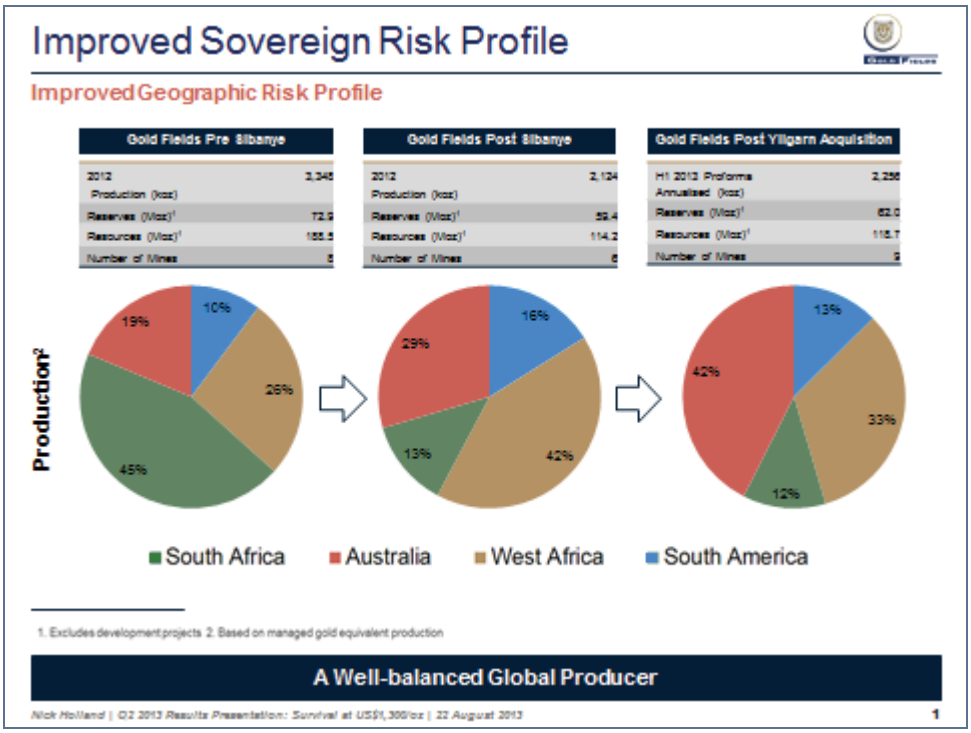
This is really an extension of our assets in a known geological belt which has been mined and explored for many years.

We believe that we can apply the same practises that we've successfully deployed at Agnew and St Ives to turn those operations into highly cash generative mines.

We believe that we can apply those same practises to this acquisition.

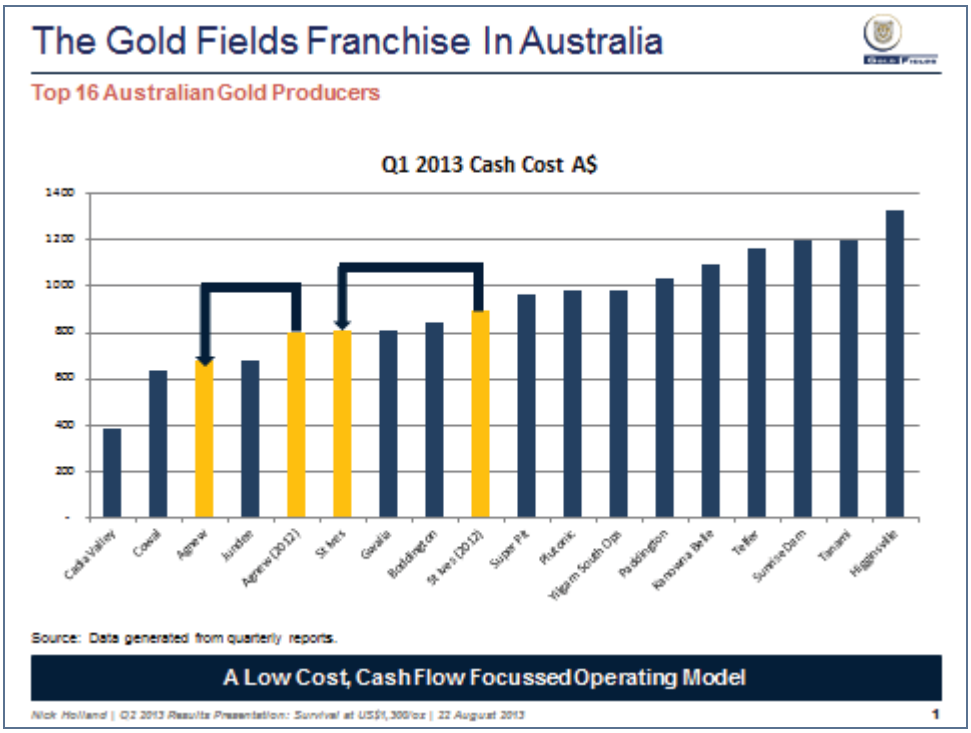
We believe that we can bring to account synergies in terms of the regional overheads in the area.

We can bring to account synergies that exist in particular between Lawlers and Agnew.



What does this do for Gold Fields? The first circle shows what we used to be before Sibanye was done. You can see the middle is a pie of the production split between the regions post Sibanye. And then on a pro forma basis we've taken the first half of 2013 and assumed that we had these operations for that period. Australia makes up 42% of our total production. We would now be a million ounce producer in Australia. We would be the third largest gold producer in Australia.

I think it helps to diversify the geographical and political risk in our base as well. And adding assets in a country that we know well makes a lot of sense.



Here is what we've done in Australia over the last six months.

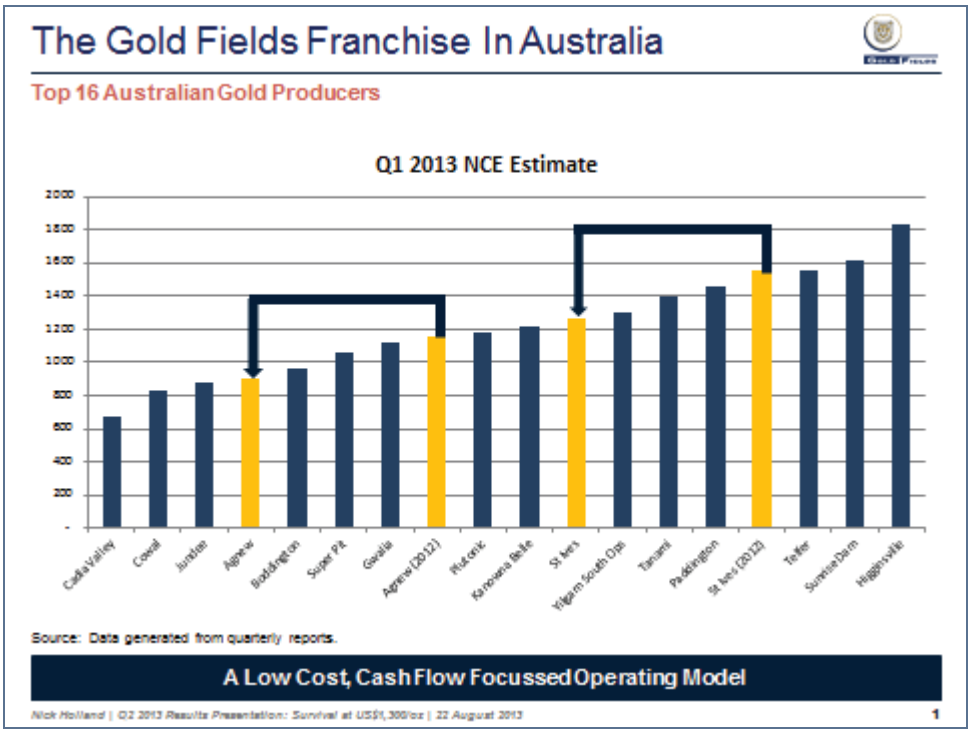
If you look at the total cost curve for the 16 producers you can see that St Ives in quarter one of 2013 versus the whole of 2012.

We have chopped our cash costs down.

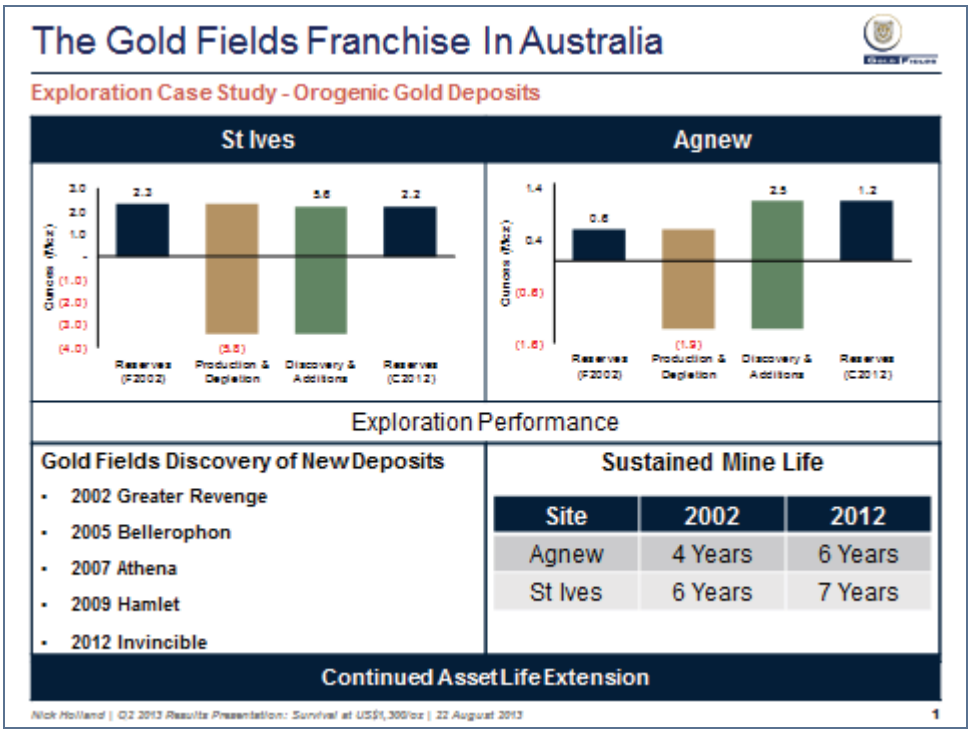
We are now in the lowest quartile of producers.

Agnew is already there. It is now the third-lowest cost producer in Australia.

And we haven't sacrificed much production because we believe that these two mines can still produce 600,000 ounces in 2013.



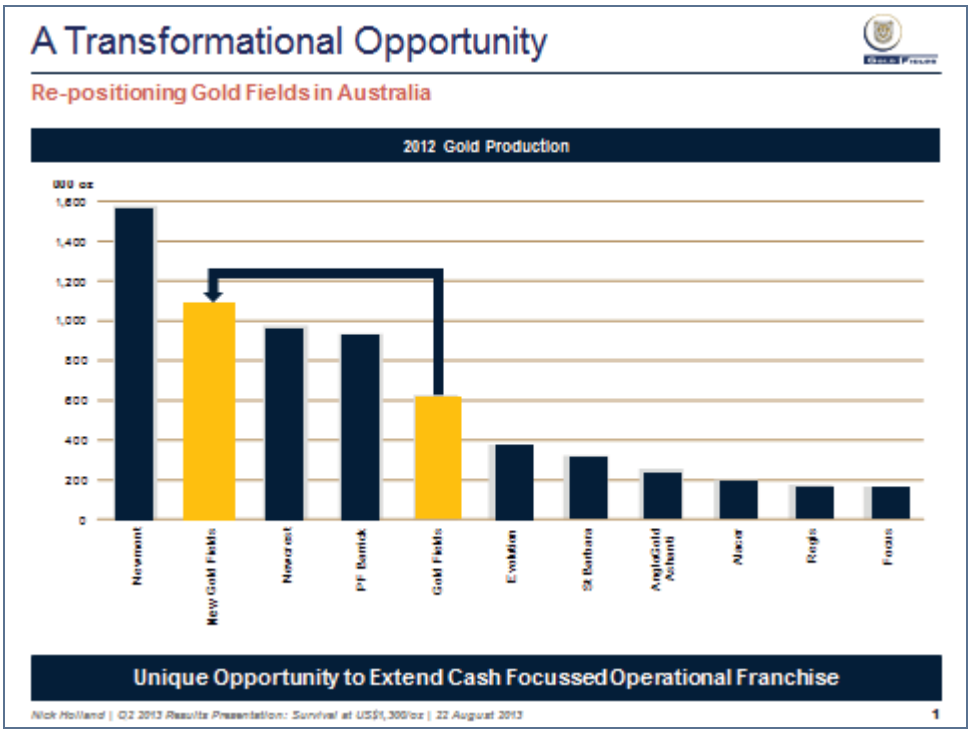
On an NCE basis the story is very similar. St Ives is now in the middle of the cost curve and Agnew is still in the lower quartile. That's an indication of what we've done at those two mines.



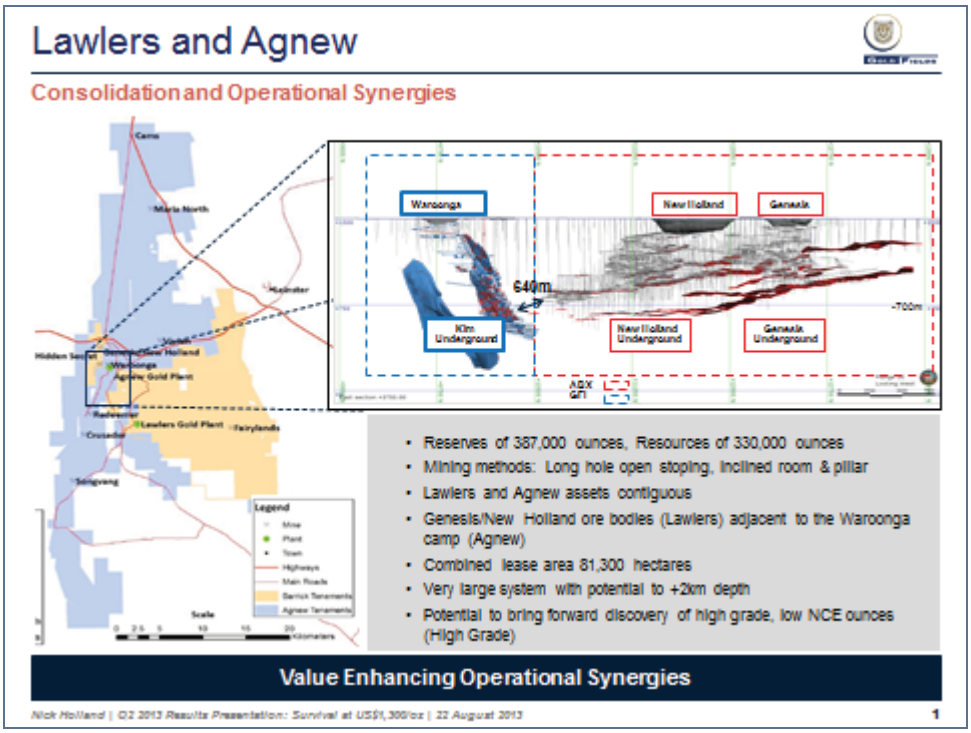
Now, the style of mineralisation you're seeing at Granny Smith, Lawlers and Darlot is an orogenic style of mineralisation where you never have large gold reserves ahead of you because you have to keep on adding as you go. You are typically following narrow veins, lodes that extend. We are not mining a massive ore body that has significant continuity over a great space of area.

You are looking here at following pay chutes and following the narrow reefs in certain cases. So how have we been successful in applying our methods to the same kind of style of mineralisation elsewhere? Well, when we bought St Ives we had 2.3 million ounces of reserve. What have we actually managed to add to that over time? We've added 5.6 million ounces over that period of time. We have mined 5.8 million ounces.

The story at Agnew is very similar. People said why are you buying Agnew? It's a dead mine. Well, guess what? 11 years later we have mined 1.9 million ounces and we have a reserve of double what we had when we started. It gives you an indication. We see the same kind of opportunity in the three mines that we have just bought. And we have added significantly to both of these sites, and we're not done. So there is a lot more that we will get out of both of these operations.



If you add the acquisition we just made it takes the new Gold Fields in Australia up to about a million ounces. I will have to find a little kangaroo to put somewhere on these slides in future.



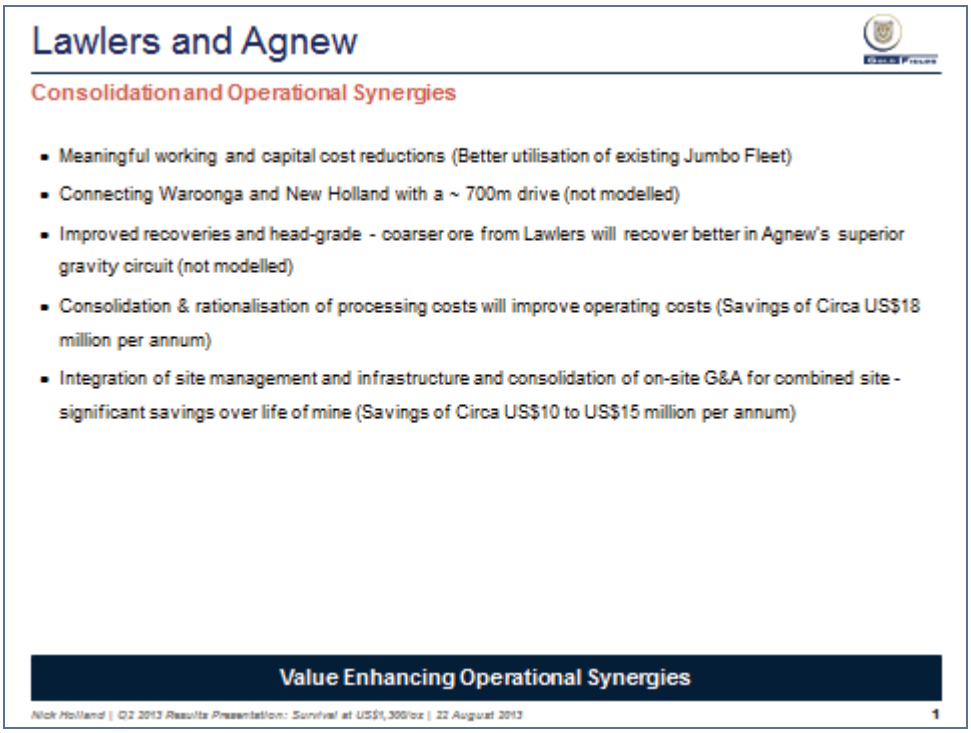
If we look at Lawlers and Agnew in terms of the consolidation, if you look at the slide on the right you can see on the left-hand side is the ore body we are mining at Agnew and then next to that is the New Holland and Genesis ore bodies which were literally 640 metres apart.

One of the first things that we will consider doing is a link drive between the two ore bodies and joining that up.

The other important thing is the combined area has a very significant ground position, about 80,000 hectares. A lot of it is under-explored particularly on the Lawlers ground.

So one of the things we will be doing is having a look at what we think exists. There is a very large system that tends to coalesce at depth. And we believe that these two ore bodies actually will join at depth. The challenge for us is how we try and bring that to account over time.

There is a lot of work to do to understand what we have ahead of us, but I am sure that over the next six months we will get a better handle on New Holland and Genesis underground ore bodies and indications are they extend even further.



What are the things we are going to do straight away?

We believe that we can rationalise our processing costs.

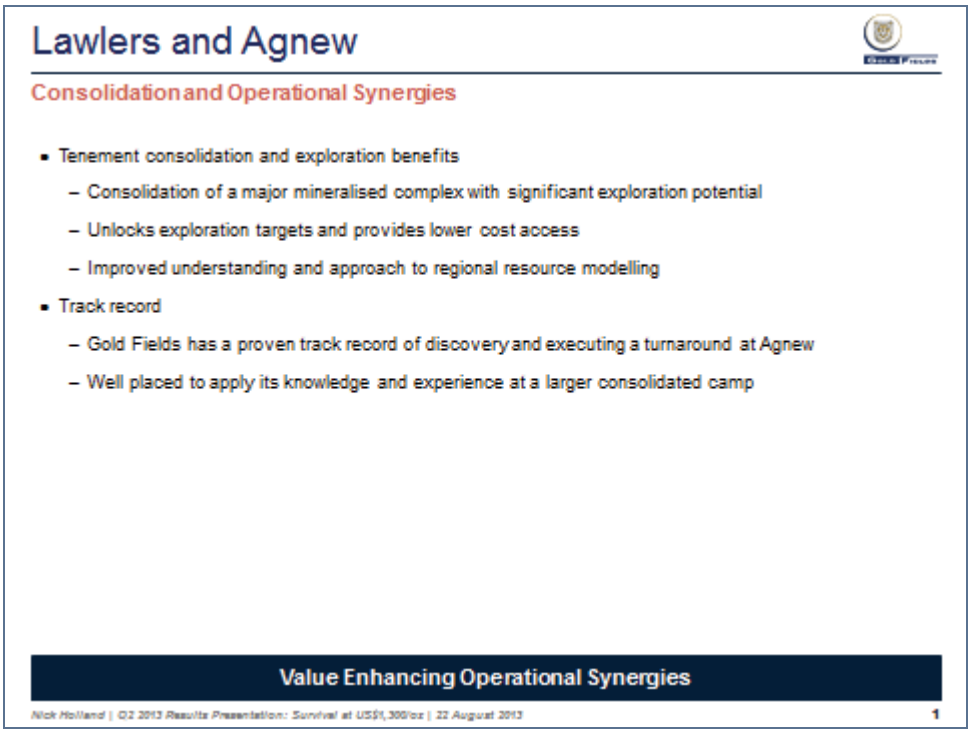
We've got enough milling capacity at Agnew to deal with the Lawlers ore. That will bring down the processing costs for both sites. Also the coarser ore that we have at Lawlers will get better recoveries being put through the Agnew plant.

We think we can get around about $18 million a year of savings.

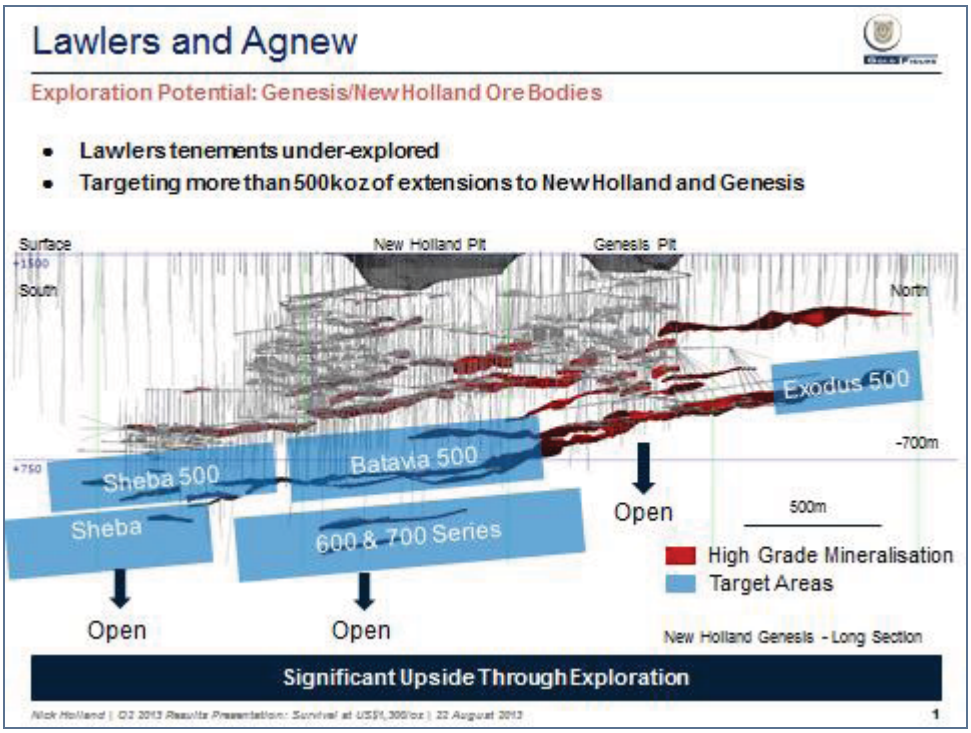
Overheads on the site can be rationalised. We see another $10 million to $15 million of savings there as well.

So those are the short term benefits.

Once we've done a link drive we believe we can rationalise underground equipment. We can rationalise the way that we mine and we can look to optimise on ventilation and cooling capacity as well.

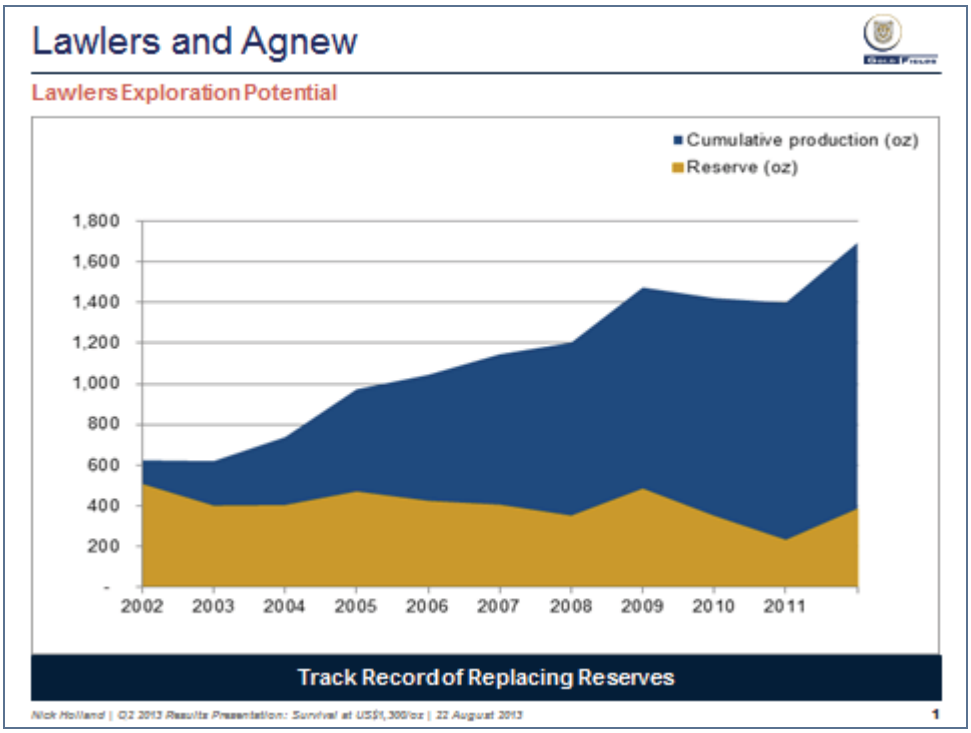


I've talked about the tenement and the 81,000 hectares, a very significant area of target there that can add more to what we've already talked about.



Here is an indication of the high-grade mineralisation as the New Holland and Genesis underground operations go deeper. We are seeing significant extensions to these particular mines at depth, which is not in the numbers we have talked about earlier.

Those are all of the extensions, some of which have been drilled. As you can see there are drill fans going out. Indications are grade is similar or better to what we've seen before and there are indications of continuity of mineralised zones.



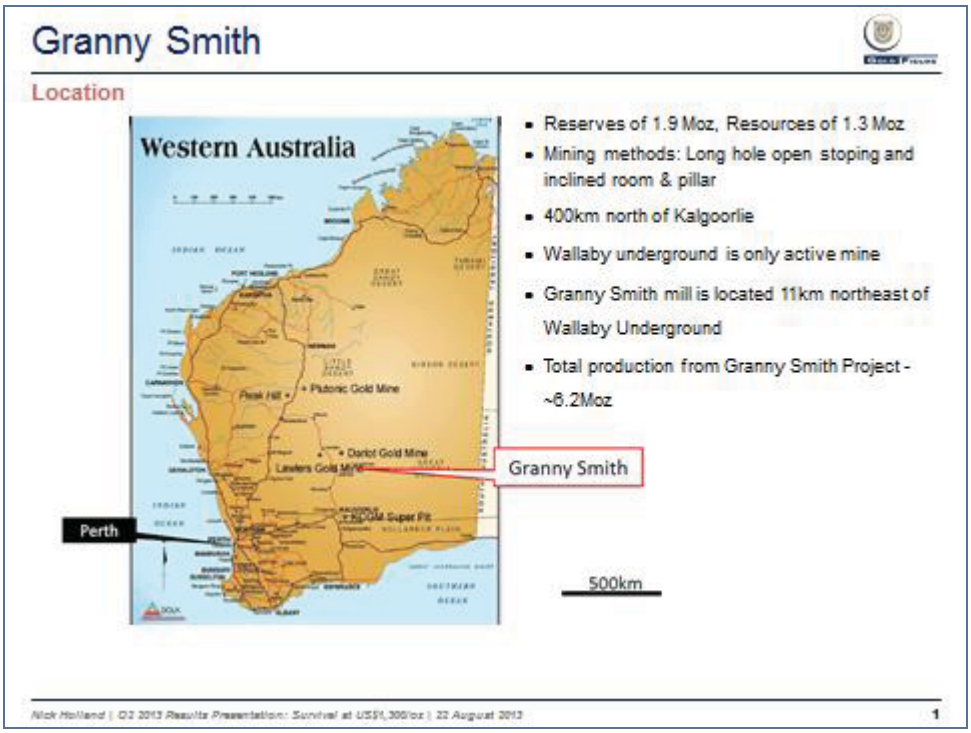
Here is an interesting slide that demonstrates what I've tried to tell you.

Let's look at Lawlers in terms of reserve over the past ten years and cumulative production.

What this tells you very simply and effectively is that Lawlers has continued to replace its reserves. That's the important thing.

It has mined more cumulatively over time but it has more or less maintained the reserve.

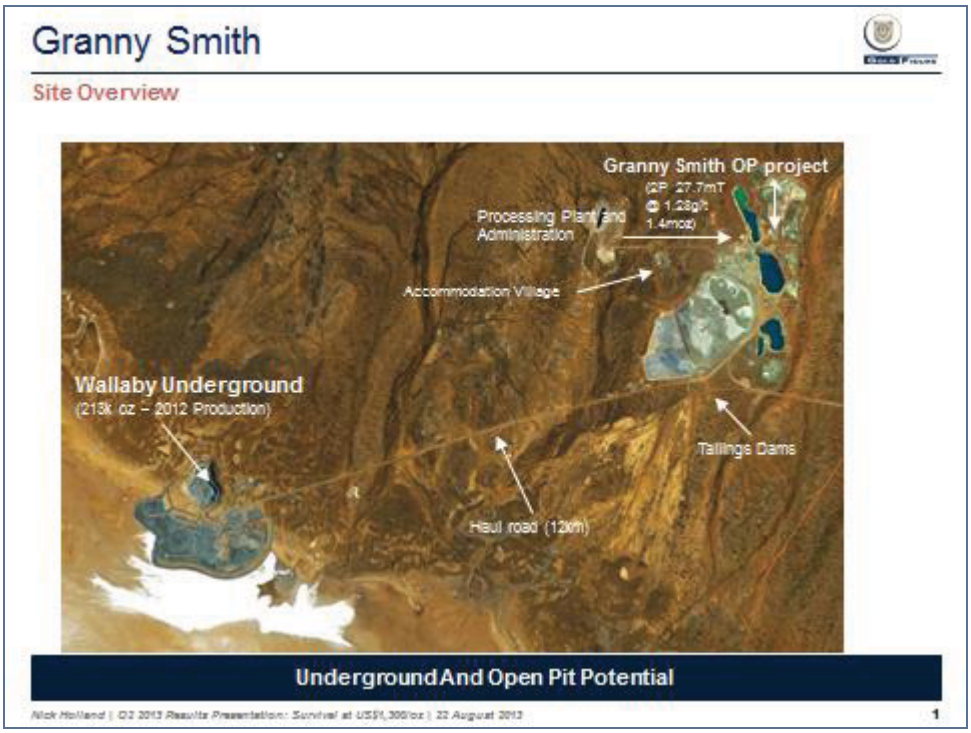
That tells you that it is replacing as it mines.



Let's look at one of the other mines, Granny Smith. Here we've got reserves of about 1.9 million ounces and resources of about 1.3 million over and above that.

This is in the middle of the two operations (St Ives and Agnew), as I've mentioned.

Again we are just mining the Wallaby underground mine.



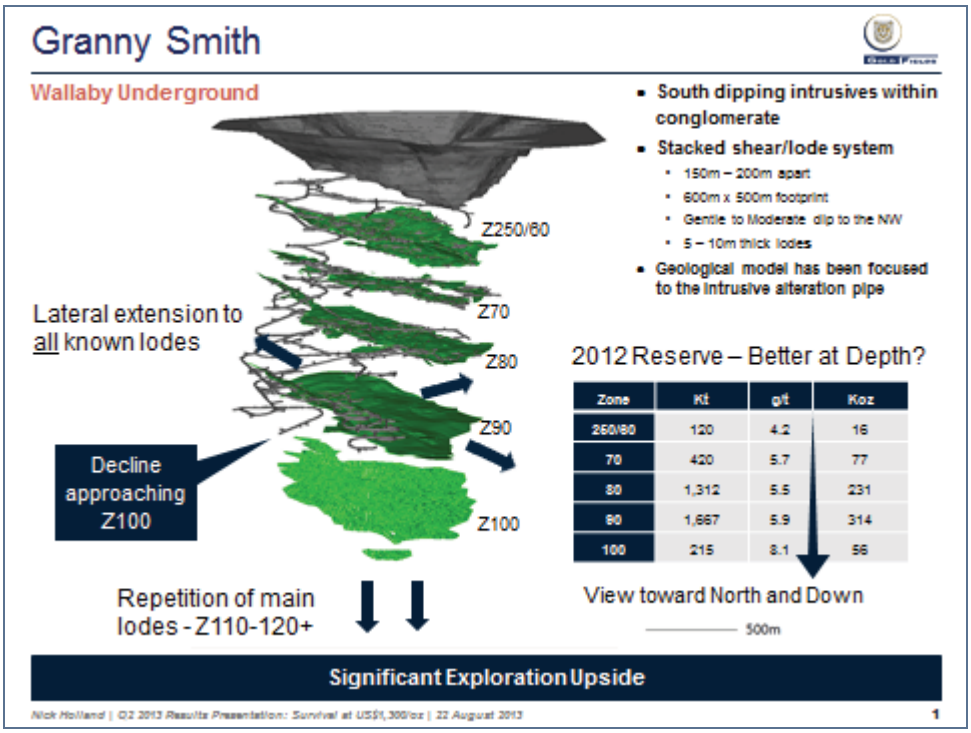
Here is an indication as to what the site looks like. We've got the underground mine there, the Wallaby underground mine in the corner. We've got the tails dam on the side there and we've got the plant in the top right-hand corner.

The other thing that we haven't factored in to this is the 27 million tonnes of open-pittable material of about 1.4 million ounces.

There is another opportunity for us to bring that to account.

We've got a very good track record with open pit mining at St Ives.

Surely we can replicate and bring that to account in some way.

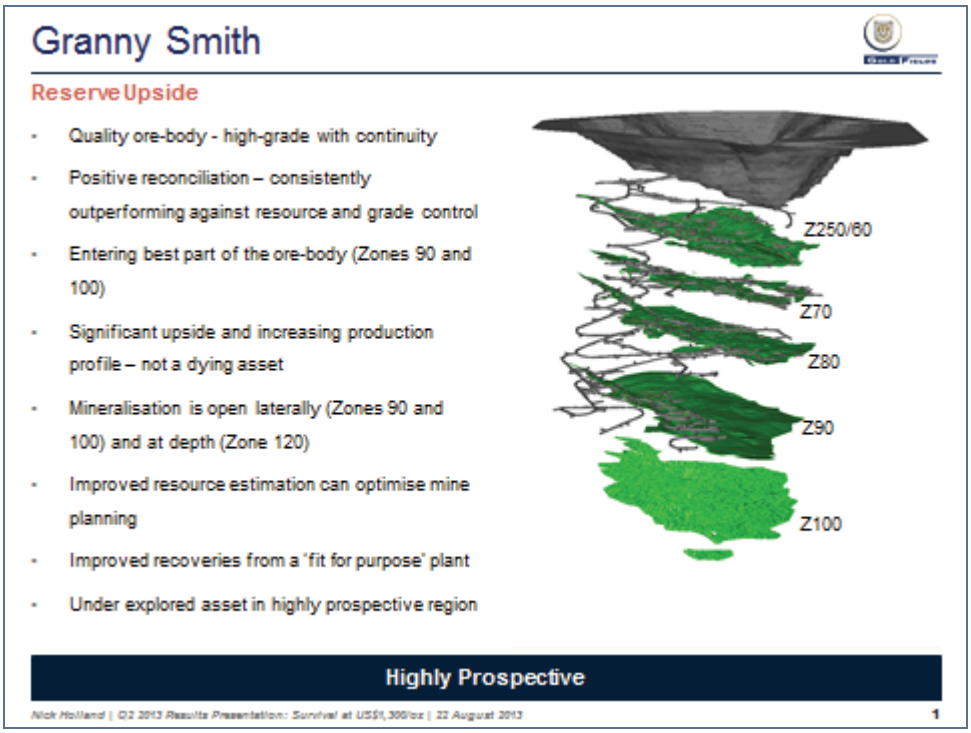


Now, here is the indication of why we get excited about Granny Smith.

If you look at the Wallaby underground operation what we're seeing here in terms of mineralisation is this is an intrusive pipe where all of the fluids have basically come up into a pipe and they have ended up being stacked in horizontal or near-horizontal lodes.

These are about 150 metres to 200 metres apart. And the total footprint that is included in the reserve and resource definition is around about 600 metres deep and about 500 metres across.

As we are going deeper you can see the grades are getting better. And this is what our explorationists like to call a BAD deposit, "better at depth".



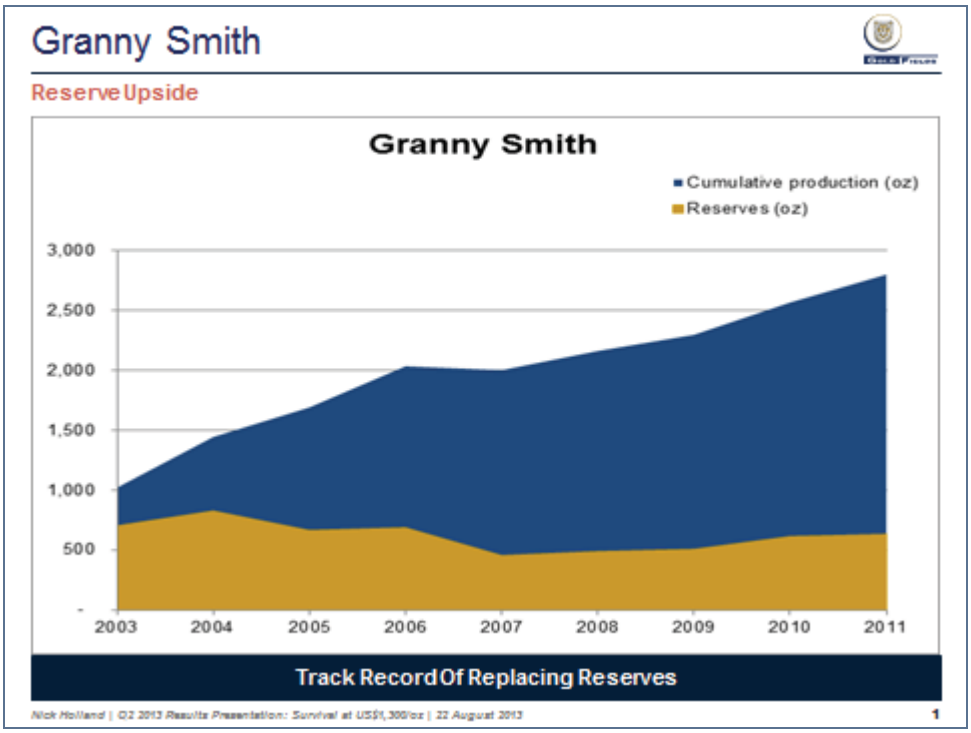
So as this gets deeper we are seeing that the mineralisation lodes are getting wider and the grades are getting better. That's a very positive message for us.

More importantly, we think this continues extending way beyond. You can see we've gone down to zone 100 here. We believe this continues down to at least 120. And each of these lodes will have a significant element of mineralisation.

I can't tell you how many ounces there are here, but we've got a pretty good idea of what the potential is, and it is significant.

This is why we're excited about getting Granny Smith.

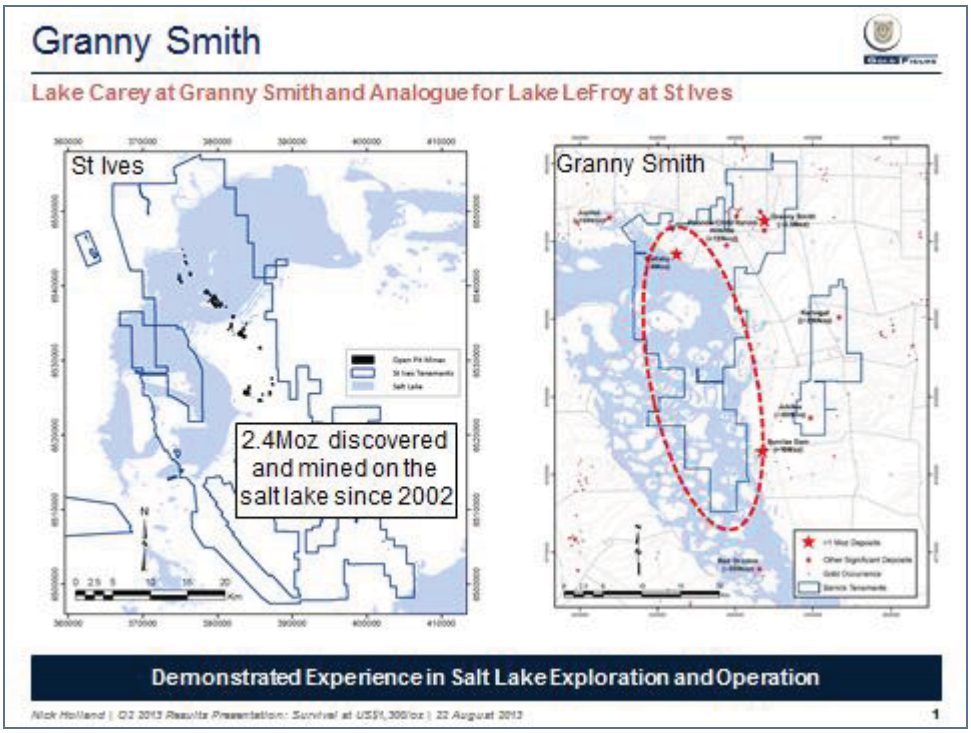
We think there is potential here to add significantly to the reserve base and production.



Here again is the same slide I showed you on Lawlers. If you look at the reserve over time and if you look at the cumulative production what does it tell you?

We are replacing the mining. We are putting it back.

There is every reason to believe that we will keep doing that because we've done it before at St Ives and we've done it before at Agnew. It is a similar style of mineralisation.



Some of you who visited St Ives will be familiar with the fact that we have a large salt lake, essentially a salt pan that runs through the tenements that we own.

Over the years that we've owned St Ives we've mined about 2.4 million ounces on that salt lake.

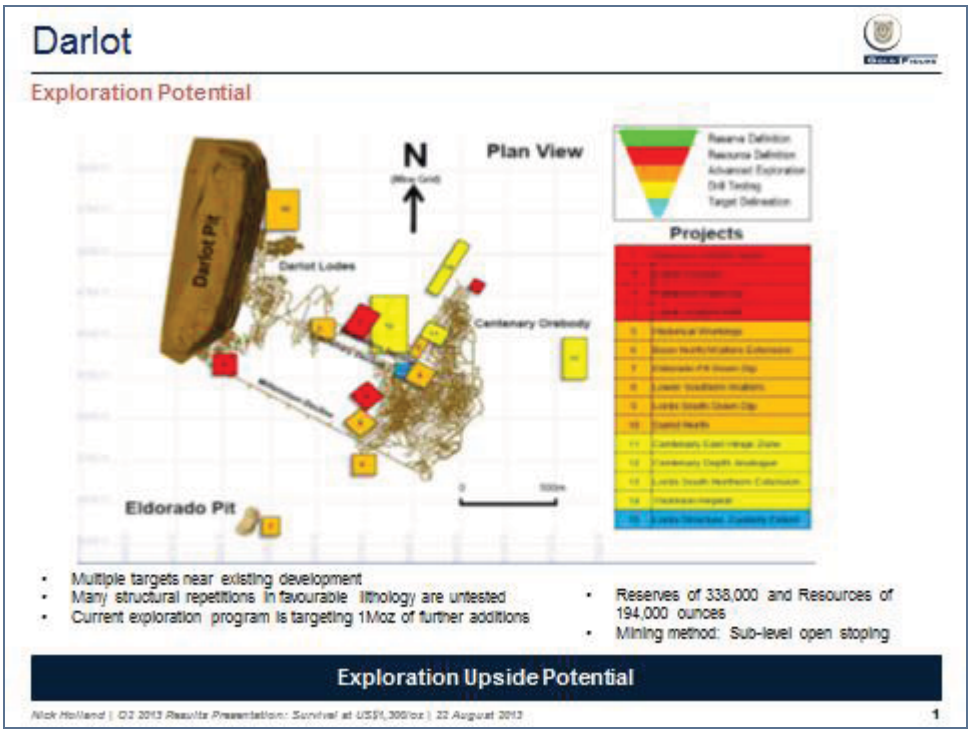
Essentially what you have to do is you have to remove the softer overburden down to about 60 to 70 metres.

You then expose the harder material and you start developing your mine.

Now, what is interesting about Granny Smith is we have an analogue of Lake Carey to what we have at the salt pan at St Ives which is called Lake Lefroy.

It's uncanny, the similarities here.

Again with the same style of orogenic mineralisation we think there is an interesting opportunity here for us to explore.



Let's move on to the last of the three, Darlot, which we understand very little about at this stage.

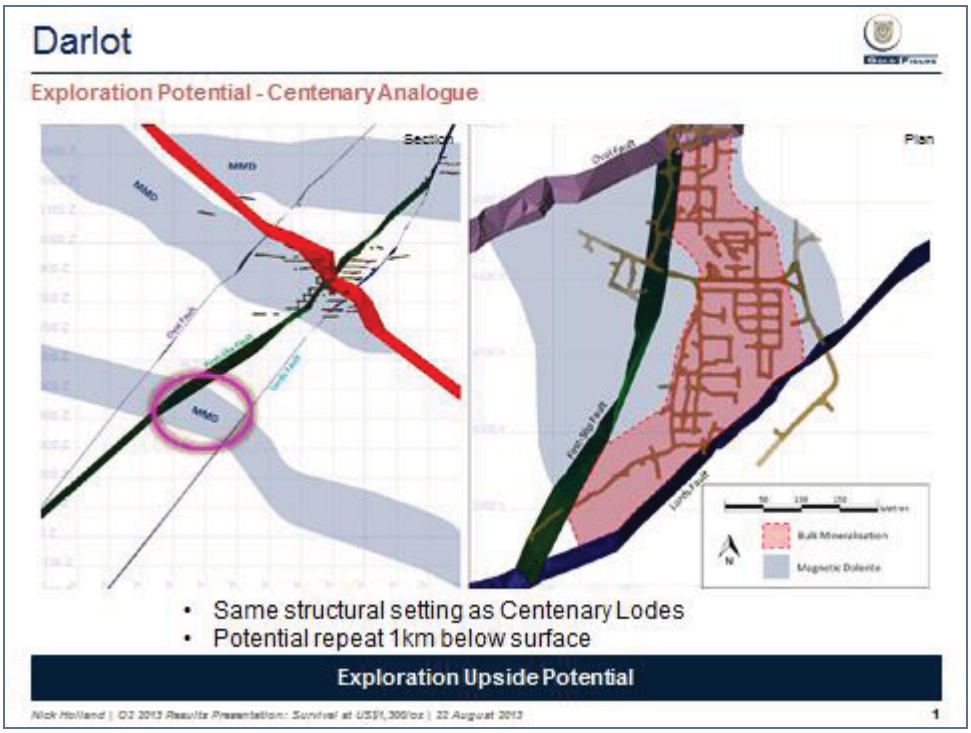
This was part of the package, so we've taken that.

But largely it is under-explored. There are a number of targets you can see here at differing stages of evolution.

The yellow targets are those that are at drilling stage.

There are quite a number of yellow targets where they have been drilling. Mineralisation has been intercepted.

What we've got to do here is we've got to get a much better understanding of the potential of Darlot. That is going to require some exploration dollars for us to go in and for us to have a good look at it.



Here is one interesting opportunity that we see. There was a high-grade area mined called Centenary here. You see the red line going across.

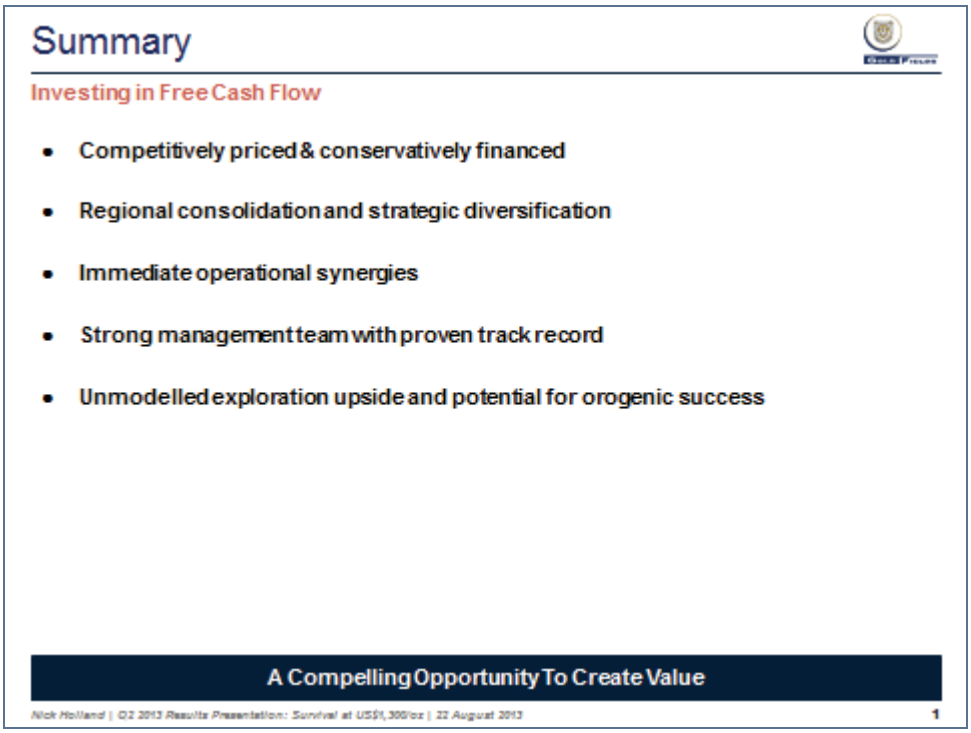
And if you look at that we're seeing - a replication of that at depth in the magnetic dolerite section.

That's the purple circle you see there.

This is hosted between two faults. All of the indications are that it looks like a replica of what we have seen further up. The structure is there. The same kind of mineralisation that we thought we would see.

So we've got to get in there, drill that out and see if that is a replica or an analogue of what we saw in the original Centenary.

On the right there you can see a blown-up piece of the original Centenary with all of the mined-out open stoping sections that you've got there, indication of the value there that we haven't taken into account.



So in summary:

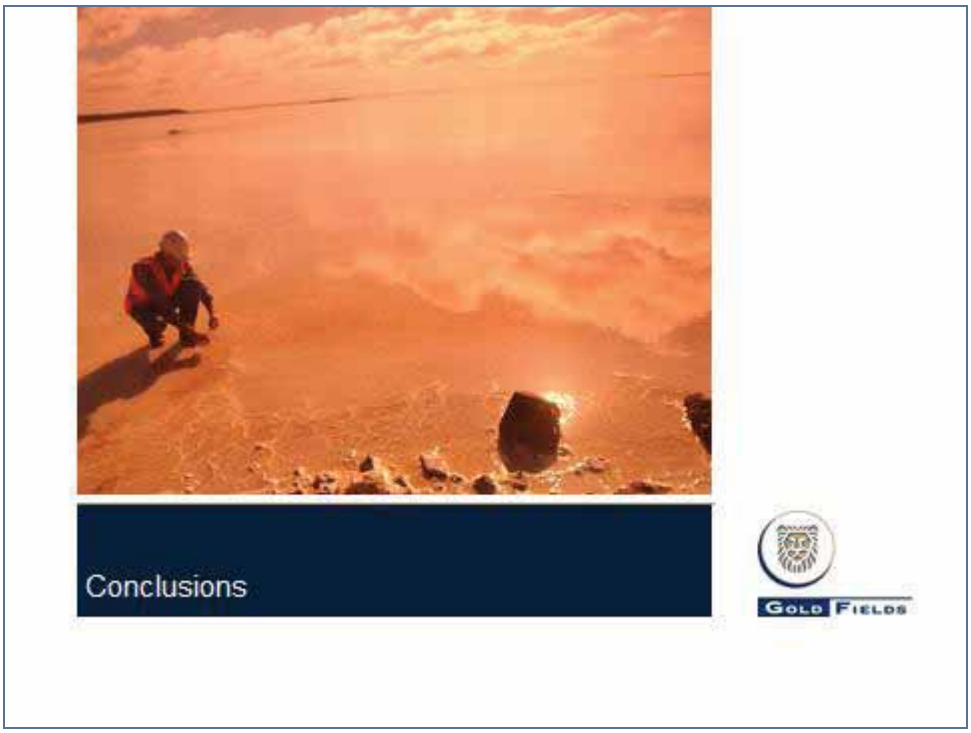
We believe that we bought assets that are competitively priced and conservatively financed.

This presents an opportunity to bring to account all of the skill we have deployed elsewhere in Australia and to have a regional consolidation with operational synergies that we can grab pretty quickly between Lawlers and Agnew.

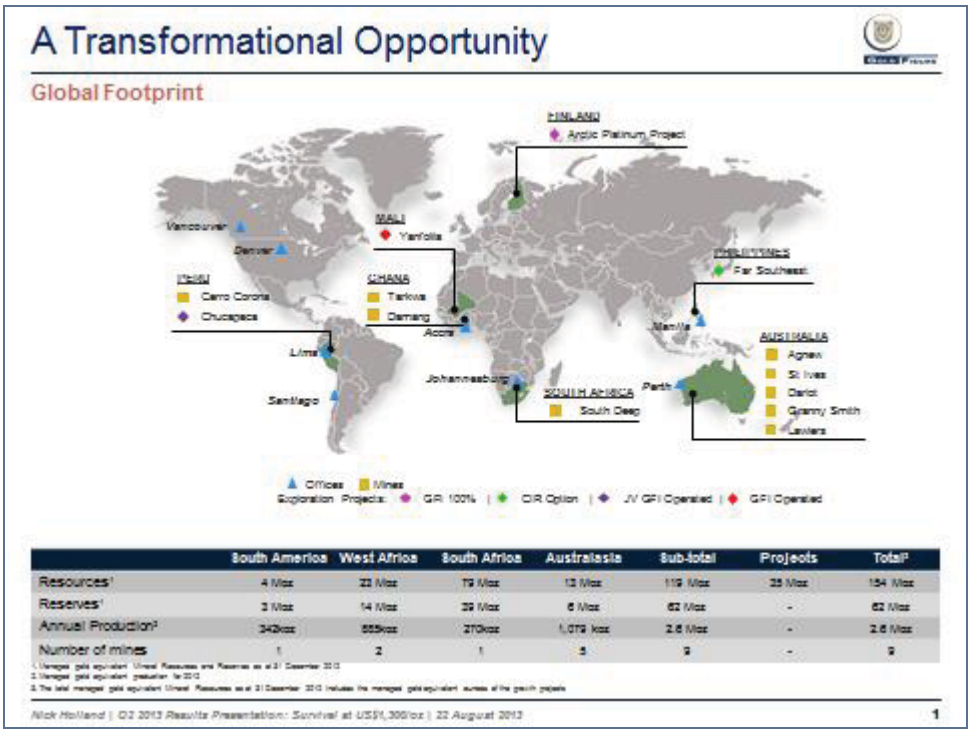
We've got a management team that has got a track record of delivery.

So we're going to get a little bit busier starting from today.

The upside on the exploration will take some time, but it looks significant in terms of its potential.



I would like to conclude.

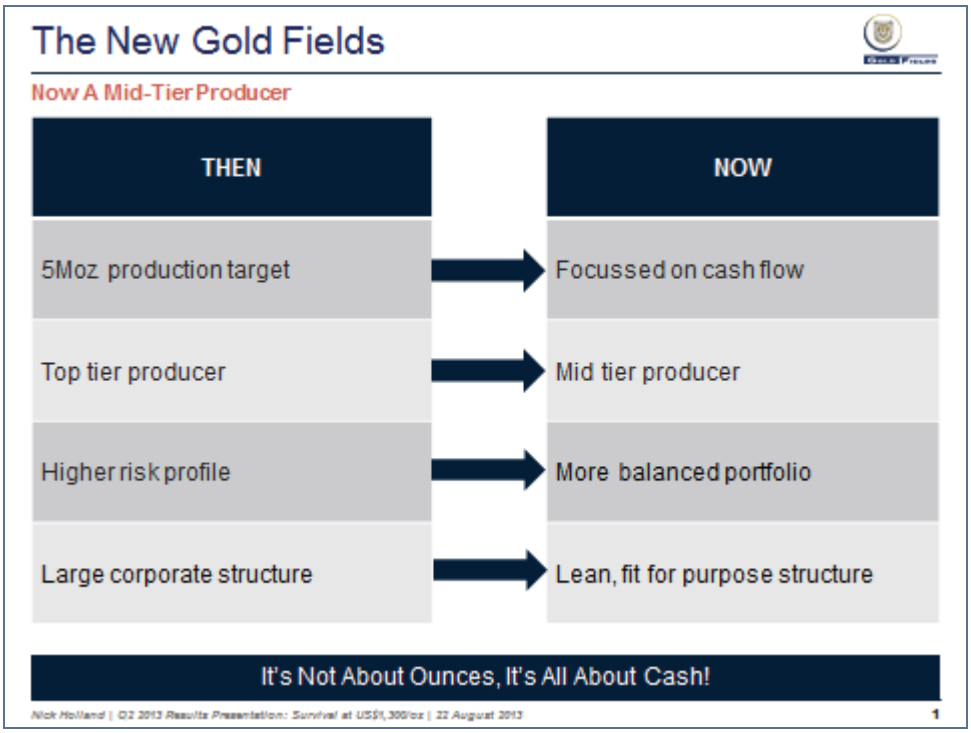


Broadly what does Gold Fields look like with all of this?

If you just take the 2012 results for Gold Fields excluding Sibanye you can see that we would have had about 2.6 million ounces of production if you just look at those pro forma historical numbers.

We would have five mines in Australia, the two mines in Ghana and of course South Deep in South Africa and Cerro Corona in Peru.

That gives you an idea of what the footprint looks like.



Where is Gold Fields going to now?

Where were we?

We were a large producer chasing a production target.

Now we're not chasing production targets.

We are chasing cash flow.

The acquisition we have just made is exactly in line with that strategy.

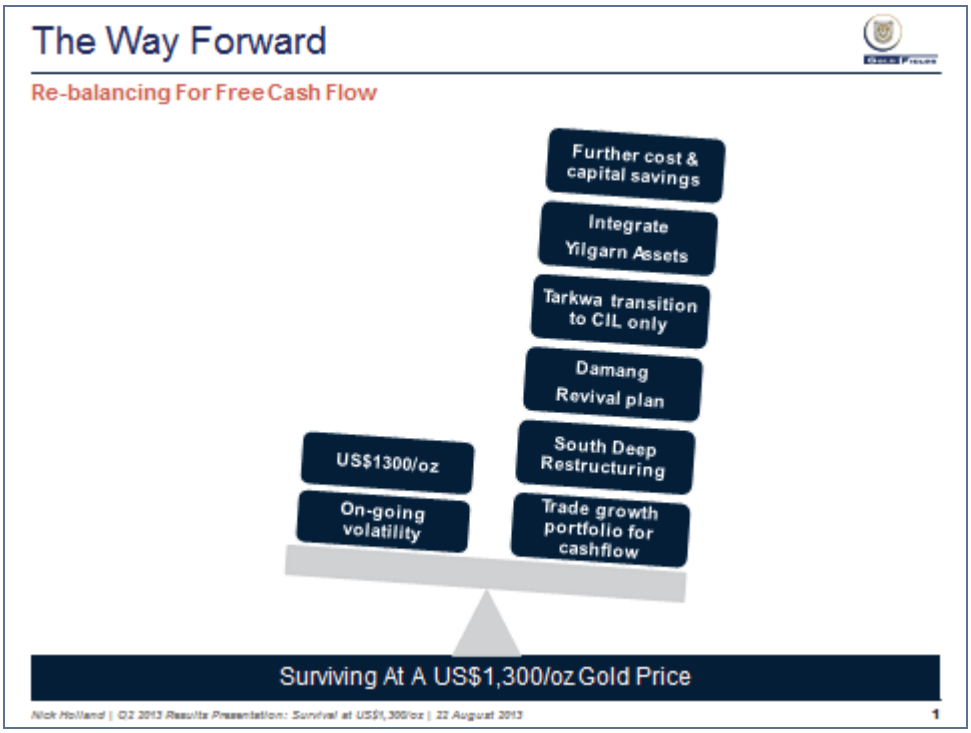
We believe that we can run these assets for cash.

We are moving to a mid-tier producer.

Our structure and our organisational design in Gold Fields is evolving to that.

We have only been in this situation for six months. It takes time to graduate towards it. We have made important steps down the road.

We've got a much more balanced geographical portfolio and we've moved to a structure now with greater delegation of authority to the regions, and the corporate structure focussing more on strategy, capital allocation and policy setting.



The way forward from here?

We've got to do more to reduce our cost base. We've got to get Gold Fields to be profitable at a $1,300 gold price. More steps will be taken over the balance of the year so that by next year this company can be generating cash at this sort of price. That is our intent, to make sure that we can survive at $1,300.

We need to integrate the acquisitions we have made in Australia. That is going to take some months for us to do.

We need to transform Tarkwa to a CIL operation only.

We need to work out the business and value proposition for Damang, and there is a strong one, I'm sure of it.

South Deep we have to restructure to get the cost base in synch with where we are in the production base. We need to re-evaluate our build up and make sure that we really understand how we're going to get there. I must re-emphasise, the trajectories on South Deep are looking very positive. We've got to keep going.

We've got to look at our growth portfolio and decide what goes and what stays. And if we don't believe we can make a success of our projects we will not hesitate to stop spending money on them and to dispose of them.

Where is the gold price going to be?

I think we have to expect it is going to be volatile for the moment. As you know, I never give a prediction for the gold price, but I think over the rest of this year we are going to see a volatile situation. There could be ups and downs.

The longer term fundamentals for the gold price, however, I believe are sound.

Demand out of China and India continues to be strong. Recycling that makes up about 40% of supply has dropped to around 15% and is always going to be sensitive to gold prices.

Production I think is going to be rationalised. Very few new projects are going ahead.

Central banks are still buying but not selling.

All of those fundamentals I think still are good for the gold price in the future.

However, I think for now we're going to have to hunker down and make our way through the storm.

I'm sure that in a year or so things will be a lot better.

Thank you very much. We will now hand over to questions.

Willie Jacobsz
Thank you, Nick. If you could indicate if you want to ask a question then they will get the microphones to you. Let's start right there with Alan. Just state your name and your company please.

Alan Cooke – JP Morgan
It's Alan Cooke, JP Morgan. Good morning gentlemen, Nick. Just on South Deep, this is another delay and I appreciate you are still doing more work there, but could you give us an indication as to what changes you're envisaging there? Is it deferral or longer time to 700,000 ounces? Or does that 700,000 ounces perhaps change in the future. Are you just having teething problems there? How far behind plan are you currently? And what are the issues that make you concerned that you will not get to break even and achieve the original mine build-up plan?

Nick Holland – CEO
I think it's the combination of issues, Alan, in that just to de-stress the ore body to get all of the project areas ready just takes longer. The logistics I don't think are as good as we would like to see. Our equipment availabilities are below what they should be. We have a dedicated focus on improving equipment. We are looking at the layout underground, and as I've mentioned we need to bring forward the addition of new ore passes. That has meant we've had the accumulations underground. Accumulations underground now are probably getting to levels that are concerning. As always, what you find is a lot of this comes out of the long hole stopes and the grade in there is typically higher. So we

are sitting with what we believe to be reasonably good grades on the ground. So we've got to get those out.

I think the plan to get to 2016 is probably too aggressive given the level of build-up. I look at the trajectory, where we are today and where we need to be, and we're just not quite there.

How far are we under plan? In terms of reef tonnes broken we are very close to plan. We are around 92% of plan. In terms of de-stressing we've increased significantly. You've seen again we've had another 40% increase. So we're at about 90% of plan. That's looking good.

If we get our grade issues sorted out, which is a function of accumulation, getting them out underground, I will be able to give you a better feel as to what I think the long-term profiles will be.

I don't think we are far away but I think it is late enough in our build-up stage to decide that we are probably not going to meet our target.

I don't think the model is fundamentally flawed. I think it is just a question of more time required now.

In terms of the future profile we are running a whole lot of scenarios and I'm sure that by the end of this year we will be able to give you a better feel as to where we are on that.

I don't want to comment on what future production profiles will be, whether 700,000 ounces is still achievable. We are reviewing all of that.

For further clarification the following is extracted from the Results Teleconference Transcript on the same day:

Leon Esterhuysen
Hi guys. Nice deal you've done in Australia. Very cheap, as you say. Can I just touch on South Deep? It's disappointing I guess that we are sitting here again with another downgrade on South Deep and it is just not getting to where it is supposed to be getting. But I would like to know why this is the case. We had a mine visit there two months ago and the guidance was very concerned at that point. The new infrastructure was brought in particularly to get to these targets that were set before. We are a couple of months after that and we are again taking a step back. I wasn't on the call this morning, I'm sorry, but if you could just give us a bit more colour on what is happening at South Deep. Why is it not getting to where it is supposed to be?

Nick Holland – CEO
I would respectfully disagree with you.

I don't think we are making steps back. I think we are making steps forward if you look at the reef tonnes that are going up, if you look at the results this quarter, if you look at the de-stress again we've had a 40% increase in de-stress, the new operating model is settling down. It is taking longer to realign people to the new working structure. We had hoped that it would bed down within three or four months. We are now sitting at the end of June. It is taking a bit longer.

But there is nothing to suggest that the ore body is going to give us a different answer.

There is also nothing to suggest that this mine can't build up to a production level that is at or very close to what we've indicated.

The key issue here is it looks like it is just going to take longer.

And some of the issues that are plaguing us are things like equipment availabilities that are not quite at the levels we need to have in that. That has hindered us in terms of moving underground material that we've broken and getting it out the mine.

We have found that some of the ore passes have been insufficient to get the ore out. In some cases we have had ore passes that have hung up. We have had some seismic events that have affected certain of the ramps in the mine. It has also affected the logistics. So we are getting more ore passes. We are going from six ore passes to nine. That is coming in in stages between now and March next year. That is going to help to alleviate the backlog underground. The equipment availabilities are improving steadily and staff are becoming more accustomed to the new operating model.

Unfortunately these things are just taking longer.

I want to flag now that I think it is going to feed through to a profile that will build up over a longer period of time. But the fundamentals of the build-up plan we believe are still intact.

I want to make that point in case we get into some misunderstanding. Thank you.

Leon Esterhuysen

Thanks for that, Nick. If I can just push a little bit more on this. When you started the presentation you said that you are going to have to cut back at South Deep, that the cost structure there currently is too high. Now, everything you have just said indicates that it is just a little bit behind, that you will get there and that you just need to sort out these intermediate problems. You were also guiding before for an all-in cost of $900 per ounce if I am not mistaken. If we are still aiming for that, and if we are still going to get there but just a little bit later, why are you then now looking at cutting back costs for the labour force at South Deep?

Nick Holland – CEO
Leon, we staffed up for volumes and gold that we are not quite at yet.

What we are now doing is looking to right-size the operation to where we are now. In the future, if we need to bring back people and contractors, we can do that.

My immediate priority is to get the operation to cash break even as soon as we can. Once we have achieved that, we can look to bring people and costs back into the system.

But I think we've put costs into the system, investment into the system, that haven't actually yielded the output yet because of the issues I've mentioned. I think Paul wants to add to that.

Paul Schmidt – CFO
Leon, understand that we're in a $1,300 gold price environment as well, and it is crucial that all operations in the group make cash.

This decision was made to ensure that South Deep returns to cash neutral and goes cash positive.

We have geared up for a higher production level.

It is not there yet, so we've said we've got to change the cost base to meet the current production level.

Alan Cooke – JP Morgan
Just one more - on Far Southeast. The strategy is changing quite a lot. It sticks out, the Far Southeast project, because you are still going to invest a significant amount of capital there to exercise your option and explore. Could you give us an indication of how much more you need to spend at Far Southeast within your current planning, and why that is when you're slashing or cutting or selling other projects in your project pipeline please? What makes the Philippines special within the project pipeline?

Nick Holland – CEO
We haven't got any definitive views yet on Far Southeast, but importantly we have to get through the FTAA process first.

We think that is going to take us to about the middle of next year.

And we're looking at different options to access the ore body. Can we get a high grade starter operation, and what would that look like? We're running all the numbers on that. In the mean time what we are doing is we are cutting the burn rate on the projects.

So the project burn rate is going to be $500,000 to $750,000 a month. It is going to be way down. We're not going to be incurring big money until we make a decision.

If we find down the road that our strategy and Far Southeast don't gel we will consider other options.

There are no definitive views on what we should do with any of the projects today. They are still all under review.

I think it is a great ore body. I think it will be built some time in the future, if not by us then by somebody else. We're trying to figure out the value proposition, and at the same time let's get the FTAA in place so that we've got permission to have a majority ownership in the project, and we take it from there.

Willie Jacobsz
Thank you, Alan. Let's go to Darren and then we will come to you, Johan.

Darren Maade – HSBC
Good morning it's Darren Maade from HSBC. Just a quick one on the Yilgam acquisition. In terms of the regional synergies that you highlight would you be looking a little bit further as well, potentially at Sunrise Dam? Would you see that as attractive, bringing that into your portfolio given that it is only around 5km from Granny Smith?

Nick Holland – CEO
I think our main task at the moment is to integrate these assets. I think this is going to keep Richard Weston and his team busy for quite some time. We've got to make sure that we apply our minds to what we've bought here, that we come up with a new plan for these new operations, how we integrate them with the rest of the assets in Australia. I don't want the team to be distracted from that now. Down the road anything is possible, but not in the short term.

Darren Mader – HSBC
Thanks. Just one last one on South Deep and the review of the BEE deal that was made. Could you maybe highlight some of the outcomes of that review please?

Nick Holland – CEO
I have our Chair here today, Cheryl Carolus. Maybe I can ask her to deal with that question.

Cheryl Carolus – Chairperson
The board has finally concluded its investigation. It has been quite a learning curve for us. I think we have become quite wise from that. In so many ways the regulatory environment in which we work just requires much ongoing training, familiarisation of our staff. And we are comfortable that we can...we've done a year long investigation. We've spent quite a bit of money on it. We think that was the correct thing to do. We weren't going to rush it. We are happy to draw a line under that chapter. We have spoken with management because we think that we need to revisit some of our internal communications particularly. The management has taken that on board. We will take a number of steps. I don't want to steal the thunder of Nick's wonderful initiatives that he has outlined there. I would be happy to take questions outside. But one of the things that I should say is that management, and Nick in particular, has taken on board fully the fact that this has been quite a difficult period for the company, that the company has been exposed to. And he has offered to in fact sacrifice his bonus for the financial year ending 2013. We think it was a very decent thing

to do, to acknowledge that it has been a difficult time, that there is much work that has in fact started in the company. So we are very pleased to say that we can draw a line under that. We think it is still a fantastic transaction that we've concluded. We are mindful that 60% of the value of the value of the transaction in fact sits in a broad-based education trust for the benefit of our communities adjacent to our operations and our labour-sending areas. We are just much wiser. I have a few more grey hairs, but I think we are much wiser and much more comfortable about the way going forward.

Willie Jacobsz
Can we come to Johan Steyn in the front here please?

Johan Steyn – Citigroup
Thank you. Johan Steyn from Citi. Morning guys. Just quickly on the acquisition. On page 47 you show those reserve charts etc. for Granny Smith. For instance, it has produced more but reserves stayed flat. My question is how much was that helped by the gold price, because clearly over the past ten years or so we've had a very good gold price. That's the first question. the second one is then with the gold price going to $1,300 an ounce have these reserve statements by Barrick been impaired, or do they still need to be impaired at a lower gold price? Will there be impairments or not? And thirdly, in terms of accessing some of those deeper reserves what kind of capital expenditure are we looking at?

Nick Holland – CEO
In terms of how much capital it is going to cost to extend the ore body further, we don't even own these assets yet. We have done some preliminary work in the models that we used to value these assets. We have taken a very conservative approach in terms of what we have valued. We haven't valued a huge amount of blue sky, for example. We have operated by and large within the envelope and we have truncated it in a very conservative fashion. The job in the next three to six months will be to look at all of those things. I don't necessarily want to start spending a whole lot of money today. What I want us to do is figure out how we can run these assets for cash, first and foremost, and how we can look at what they have today to run for cash.

You have to remember that these are operations that are run by Barrick. They have got very good operating philosophies. It is the largest gold company in the world. I was speaking to my counterpart at Barrick last night very late in the evening just before we signed. I said to him how pleased we were with the state of the assets and the way that Barrick has operated them. And he in turn thought our current practises in Australia would really come into good effect here. So we're excited, but we're keeping our feet on the ground. First and foremost we have to try and run these assets for cash flow. Given the fact we've just shelled out $300 million we've got to make sure that we get a return on our capital. That's the name of the game, not like in the past where people spent money and never got it back. We can't be in a situation like that.

I think this is a unique opportunity for us. If you go and look at how the market was valuing these assets, if you look at consensus valuations of these assets over the last couple of years, the values that were being attributed by the analysts to these assets at only slightly higher gold price, they were attributing a higher value. That is all in the public domain. You can see that. The fact that we have an Aussie dollar that seems to be a little bit weaker is obviously helping us. I think we can generate some good value out of these assets.

Willie Jacobsz
Can you pass on to whoever is behind you, and then we will come to you in the front here.

Adrian Hammond – BNP Cadiz

Morning. It is Adrian Hammond, BNP Cadiz. I have two questions, the first one for you and the second one for Paul. I appreciate the [unclear] you've given us to explain the longevity of these assets in Australia considering the reserves stated. But currently your reserve life for these assets is relatively short term and clearly you're in for the long term. Could you clearly indicate what level of capital you need to spend to bring new reserves into account, or just give us an all-in cost? And if I can move onto the second question after you answer that.

Nick Holland – CEO
The best proxy I can give you for that is how much we have spent at St Ives and Agnew in adding to the reserve base every year. In the last ten years we put back around 7 million or 8 million ounces at an average cost of $50 per ounce. So if we use that as a proxy that is probably the best indicator I can give you for us to add to the reserve base. The other important thing is our work to date indicates, as I have demonstrated in the presentation, that grades get better at depth. That's the other benefit that we're seeing here. Although it will cost more to mine at depth than it does shallow ore bodies the indications are that the grades are improving at depth as well. So use $50 as a proxy. Use St Ives and Agnew as the best analogue to figure out what sort of cost structures we will end up at. Clearly we have to bear in mind at $1,300 an ounce that's going to be our planning assumption for next year. I need to get a plan from Australia that can more than just wash its face. I need a plan that can generate value for the group. So that's the way we're going to be looking at this.

Adrian Hammond – BNP Cadiz
Thank you. And Paul, could you tell us what level of debt you have taken on, if any, for this acquisition and any environmental liabilities?

Paul Schmidt – CFO
We are going to pay the bulk of this out of cash resources in Australia at the moment. The option is that this could be settled half in shares issued to Barrick or a full cash deal. And if we do a cash deal there are different ways of financing part of the cash. In terms of environmental obligations it is about $86 million which we are taking on board.

Willie Jacobsz
Thank you. Any further questions?

Richard Hart- Macquarie
Richard Hart from Macquarie. Nick, you indicated that Barrick have already impaired these assets. But on slide 39 you are still using $1,500 an ounce. I assume you would have to look at those at $1.300 as well. So that 2.6 million ounces would obviously be a bit less than that.

Nick Holland – CEO
We're not sure yet. We obviously have to go and run this through our own methodology at $1,300 and we will see what the outcome of that is.

Richard Hart - Macquarie
But did Barrick impair them to $1,500 an ounce?

Paul Schmidt – CFO
What Barrick did is they impaired the carrying value of these assets to the $300 million we have offered them. If you look at their accounts you will see there is about a $150 million impairment of the Yilgam assets down to the carrying value that we offered them, the purchase price.

Nick Holland – CEO
There may be a need for us to look again at the reserves at the end of the year as we look at everything else in the portfolio. But it doesn't change in any way our view of the assets. What we have done is we've estimated what we think we can mine over the life of these assets at a $1,300 gold price, taking into account the cost structures. And that has worked out to what we think the assets were worth. So even if there is an impairment that is already factored in to how we valued the assets. It's not that we're valuing the assets at $1.500 and all of a sudden half the purchase price gets impaired. Not at all. We have taken a conservative valuation through the $1,300 to come up with what we believe is a mineable profile. And it is within the envelope of the reserves and resources already declared. So it ignores the fact that I believe that these mines will continue for many years to come. Our team believes that more strongly than even I believe that. They haven't even taken that into account. So it has been a conservative view that would take into account what you've just mentioned.

John Canfield [?]
Without wanting to appear cynical, why would a company like Barrick sell these assets?

Nick Holland – CEO
Good question. The same question that went through my mind when we were negotiating. What are we missing here? I had a long discussion with Jamie Sokalsky, their CEO who I have known for quite some years. And he explained to me the predicament that Barrick is in at the moment. They've got about 36 operating mines across the world. Their production profile is 7 million ounces a year. Just imagine, to stand still every year you've got to find 7 million ounces every year to stand still. They have become too big in a world where smaller is beautiful. The other thing is they're trying to manage Australia from Toronto. The other thing he wants to do – and this is on public record so I'm not saying anything out of school here – is he wants to get Barrick to be more of an American style company, let them focus on the Americas. For a number of reasons. One, it is the same sort of time zone, and two, it's an area they understand. I think it is no secret that Barrick is also looking to get out of Africa. That's another area they have struggled to understand and operate. Australia is no different. It's an area that they feel is not worth the attention for them in the scheme of things. They are looking to bring on new projects in the Americas. They are looking to focus. And I think their shareholders are demanding focus from them. Last but not least, they've got a lot of debt. They've got around $13 billion.

Paul Schmidt – CFO
They are over two times net debt to EBITDA. So they're in a really sticky place.

Nick Holland – CEO
They've got about $13 billion of debt. So they have to sell assets to bring that down. Look, I'm pretty sure that had that not been the case maybe they would have taken their time on this. I think strategically they still would have repositioned, but given the fact the gold price has dropped and the need for them to repair the balance sheet, they are looking aggressively to sell assets. And whether you're a seller you're a seller. You get the best price at the time. Does that help?

Willie Jacobsz
Good. Thank you very much. We've got time for one more question and then we've got to wrap it up.

Chris Nicholson – RMB Morgan Stanley
Hi. It's Chris Nicholson with RMB Morgan Stanley. I've got two questions. The first one is in terms of the capex cut of $120 million, can you give us an indication of which operations those are coming out of specifically? Does that relate to South Deep? And then the second question is just the working capital adjustment in the purchase price. Can you just explain that? Cheers.

Nick Holland – CEO
Okay. I will ask Paul to deal with the last question. The capital cuts are really out of the growth projects mainly. We've curtailed a lot of the spend on the growth projects. If I could talk mainly of the year number, the $230 million is the number for the year of which the $123 million is about half of it for the first half year. The capital projects were cut by around $70 million, given the fact that some of them are for sale and others may well be for sale into the future.

At Damang we have pushed out a new tails dam for now, given the fact that the operation is cash negative, and two, I don't want to spend that money until I've seen a new longer-term profile for Damang that shows that we can make money at $1,300. And we might spend all of that money now and find that we don't have a business proposition for Damang. That has pushed out quite a lot of money. Some of the stripping we have also pushed out, because we are now focussing on the higher-grade areas we have already exposed. We're not going to keep on blindly stripping at Damang until we know where we are going.

And then I think it is generally good efficiency improvements, trying to do the same physical work for less money, contractors have been pulled back across the board. And it is amazing when things are tight and you go to your contractors and say we need a 20% saving and they give it to you, and yet two years ago they told us they are only making a 15% margin. So it's amazing how things can change. It's sharing the pain as much as we share the benefits in

the good times. Those are the main areas that we have cut. So it is a $230 million saving for the year against the initial guidance we have given you. I'm sure we can do more than that. Have we got time for one more?

Paul Schmidt – CFO
On the working capital the bulk of it relates to employee leave entitlements that we will take over. We will assume the liability and they will give us a credit for it.

Willie Jacobsz
Okay. Final question. There's one over there.

Kane Slutzkin – UBS
Hi, Kane Slutzkin here from UBS. Just on Damang, you have outlined quite a comprehensive turnaround strategy. Just out of interest, was closure ever an option?

Nick Holland – CEO
Yes. That's the simple answer.

Kane Slutzkin – UBS
Thanks.

Willie Jacobsz
Thank you very much for your time and attention. We do appreciate you coming. We will in five to ten minutes convene downstairs with journalists who want to ask specific questions.

If you have any further questions of our Chair, could you please contact Anne Dunne who will help set if up for you. Thank you very much.

END OF TRANSCRIPT